2013-2014

SENATE APPROPRIATIONS – BASE BUDGET

MINUTES

North Carolina General Assembly
Through Senate Committee on
Appropriations/Base Budget

2013-2014 Biennium
Leg. Day: H-104/S-104

Date: 07/30/2013
Time: 3:01:04 PM

Bill	Introducer	Short Title		Latest Action	Date In	Date Out
H 5	Dollar	Temporary Funding/Group Homes & SCUs.	*R	Ch. SL 2013-4	02/04/2013	02/20/2013
H 45	Horn	Internet Access for Public Schools.	*S	Ref To Com On Appropriations/Base Budget	03/14/2013	
H 60	Howard	Transfer of Indian Cultural Center Property.	*R	Ch. SL 2013-186	05/29/2013	06/05/2013
H 75	Horn	Kilah's Law/Increase Child Abuse Penalties.	R	Ch. SL 2013-35	03/13/2013	04/11/2013
H 107	Speciale	Eastern Region/Disbursement of Funds.	*R	Ch. SL 2013-256	06/18/2013	06/25/2013
H 157	Jeter, Jr.	Limit Use of Highway Fund Credit Balance.	*R	Ch. SL 2013-125	05/29/2013	06/05/2013
H 327	Howard	Fire and Rescue Pension Revisions of 2013.-AB	*R	Ch. SL 2013-284	06/26/2013	07/01/2013
$ H 336	**Conrad**	**Continuing Budget Authority.**	***R**	**Ch. SL 2013-184**	**06/24/2013**	**06/25/2013**
H 359	Moffitt	Retirement Administrative Changes Act of 2013.	*H	Pres. To Gov. 7/25/2013	06/26/2013	07/16/2013
H 417	Hastings	Modify Internal Auditing Statutes.	*H	Pres. To Gov. 7/29/2013	07/02/2013	07/09/2013
H 459	Dollar	Chronic Care Coordination Act.	R	Ch. SL 2013-207	05/29/2013	06/12/2013
H 491	Stone	School Resource Officers/Lee County.	*R	Ch. SL 2013-350	06/11/2013	07/19/2013
H 492	Dollar	Safeguard Qualified Individuals-Medicaid PCS.	*R	Ch. SL 2013-306	05/29/2013	06/24/2013
H 585	Lewis	PREA Compliance.	*S	Re-ref Com On Appropriations/Base Budget	06/05/2013	
H 615	Ramsey	Remove Revocation for DWLR.	*S	Re-ref Com On Appropriations/Base Budget	07/01/2013	
H 691	Szoka	Limit Soldiers CC Tuition.	*S	Re-ref Com On Appropriations/Base Budget	06/05/2013	
H 817	Brawley, Jr.	Strategic Transportation Investments.	*R	Ch. SL 2013-183	06/06/2013	06/12/2013
H 892	Catlin	No Fiscal Note for Rule Repeal.	*R	Ch. SL 2013-149	04/29/2013	06/05/2013
$ H 980	**Burr**	**Medicaid/2012-2013 Additional Appropriations.**	***R**	**Ch. SL 2013-56**	**05/23/2013**	**05/29/2013**
$ S 3	**Apodaca**	**Western Crime Lab Funds/Amend Evidence Laws.**	**S**	**Ref To Com On Appropriations/Base Budget**	**01/31/2013**	
$ S 6	**Rucho**	**UI Fund Changes.**	***S**	**Re-ref Com On Appropriations/Base Budget**	**04/11/2013**	
S 29	Hartsell	NC Railroad Company Reporting and Dividends.	*S	Re-ref Com On Appropriations/Base Budget	04/17/2013	
S 70	Tarte	Kilah's Law Increase Child Abuse Penalties.	S	Re-ref Com On Appropriations/Base Budget	02/26/2013	
$ S 90	**Randleman**	**Wilkes CC Multicampus Funding.**	**S**	**Ref To Com On Appropriations/Base Budget**	**02/18/2013**	
$ S 94	**Bingham**	**Yadkin Valley Career Academy Funding.**	**S**	**Re-ref Com On Appropriations/Base Budget**	**02/21/2013**	
S 131	Tucker	State Highway Patrol/Retention Bonuses.	S	Ref To Com On Appropriations/Base Budget	02/26/2013	
S 144	Hartsell	Nonprofit Grants/Increase Accountability.	*S	Re-ref Com On Appropriations/Base Budget	04/29/2013	
$ S 221	**Allran**	**Child Advocacy Center Funds.**	**S**	**Ref To Com On Appropriations/Base Budget**	**03/07/2013**	
S 223	Hise	Severance & Relocation For Area Directors.	R	Ch. SL 2013-339	03/13/2013	03/19/2013
S 250	Tarte	SPA/Exempt Certain ITS/OSP Employees.	S	Ref To Com On Appropriations/Base Budget	03/12/2013	
$ S 254	**Hartsell**	**Funds to Restore Private Well Program.**	**S**	**Ref To Com On Appropriations/Base Budget**	**03/12/2013**	
S 292	Brunstetter	Immediate License Revocation for Refusal.	*S	Re-ref Com On Appropriations/Base Budget	05/14/2013	
S 304	Meredith	Fire and Rescue Pension Revisions of 2013.	*S	Re-ref Com On Appropriations/Base Budget	05/02/2013	
S 326	Gunn	Repay Civil Penalty Funds to Schools.	S	Ref To Com On Appropriations/Base Budget	03/19/2013	
S 334	Hise	Dorothea Dix Lease.	*H	Conf Com Appointed	03/19/2013	03/21/2013
S 335	Brunstetter	Payment of 2012-2013 Medicaid Costs.	S	Ref To Com On Appropriations/Base Budget	03/19/2013	

North Carolina General Assembly
Through Senate Committee on
Appropriations/Base Budget

S 374	Tillman	NC Public Schools Budget Flexibility Act.	*S	Re-ref Com On Appropriations/Base Budget	04/17/2013	
$ S 398	**Brunstetter**	**Governor's Budget.**	**S**	**Ref To Com On Appropriations/Base Budget**	**03/26/2013**	
$ S 402	**Brunstetter**	**Appropriations Act of 2013.**	***R**	**Ch. SL 2013-360**	**03/26/2013**	**05/21/2013**
$ S 418	**Hunt**	**Appropriations Act of 2013.**	**S**	**Ref To Com On Appropriations/Base Budget**	**03/27/2013**	
$ S 419	**Brunstetter**	**Governor's Budget.**	**S**	**Ref To Com On Appropriations/Base Budget**	**03/27/2013**	
S 421	Parmon	Eugenics Compensation Program.	S	Ref To Com On Appropriations/Base Budget	03/27/2013	
$ S 423	**Parmon**	**Forsyth Tech Repurpose Funds.**	**S**	**Ref To Com On Appropriations/Base Budget**	**03/27/2013**	
S 436	Hartsell	Clarify Local Government Oversight.	S	Ref To Com On Appropriations/Base Budget	03/27/2013	
S 452	Goolsby	Jurisdictional Amts/Arbitration/Sm Claims Ct.	*R	Ch. SL 2013-159	04/17/2013	04/24/2013
$ S 457	**Pate**	**State Veterans' Cemetery in Goldsboro/Funds.**	**S**	**Ref To Com On Appropriations/Base Budget**	**03/27/2013**	
S 464	McKissick	Eugenics Compensation Program.	S	Ref To Com On Appropriations/Base Budget	03/28/2013	
S 465	McKissick	Prohibit Use of Tax Zapper Software.	*R	Ch. SL 2013-301	05/08/2013	05/09/2013
S 469	Brunstetter	Amend State Budget Act - Tech.	S	Ref To Com On Appropriations/Base Budget	03/28/2013	
$ S 487	**Brown**	**Appropriations Act of 2013.**	**S**	**Ref To Com On Appropriations/Base Budget**	**03/28/2013**	
S 510	Jackson	Bernard Allen Fund Modifications.	S	Ref To Com On Appropriations/Base Budget	03/28/2013	
S 525	Tarte	Limit Use of Highway Fund Credit Balance.	S	Ref To Com On Appropriations/Base Budget	04/01/2013	
S 532	Parmon	Funds/NC Catalyst.	S	Ref To Com On Appropriations/Base Budget	04/01/2013	
S 534	Parmon	CDBG Funds/Housing.	S	Ref To Com On Appropriations/Base Budget	04/01/2013	
S 556	Hise	Wind Up High Risk Health Insurance Pool.	*S	Re-ref Com On Appropriations/Base Budget	05/15/2013	
S 566	Stein	Teen Court/Drug Court Justice Act.	S	Ref To Com On Appropriations/Base Budget	04/02/2013	
$ S 605	**Hise**	**Funds/Child Treatment Program.**	**S**	**Ref To Com On Appropriations/Base Budget**	**04/03/2013**	
$ S 654	**Parmon**	**Salary Increase for School Employees.**	**S**	**Ref To Com On Appropriations/Base Budget**	**04/03/2013**	
$ S 656	**Parmon**	**Essential Funding for Public Schools.-AB**	**S**	**Ref To Com On Appropriations/Base Budget**	**04/03/2013**	
S 663	Hise	Blue Ribbon Comm. Recs./Supportive MH Housing.	*H	Ref to the Com on Health and Human Services, if favorable, Appropriations	05/29/2013	06/12/2013
S 664	Cook	Consolidate DV Commission/Council for Women.	S	Re-ref Com On Appropriations/Base Budget	05/09/2013	
$ S 725	**Brunstetter**	**Governor's Proposed Budget.**	**S**	**Ref To Com On Appropriations/Base Budget**	**04/18/2013**	

'$' indicates the bill is an appropriations bill.
A bold line indicates that the bill is an appropriations bill.
'*' indicates that the text of the original bill was changed by some action.
'=' indicates that the original bill is dentical to another bill

MEMBERSHIP

SENATE APPROPRIATIONS BASE BUDGET COMMITTEE

2013-2014 Biennium

Senator Harry Brown, Co-Chair
300-B, LOB 715-3034
Susanne Gunter

Senator Pete Brunstetter, Co-Chair
2022 LB 733-7850
Mary Marchman

Senator Neal Hunt, Co-Chair
309 LOB 733-5850
Kathy Davis

Senator Tom Apodaca
2010 LB 733-5745
Carolyn Gooden

Senator Dan Blue
1117 LB 733-5752
Bonnie McNeil

Senator Andrew C. Brock
521 LOB 715-0690
Judy Edwards

Senator Angela R. Bryant
520 LOB 733-5878
Karon Hardy

Senator Don Davis
518 LOB 715-8363
Blinda Edwards

Senator Joel D. M. Ford
1119 LB 733-5955
Jackie Ray

Senator Thom C. Goolsby
406 LOB 715-2525
Joseph Kyzer

Senator Kathy Harrington
2113 LB 733-5734
Kolt Ulm

Senator Brent Jackson
523 LOB 733-5705
Philip Christofferson

Senator Martin Nesbitt, Jr.
1129 LB 715-3001
Jan Lee, Evelyn Costello

Senator Earline W. Parmon
529 LOB 733-5620
Pat Christmas

Senator Louis M. Pate, Jr.
1028 LB 733-5621
Edna Pearce

Senator Bill Rabon
2108 LB 733-5963
Paula Fields, Rob Jansen

Senator Gladys A. Robinson
1120 LB 715-3042
Phyllis Cameron

Senator Robert A. Rucho
300-A LOB 733-5655
Helen Long, Paul Rucho

Senator Jerry W. Tillman
627 LOB 733-5870
Suzanne Castleberry, Mark Shiver

Senator Tommy Tucker
311 LOB 733-7659
Joey Stansbury

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2013

Co-Chairman:



Sen. Peter Brunstetter
District 31 (Forsyth, Yadkin)

Co-Chairman:



Sen. Neal Hunt
District 15 (Wake)

Co-Chairman:



Sen. Harry Brown
District 6 (Jones, Onslow)

Members:



Sen. Tom Apodaca
District 48 (Buncombe, Henderson, Polk)



Sen. Dan Blue
District 14 (Wake)



Sen. Andrew Brock
District 34 (Davie, Rowan, Iredell)



Sen. Angela Bryant
District 4 (Halifax, Nash, Vance, Warren, Wilson)



Sen. Don Davis
District 5 (Greene, Lenoir, Pitt, Wayne)



Sen. Joel D. M. Ford
District 38 (Mecklenburg)



Sen. Thom Goolsby
District 9 (New Hanover)



Sen. Kathy Harrington
District 43 (Gaston)

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2013



Sen. Brent Jackson
District 43 (Duplin, Johnston, Sampson)



Sen. Martin L. Nesbitt, Jr.
District 49 (Buncombe)



Sen. Earline W. Parmon
District 32 (Forsyth)



Sen. Louis Pate
District 7 (Lenoir, Pitt, Wayne)



Sen. Bill Rabon
District 8 (Bladen, Pender, Brunswick, New Hanover)



Sen. Gladys Robinson
District 28
(Guilford)



Sen. Bob Rucho
District 39 (Mecklenburg)



Sen. Jerry W. Tillman
District 29 (Moore, Randolph)



Sen. Tommy Tucker
District 35 (Union)

Attachment 3

Senate Committee on Appropriations/Base Budget
Wednesday, February 20, 2013, 8:30 AM
643 Legislative Office Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 5	Temporary Funding Extension for Group Homes.	Representative Dollar Representative Burr

Presentations

Representative Nelson Dollar
Senator Louis Pate

Other Business

Adjournment

Senate Committee on Appropriations/Base Budget
Wednesday, February 20, 2013 at 8:30 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:30 AM on February 20, 2013 in Room 643 of the Legislative Office Building. 16 members were present.
Senator Neal Hunt, Chair, presided. Senator Hunt called the meeting to order and recognized the Sergeant at Arms' staff and Pages.

Senator Jackson moved to adopt the **PCS for HB 5** for discussion: **Temporary Funding/Group Homes & SCUs.** Senator Pate seconded.

AN ACT REQUIRING THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO PROVIDE TEMPORARY, SHORT-TERM FINANCIAL ASSISTANCE TO (1) GROUP HOMES SERVING RESIDENTS DETERMINED NOT TO BE ELIGIBLE FOR MEDICAID COVERED PERSONAL CARE SERVICES AS A RESULT OF CHANGES TO ELIGIBILITY CRITERIA THAT BECAME EFFECTIVE ON JANUARY 1, 2013. AND (2) SPECIAL CARE UNITS SERVING RESIDENTS WHO QUALIFY FOR MEDICAID COVERED PERSONAL CARE SERVICES ON OR AFTER JANUARY 1, 2013.

Senator Hunt recognized Representative Dollar to explain the original HB 5. Chairman Hunt then recognized Senator Pate to explain the PCS for HB 5.

Senator Brock moved for a favorable report. The motion carried.

Attachments:

1 Committee Membership
2 Committee Notice
3 Agenda
4 HB 5
5 PCS for HB 5
6 Summary of PCS for HB 5
7 Visitor's Log
8 Committee Report

The meeting adjourned at 8:48 AM.

Senator Neal Hunt, Chair
Presiding

Kathy Davis, Committee Clerk

Attachment 1

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2013

SENATOR	LEGISLATIVE ASSISTANT	ROOM	PHONE
	Chairs		
Peter S. Brunstetter	Mary Marchman	2022 LB	3-7850
K. Neal Hunt	Kathy Davis	309 LOB	3-5850
Harry Brown	Susanne Gunter	300-B LOB	5-3034
	Members		
Tom Apodaca	Carolyn Gooden	2010 LB	3-5745
Dan T. Blue	Bonnie McNeil	1117 LB	3-5752
Andrew C. Brock	Judy Edwards	521 LOB	5-0690
Angela R. Bryant	Karon Hardy	520 LOB	3-5878
Don Davis	Blinda Edwards	518 LOB	5-8363
Joel D. M. Ford	Jackie Ray	1119 LB	3-5955
Thom C. Goolsby	Joseph Kyzer	406 LOB	5-2525
Kathy Harrington	Kolt Ulm	2113 LB	3-5734
Brent Jackson	Philip Christofferson	523 LOB	3-5705
Martin Nesbitt, Jr.	Evelyn Costello, Jan Lee	1129 LB	5-3001
Earline W. Parmon	Pat Christmas	529 LOB	3-5620
Louis M. Pate, Jr.	Edna Pearce	1028 LB	3-5621
Bill Rabon	Paula Fields, Rob Jansen	2108 LB	3-5963
Gladys A. Robinson	Phyllis Cameron	1120 LB	5-3042
Robert A. Rucho	Helen Long, Paul Rucho	300-A LOB	3-5655
Jerry W. Tillman	Mark Shiver, Susanne Castleberry	627 LOB	3-5870
Tommy Tucker	Joey Stansbury	311 LOB	3-7659

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2013

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Sen. Neal Hunt
District 15 (Wake)

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Sen. Harry Brown
District 6 (Jones, Onslow)

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Sen. Tom Apodaca
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Sen. Dan Blue
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Sen. Andrew Brock
District 34 (Davie, Rowan, Iredell)



Sen. Angela Bryant
District 4 (Halifax, Nash, Vance, Warren, Wilson)



Sen. Don Davis
District 5 (Greene, Lenoir, Pitt, Wayne)



Sen. Joel D. M. Ford
District 38 (Mecklenburg)



Sen. Thom Goolsby
District 9 (New Hanover)



Sen. Kathy Harrington
District 43 (Gaston)

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2013



Sen. Brent Jackson
District 43 (Duplin, Johnston, Sampson)



Sen. Martin L. Nesbitt, Jr.
District 49 (Buncombe)



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District 8 (Bladen, Pender, Brunswick, New Hanover)



Sen. Gladys Robinson
District 28
(Guilford)



Sen. Bob Rucho
District 39 (Mecklenburg)



Sen. Jerry W. Tillman
District 29 (Moore, Randolph)



Sen. Tommy Tucker
District 35 (Union)

Attachment 2

ıthy Davis (Sen. Neal Hunt)

From: Kathy Davis (Sen. Neal Hunt)
Sent: Monday, February 18, 2013 11:03 AM
To: Rep. Nelson Dollar; Rep. Justin Burr
Cc: Candace Slate (Rep. Nelson Dollar); Dina Long (Rep. Justin Burr)
Subject: <NCGA> Senate Appropriations/Base Budget Committee Meeting Notice for Wednesday, February 20, 2013 at 8:30 AM

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

he **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	February 20, 2013	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 5	Temporary Funding Extension for Group Homes.	Representative Dollar Representative Burr

Senator Hunt is scheduled to chair.

Senator Harry Brown, Co-Chair
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H 1

HOUSE BILL 5

Short Title:	Temporary Funding Extension for Group Homes.	(Public)
Sponsors:	Representatives Dollar and Burr (Primary Sponsors). *For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.*	
Referred to:	Appropriations.	

January 31, 2013

A BILL TO BE ENTITLED

AN ACT REQUIRING THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO PROVIDE TEMPORARY, SHORT-TERM FINANCIAL ASSISTANCE TO GROUP HOMES SERVING RESIDENTS WHO LOSE ELIGIBILITY FOR MEDICAID-COVERED PERSONAL CARE SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1.(a) As used in this act, "group home" means any facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised living facility under 10A NCAC 27G .5601, and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability but may also have other diagnoses.

SECTION 1.(b) The Department of Health and Human Services shall provide temporary, short-term financial assistance in the form of a monthly payment to a group home on behalf of a resident who loses eligibility for Medicaid covered personal care services (PCS) after an independent assessment conducted prior to December 31, 2012, due to Medicaid State Plan changes in PCS eligibility criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194. Notwithstanding any other provision of law, the Department shall make this monthly payment from the thirty-nine million seven hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145, subject to all of the following requirements and limitations:

(1) The amount of the monthly payments authorized by this act shall not exceed six hundred ninety-four dollars ($694.00) per month for each resident who becomes ineligible for Medicaid-covered PCS after an independent assessment conducted prior to December 31, 2012, due to Medicaid State Plan changes in PCS eligibility criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194, for a period not to exceed three months for each resident. At the expiration of this three-month period, the monthly payment for each resident shall be reduced by twenty-five percent (25%) and shall not exceed five hundred twenty dollars and fifty cents ($520.50) per month per resident.

(2) The Department shall make monthly payments authorized by this act to a group home on behalf of a resident only during the period commencing February 1, 2013, and ending June 30, 2013.

(3) The Department shall make monthly payments authorized by this act only to the extent sufficient funds are available from the thirty-nine million seven

hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145.

(4) The Department shall not make monthly payments authorized by this act to a group home on behalf of a resident during the pendency of an appeal by or on behalf of the resident under G.S. 108A-70.9A.

(5) The Department shall terminate all monthly payments pursuant to this section on June 30, 2013, or upon depletion of the thirty-nine million seven hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Sec. 3.6 of S.L. 2012-145, whichever is earlier.

SECTION 2. This act is effective when it becomes law and expires on June 30, 2013.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H D

HOUSE BILL 5
PROPOSED SENATE COMMITTEE SUBSTITUTE H5-CSMG-4 [v.9]

2/19/2013 7:22:29 PM

Short Title: Temporary Funding/Group Homes & SCUs. (Public)

Sponsors:

Referred to:

January 31, 2013

A BILL TO BE ENTITLED

AN ACT REQUIRING THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO PROVIDE TEMPORARY, SHORT-TERM FINANCIAL ASSISTANCE TO (1) GROUP HOMES SERVING RESIDENTS DETERMINED NOT TO BE ELIGIBLE FOR MEDICAID COVERED PERSONAL CARE SERVICES AS A RESULT OF CHANGES TO ELIGIBILITY CRITERIA THAT BECAME EFFECTIVE ON JANUARY 1, 2013, AND (2) SPECIAL CARE UNITS SERVING RESIDENTS WHO QUALIFY FOR MEDICAID COVERED PERSONAL CARE SERVICES ON OR AFTER JANUARY 1, 2013.

The General Assembly of North Carolina enacts:

SECTION 1.(a) As used in this act, "group home" means any facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised living facility under 10A NCAC 27G .5601, and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability but may also have other diagnoses.

SECTION 1.(b) The Department of Health and Human Services shall provide temporary, short-term financial assistance in the form of a monthly payment to a group home on behalf of a resident who was eligible for Medicaid-covered personal care services (PCS) prior to January 1, 2013, but is determined to be ineligible for PCS on or after January 1, 2013, due to Medicaid State Plan changes in PCS eligibility criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194. Notwithstanding any other provision of law, the Department shall only be required to make these monthly payments from the thirty-nine million seven hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145, and these monthly payments shall be subject to all of the following requirements and limitations:

(1) The amount of the monthly payments authorized by this section shall not exceed six hundred ninety-four dollars ($694.00) per month for each resident who becomes ineligible for Medicaid-covered PCS after an independent assessment conducted prior to December 31, 2012, due to Medicaid State Plan changes in PCS eligibility criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194, for a period not to exceed three months for each resident. At the expiration of this three-month period, the monthly payment for each resident shall be reduced by twenty-five percent (25%) and shall not exceed five hundred twenty dollars and fifty cents ($520.50) per month per resident.

(2) The Department shall make monthly payments authorized by this section to a group home on behalf of a resident only for the period commencing February 1, 2013, and ending June 30, 2013.

(3) The Department shall make monthly payments authorized by this section only to the extent sufficient funds are available from the thirty-nine million seven hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145.

(4) The Department shall not make monthly payments authorized by this section to a group home on behalf of a resident during the pendency of an appeal by or on behalf of the resident under G.S. 108A-70.9A.

(5) The Department shall terminate all monthly payments pursuant to this section on June 30, 2013, or upon depletion of the thirty-nine million seven hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Sec. 3.6 of S.L. 2012-145, whichever is earlier.

SECTION 1.(c) The Department of Health and Human Services shall provide temporary, short-term financial assistance in the form of a supplemental monthly payment to a special care unit licensed under Chapter 131D or Chapter 131E of the General Statutes, on behalf of a resident who was eligible for PCS prior to January 1, 2013, and is determined to be eligible for PCS on or after January 1, 2013, based on the eligibility criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194. Notwithstanding any other provision of law, the Department shall only be required to make these supplemental monthly payments from the thirty-nine million seven hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145, and these supplemental monthly payments shall be subject to all of the following requirements and limitations:

(1) The amount of the supplemental monthly payments authorized by this section shall not exceed two hundred sixty eight dollars ($268.00) per month for each resident who qualifies for PCS on or after January 1, 2013.

(2) A special care unit receiving supplemental monthly payments authorized by this section shall not use the supplemental monthly payments to cover any portion of the cost of providing services for which the resident receives Medicaid coverage. A special care unit shall use these supplemental monthly payments only for the continued provision of special care services for which the resident does not otherwise receive Medicaid coverage.

(3) The Department shall make supplemental monthly payments authorized by this section to a special care unit on behalf of a resident only for the period commencing March 1, 2013, and ending June 30, 2013.

(4) The Department shall make supplemental monthly payments authorized by this section only to the extent sufficient funds are available from the thirty-nine million seven hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145.

(5) The Department shall not make supplemental monthly payments authorized by this section to a special care unit on behalf of a resident during the pendency of an appeal by or on behalf of the resident under G.S. 108A-70.9A.

(6) The Department shall terminate all supplemental monthly payments pursuant to this section on June 30, 2013, or upon depletion of the thirty-nine million

seven hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Sec. 3.6 of S.L. 2012-145, whichever is earlier.

SECTION 1(d). Notwithstanding the provision of Section 10.23A.(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145, that requires residents to complete an independent assessment process prior to December 31, 2012, the Department of Health and Human Services shall provide the temporary, short-term financial assistance authorized in Section 10.23A(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145, to an adult care home on behalf of a resident who: (i) was eligible for PCS prior to January 1, 2013, (ii) completed an independent assessment process, regardless of whether it was completed prior to December 31, 2012, and (iii) is determined to be ineligible for PCS on or after January 1, 2013, due to Medicaid State Plan changes in PCS eligibility criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194. This section shall not be construed to waive any of the certification or other requirements imposed on adult care homes under Section 10.23A(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145.

SECTION 2. Notwithstanding any provision of this act or any other provision of law, the Department of Health and Human Services shall not be required to provide any temporary, short-term financial assistance to adult care homes, group homes, or special care units beyond June 30, 2013, or upon depletion of the thirty-nine million seven hundred thousand dollars ($39,700,000) appropriated for the 2012-2013 fiscal year and designated in Section 10.23A(f) of S.L. 2012-142, as amended by Sec. 3.6 of S.L. 2012-145, whichever is earlier.

SECTION 3. In order to ensure compliance with federal Medicaid comparability requirements and the settlement agreement filed on August 23, 2012, between the United States Department of Justice and the State of North Carolina, the General Assembly shall not appropriate State funds for the 2013-2014 fiscal year or the 2014-2015 fiscal year for the purposes specified in Section 10.23A(f) of S.L. 2012-142, as amended by Section 3.6 of S.L. 2012-145, or for the purposes specified in Section 1 of this act.

SECTION 4. Section 1 of this act is effective when it becomes law and expires on June 30, 2013. The remainder of this act is effective when it becomes law.

House Bill 5:
Temporary Funding Extension for Group Homes & Special Care Units.

BILL ANALYSIS

Committee: Senate Appropriations
Date: February 20, 2013
Version: PCS H5-CSMG-4 (v. 9)

Introduced by:
Summary by: Joyce W. Jones, Staff Attorney

SUMMARY: ***The Proposed Committee Substitute for House Bill 5 directs the Department of Health and Human Services (DHHS) to provide temporary, short-term financial assistance: (1) to group homes in the form of monthly payments to support the continued provision of services to group home residents who lost Medicaid covered Personal Care Services (PCS) as a result of Medicaid State Plan changes in PCS eligibility criteria that became effective on January 1, 2013, and (2) to special care units in the form of supplemental monthly payments to support the continued provision of special care services to residents who qualify for PCS, but for a reduced number of hours per month, as a result of the changes to PCS eligibility criteria that went into effect on January 1, 2013. The bill requires that both the monthly payments to group homes and the supplemental monthly payments to special care units be made from $39.7 million dollars of existing, budgeted non-recurring Transitions to Community Living funds designated for similar short-term financial assistance to adult care homes. The Proposed Committee Substitute also removes as a criterion for adult care homes to receive these funds on behalf of any resident, the completion of an independent assessment process for the resident prior to December 31, 2012.***

Section 1.(a) – Defines "group home" as any facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised living facility under 10A NCAC 27G .5601, and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability but may also have other diagnoses. 10A NCAC 27G .5601 defines a supervised living facility as "a 24-hour facility which provides residential services to individuals in a home environment where the primary purpose of these services is the care, habilitation or rehabilitation of individuals who have a mental illness, a developmental disability or disabilities ... and who require supervision when in the residence."

Section 1.(b) – Directs DHHS to provide temporary, short-term monthly payments to group homes on behalf of residents who were eligible for Medicaid covered PCS prior to January 1, 2013, but lost that eligibility due to Medicaid State Plan changes in PCS eligibility criteria specified in the current budget bill, which became effective on January 1, 2013.

DHHS must make the monthly payments to group homes from $39.7 million dollars of existing, budgeted nonrecurring Transitions to Community Living funds appropriated for the 2012-2013 fiscal year to provide similar short-term financial assistance to adult care homes whose residents no longer qualify for PCS based on the eligibility changes that went into effect on January 1, 2013.

The monthly payments to group homes are subject to the following five requirements and limitations:

1. Monthly payments cannot exceed $694.00 per resident per month for a maximum of 3 months; after three months, payments must be reduced by 25% and cannot exceed $525.50 per resident per month.
2. Monthly payments can only be made for the period commencing February 1, 2013, and ending June 30, 2013.

3. Monthly payments can only be made for as long as sufficient funds are available from the $39.7 million dollars of existing, budgeted nonrecurring funds appropriated for the 2012-2013 fiscal year.

4. DHHS cannot make monthly payments to a group home on behalf of any resident who has an appeal pending under G.S. 108A-70.9A. [In accordance with federal regulations, maintenance of (personal care) services – "MOS" – will be available for group home residents whose proper request for continuation of PCS has been denied and who have filed a timely appeal.]

5. All monthly payments to group homes terminate on June 30, 2013, or upon depletion of the $39.7 million dollar appropriation, whichever is sooner.

Section 1.(c) – Directs DHHS to provide temporary, short-term supplemental monthly payments to licensed special care units on behalf of residents who were eligible for PCS prior to January 1, 2013, and are determined eligible for PCS on or after January 1, 2013, based on new eligibility criteria specified in the current budget bill, which became effective on January 1, 2013.

DHHS must make the monthly supplemental payments to special care units from $39.7 million dollars of existing, budgeted nonrecurring Transitions to Community Living funds appropriated for the 2012-2013 fiscal year to provide similar short-term financial assistance to adult care homes (and now group homes per Section 1.(a)) whose residents no longer qualify for PCS based on the eligibility changes that went into effect on January 1, 2013.

The monthly supplemental payments to special care units are subject to the following six requirements and limitations:

1. Supplemental monthly payments cannot exceed $268.00 per resident per month.

2. Special care units can only use the supplemental monthly payments for the continued provision of special care services for which the resident does not otherwise receive Medicaid coverage. [Federal and State regulations require Medicaid providers to accept the amounts paid by DHHS plus any authorized deductible, coinsurance, or copayment as payment in full for all Medicaid covered services.]

3. Supplemental monthly payments can only be made for the period commencing March 1, 2013, and ending June 30, 2013.

4. Supplemental monthly payments can only be made for as long as sufficient funds are available from the $39.7 million dollars of existing, budgeted nonrecurring funds appropriated for the 2012-2013 fiscal year.

5. DHHS cannot make supplemental monthly payments to a special care unit on behalf of any resident who has an appeal pending under G.S. 108A-70.9A. [In accordance with federal regulations, maintenance of (personal care) services – "MOS" – will be available for special care unit residents whose proper request for continuation of PCS at the prior level has been denied and who have filed a timely appeal.]

6. All supplemental monthly payments to special care units terminate on June 30, 2013, or upon depletion of the $39.7 million dollar appropriation, whichever is sooner.

Section 1.(d) – Voids the requirement in the current budget bill that an adult care home resident must complete an independent assessment process by December 31, 2012, in order for the adult care home to receive temporary, short-term supplemental monthly payments on behalf of the resident. Adult care homes are still required to meet all other requirements for receiving these monthly payments that are imposed on them in the current budget bill.

Section 2. – Expressly states that DHHS will not be required to provide any temporary, short-term financial assistance to adult care homes, group homes, or special care units beyond the end of the current fiscal year, or upon depletion of the $39.7 million dollar appropriation, whichever is sooner.

Section 3. – In order to ensure compliance with federal Medicaid comparability requirements and the settlement agreement between the United States Department of Justice and the State of North Carolina, directs the General Assembly not to appropriate any additional State funds for the current fiscal biennium for the purpose of providing temporary, short-term financial assistance to adult care homes, group homes, or special care units on behalf of residents impacted by the changes to PCS that went into effect on January 1, 2013.

Section 4. – Effective Date: Section 1 is effective when the act becomes law and expires on June 30, 2013. Sections 2, 3, and 4 are effective when the act becomes law.

BACKGROUND: The new PCS eligibility criteria specified in Section 10.9F(c) of S.L. 2012-142, as amended by Section 70 of S.L. 2012-194, raised the level of disability a resident of a licensed care home setting such as a group home, special care unit, or adult care home must demonstrate in order to qualify for the benefit, and also reduced the maximum number of hours of Medicaid covered PCS a recipient could receive each month from 120 hours to 80 hours. A resident in a licensed care home setting such as a group home, a special care unit, or an adult care home can now qualify for a maximum of 80 hours of PCS per month if the resident has a medical condition, disability, or cognitive impairment and demonstrates unmet needs for, at a minimum, (i) three of the five qualifying activities of daily living (ADLs) with limited hands-on assistance; (ii) two ADLs, one of which requires extensive assistance; or (iii) two ADLs, one of which requires assistance at the full dependence level. The five qualifying ADLs are eating, dressing, bathing, toileting, and mobility.

The exact number of hours of PCS for each qualifying resident is determined in accordance with (i) an independent assessment of the resident's degree of functional disability and level of unmet needs for PCS in the five qualifying ADLs and (ii) a plan of care developed by the licensed home and approved by DHHS, Division of Medical Assistance, or its designee. PCS covers hands-on assistance with ADLs, including bathing, dressing, mobility, toileting, and eating. PCS may also include assistance with related home management tasks, medications, adaptive or assistive devices, and durable medical equipment if the assistance is directly related to the resident's qualifying ADLs. PCS does not cover transportation; financial management; non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting; or household chores not directly related to the resident's qualifying ADLs.

The recent changes to eligibility criteria for receiving PCS were prompted by notification from the federal Centers for Medicare and Medicaid Services (CMS) that North Carolina's PCS benefit was not in compliance with Medicaid comparability requirements. Under those requirements, the State Medicaid Plan must provide that the services available to any categorically needy recipient under the Plan are not less in amount, duration, and scope than those services available to a medically needy recipient, and the Plan must provide that the services available to any individual in the categorically needy or medically needy group are equal in amount, duration, and scope for all recipients within the group. Prior to January 1, 2013, the eligibility criteria for receiving PCS in an institutional setting were less stringent than

the criteria for receiving PCS in a residential setting. CMS has determined that the enacted changes to the PCS benefit that went into effect on January 1, 2013, achieve federal Medicaid comparability requirements by making PCS eligibility criteria the same in all settings.

The purpose of the settlement agreement dated August 23, 2012, between the United States Department of Justice (USDOJ) and the State of North Carolina is to assure that persons with mental illness are allowed to reside in their communities in the least restrictive settings of their choice. The settlement agreement is the end product of over a year of negotiations between the State and the USDOJ. The Department began implementing the agreement through the Transitions to Community Living Initiative described in Section 10.23A of the current budget bill, which provides the source of Transitions to Community Living funds for the temporary, short-term financial assistance authorized for adult care homes, group homes, and special care homes under this act and the current budget bill.

Attachment 7

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: February 20, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
1	Stephanie Holladay	3904 OLD Vineyard Rd. W-S. 27103
2	Amy Vestal	3904 OLD Vineyard Rd. W-S. 27103
3	Cindy Andrea Bowen	3904 OLD Vineyard Rd. W-S 27103
4		
5		
6	Jamie Wadal	Eastern Seals UCP
7	Spencer Clark	DMHDDSAS
8	Sabrina Lee	DMA
9	Mary Butler	AARP-NC
10	Jennifer Mahan	ASNC
11	Evelyn Hawthorne	NCMHA, NCAAP
12	Corye Dunn	DRNC
13	BRAD ALLEN	NC SENIOR GAMES
14	Tonni's Streets	NC DAAS, DHHS
15	Peggy Smith	NC Assisted Living Assoc.
16	Sandra Farmer	Brain Injury Association of NC
17	Will Tamy Hill	NCHFA

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

CORRECTED REPORT #2

Wednesday, February 20, 2013

Senator Hunt,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

HB 5 Temporary Funding Extension for Group Homes.

Draft Number:	H5-PCS70055-MG-6
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Senator Louis Pate will handle HB 5

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Wednesday, February 20, 2013

Senator Hunt,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

HB 5 Temporary Funding Extension for Group Homes.

Draft Number:	H5-PCS70053-MG-4
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Senator Louis Pate will handle HB 5



ATTACHMENT 2

Agenda

Senate and House of Representatives Appropriations Committees

Legislative Office Building, Room 643
March 21, 2013
8:00 a.m.

I. Opening Remarks

Sen. Harry Brown
Sen. Pete Brunstetter
Sen. Neal Hunt

Rep. Justin Burr
Rep. Nelson Dollar
Rep. Bryan Holloway
Rep. Linda Johnson

II. Presentation of the Governor's 2013-15 Recommended Budget

Art Pope
State Budget Director

III. Adjourn

Joint Senate and House Committee on Appropriations/Base Budget
Thursday, March 21, 2013 at 8:00 - 10:00 AM
Room 643 of the Legislative Office Building

MINUTES

The Joint Senate and House Committee on Appropriations/Base Budget met at 8:00 - 10:00 AM on March 21, 2013 in Room 643 of the Legislative Office Building. Sixteen Senators were present. Senator Peter S. Brunstetter presided.

Presentation of the Governor's 2013-2015 Recommended Budget

Introduction and Summary of FY 2013-15 Budget
Art Pope
State Budget Director

Education, General Government
Elizabeth Grovenstein
Assistant State Budget Officer for Education

Health and Human Services
Pam Kilpatrick
Assistant State Budget Officer for Health and Human Services

Natural and Economic Resources Justice and Public Safety and Transportation
Mercidee Benton
Assistant State Budget Officer for Justice and Public Safety, Natural and Economic Resources and Transportation

Statewide Reserves
Art Pope
State Budget Director

Summary and Questions
Art Pope
State Budget Director

Attachments:

1. Committee Notice
2. Agenda
3. Governor's Recommended Budget
4. Visitor's Log

The meeting adjourned at 9:55 AM.

Senator Peter S. Brunstetter
Presiding

Mary Marchman
Mary Marchman, Committee Clerk

ATTACHMENT 1

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	March 21, 2013	8:00 - 10:00 AM	643 LOB

Governor's Budget Presentation

Senator Peter S. Brunstetter, Presiding

Senator Harry Brown, Co-Chair
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair

(H) House

The Governor's Recommended 2013-15 Budget

Governor Pat McCrory

Art Pope

State Budget Director

Office of State Budget and Management

March 21, 2013

ATTACHMENT 3

Governor's Priorities and Summary

- Governor McCrory has structured his budget around three main priorities
  - Economy
  - Education
  - Efficiency and Transformation in State Government
- Presents a budget that continues North Carolina's long tradition as a national leader in fiscal management
  - Maintains and enhances reserves in excess of $900 million
  - Will allow North Carolina to continue to be one of only eight states to hold the Triple A bond rating from all three rating agencies
  - Leaves $131 million unspent in FY 2013-14 and $332 million unspent in FY 2014-15
- Authorizes no new debt
- Authorizes no tax increases
- Budgets 9% less per capita than the budget did 5 years ago, while the state population has grown by 560,000
- Budget grows responsibly, consistent with inflation of 1.5% and below the overall economic growth anticipated for FY 2013-14

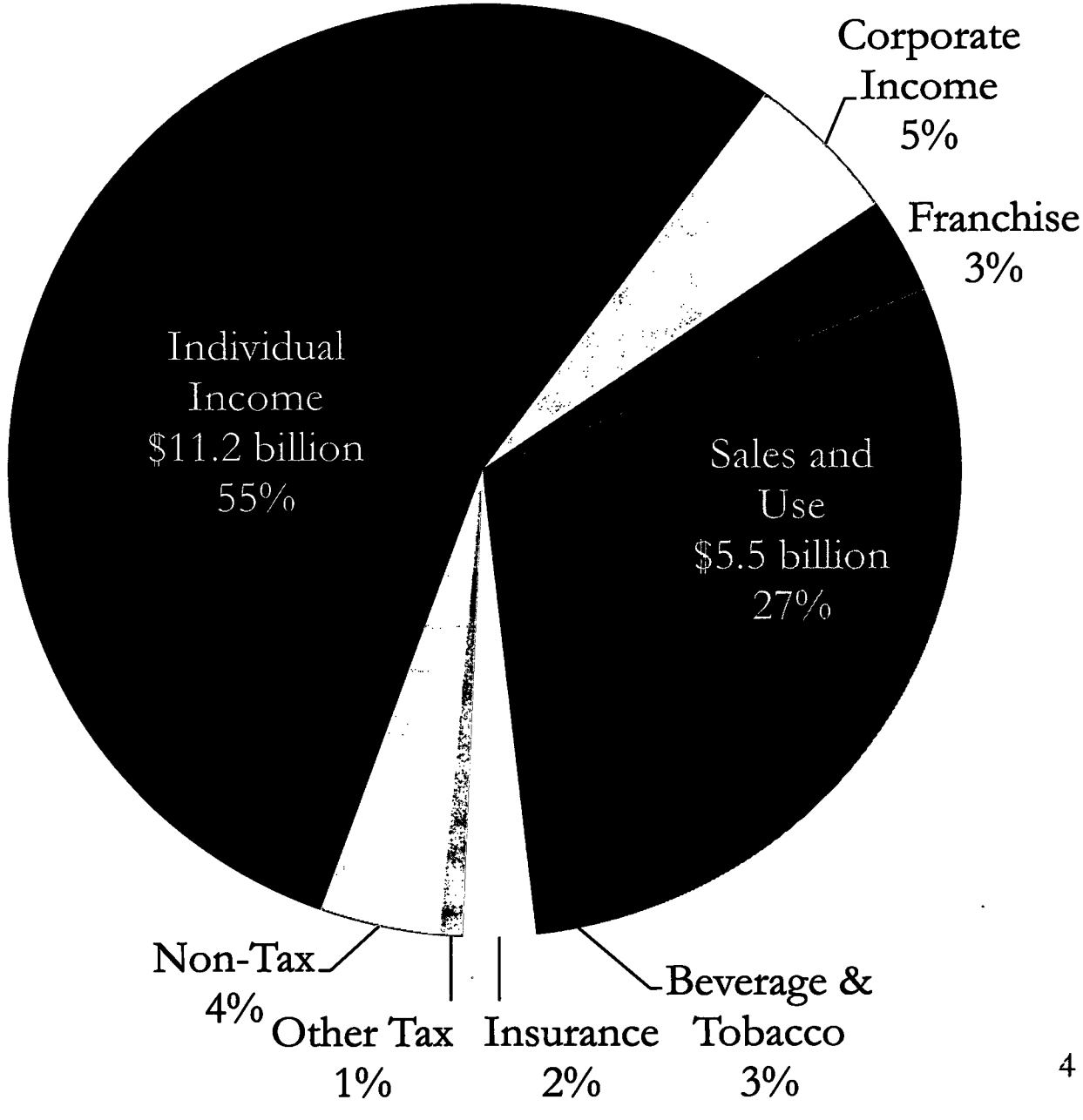
General Fund Availability

Brief Description	FY 2013-14	FY 2014-15
Availability		
Credit Balance:		
Unappropriated Balance	213,432,878	130,825,236
Anticipated Overcollections from FY 2012-13	102,600,000	0
Anticipated Reversions from FY 2012-13	125,000,000	0
Medicaid Funding Required for FY 2012-13	(123,100,000)	0
Transfer to Savings Reserve Account	(200,000,000)	(130,825,236)
Transfer to Repair and Renovations Account	(117,932,878)	0
Subtotal Credit Balance	0	0
Revenue Based on Existing Tax Structure	20,567,000,000	21,513,600,000
Revenue Changes:		
Repeal Estate Tax	(52,000,000)	(57,000,000)
Other Funds and Transfers	142,493,840	135,304,087
Repeal Transfer to Public School Building Capital Fund	75,000,000	75,000,000
Subtotal Revenue Changes	165,493,840	153,304,087
Total Availability	**20,732,493,840**	**21,666,904,087**

General Fund Revenue by Source

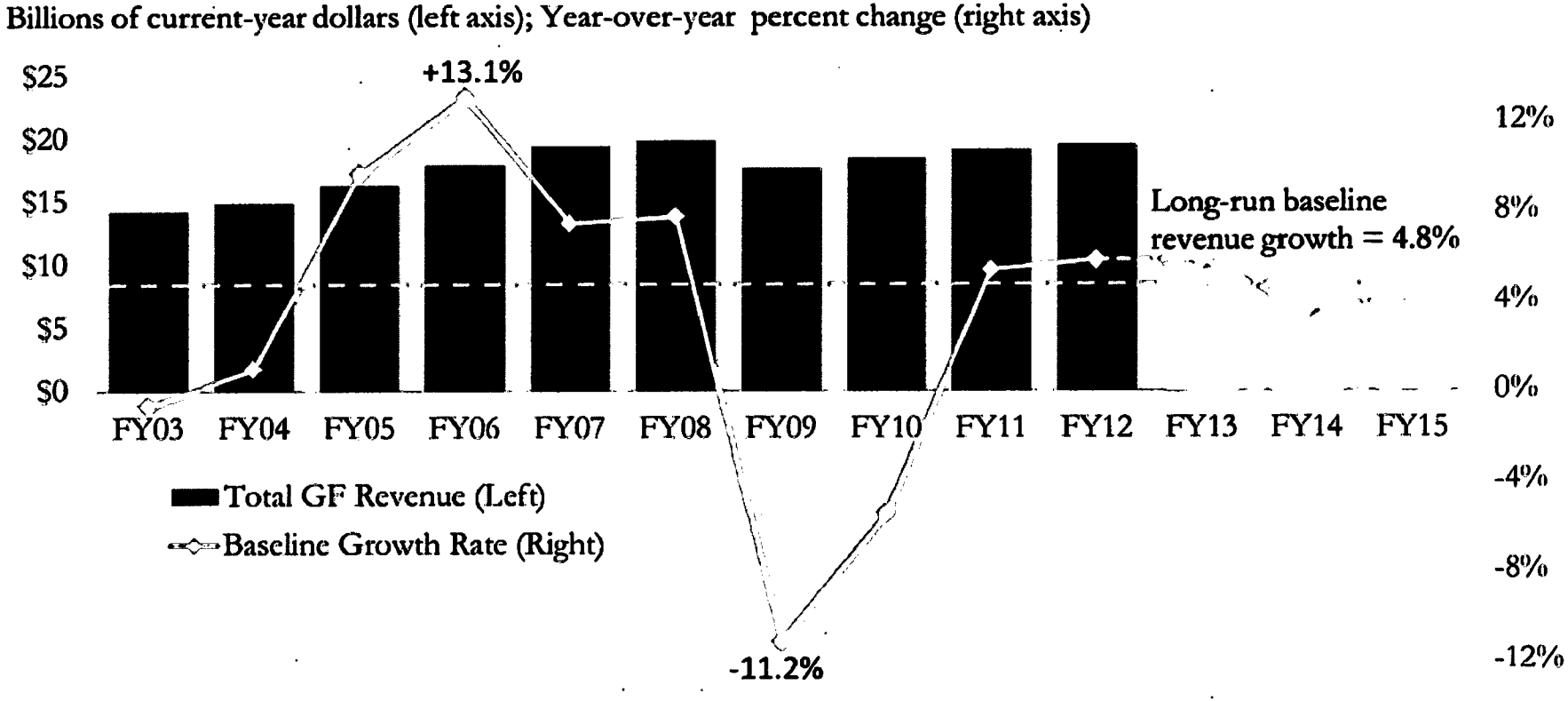
FY 2013-14 General Fund Revenues = $20.6 billion

- Individual income tax - comprises more than half of all General Fund revenues
- Sales and use tax - comprises more than one quarter of total General Fund revenues
- All other taxes combined comprise 15% of total General Fund revenues
- Non-tax revenue sources comprise remaining 4%



Forecast for FY 2013-15 Anticipates Modest Growth

- Consensus General Fund Revenue Forecast with the Fiscal Research Division
- FY 2013-14 Base Growth: 3.6%
- FY 2014-15 Base Growth: 4.1%
- Below long-term average and typical growth realized during economic recoveries



Note: Baseline revenue growth measures economy-based changes in annual own-source general revenue, controlling for tax-law changes.

Other Funds and Transfers

Budget transfers other funds into the General Fund – Greater Transparency

	FY 2013-14	FY 2014-15
Retention of Golden LEAF Funds	65,000,000	65,000,000
Natural Heritage Trust Fund	9,900,000	9,900,000
Parks and Recreation Trust Fund	27,500,000	27,500,000
White Goods Management Account	1,217,796	1,217,796
Scrap Tire Disposal Account	2,675,291	2,675,291
Solid Waste Trust Fund	4,011,000	4,011,000
Master Settlement Agreement Funds**	25,000,000	25,000,000
Repeal NC Public Campaign Fund	4,125,171	0
Repeal NC Political Parties Financing Fund	1,064,582	0
Transfer from NC Flex FICA Funds	2,000,000	0
Total	142,493,840	135,304,087

**Additional funds may be available in April 2013 pending final audit of disputed payments arbi ion per settlement agreement

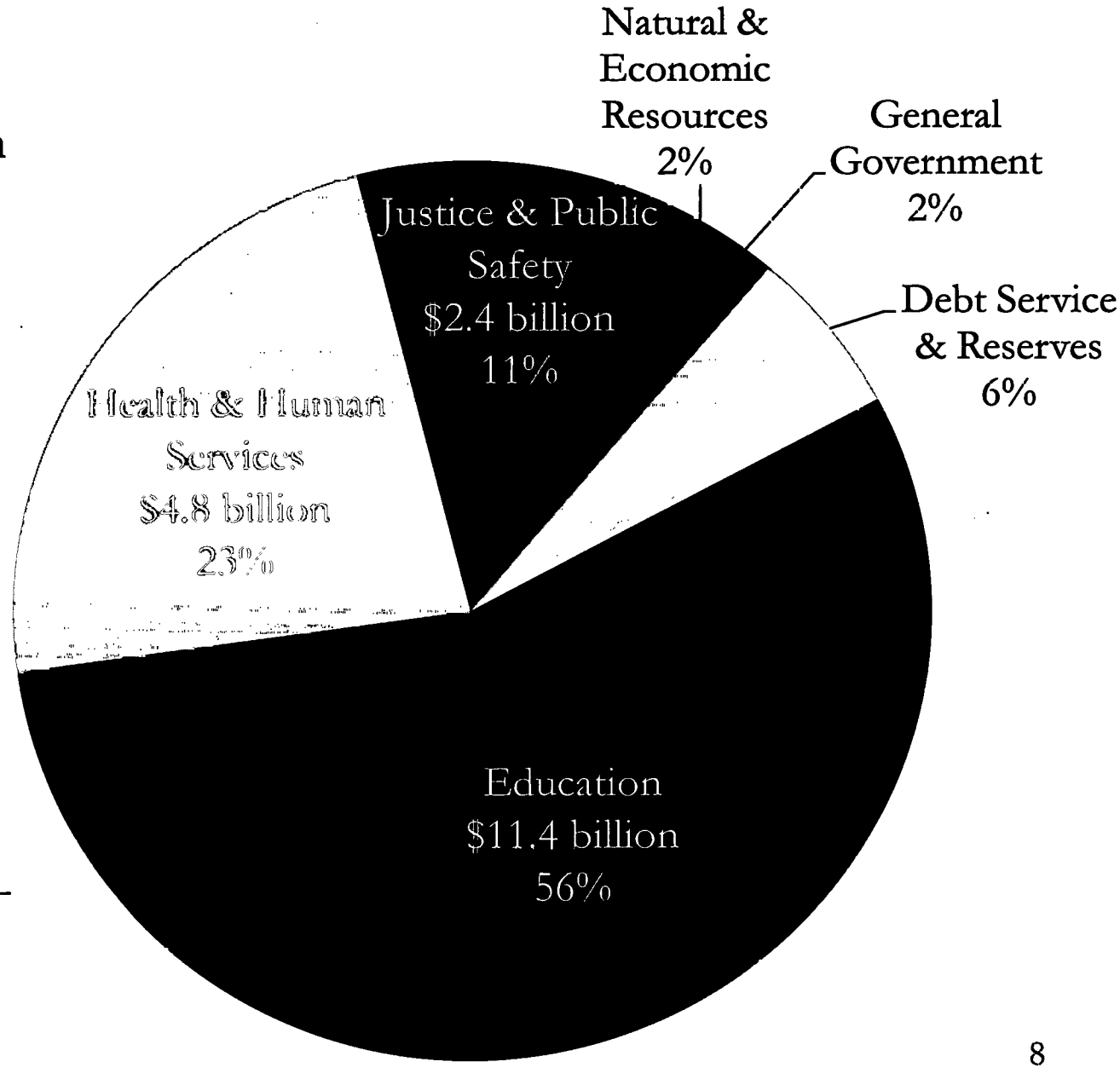
General Fund Appropriations

Total Availability	**20,732,493,840**	**21,666,904,087**
Recommended Appropriations		
FY 2012-13 Authorized Budget	20,161,042,925	20,161,042,925
Major Adjustments (includes Medicaid Rebase, Public and Higher Education Enrollment, other base budget changes)	275,009,131	668,005,130
Fiscal Responsibility:		
Transfer to Savings Reserve Account	0	69,174,764
Transfer to Repair and Renovations Account	32,067,122	150,000,000
Medicaid Risk Reserve	90,000,000	90,000,000
Other Reserves	59,000,000	64,000,000
Subtotal Fiscal Responsibility	181,067,122	373,174,764
Salaries and Benefits (includes 1% Pay Increase for All Teachers and State Employees, State Health Plan, 1% COLA for Retirees, Contribution to TSERS)	251,800,000	343,000,000
Net Agency Changes	(267,250,574)	(210,678,753)
Total Recommended General Fund Appropriations	**20,601,668,604**	**21,334,544,066**
General Fund Balance	**130,825,236**	**332,360,021**

General Fund Appropriations by Subcommittee

FY 2013-14 General Fund Appropriations = $20.6 billion

- Education-related spending - more than half of all appropriations (56%)
- Health & Human Services - nearly one-quarter of all appropriations, with Medicaid accounting for more than two-thirds of HHS spending
- Justice & Public Safety less than one-eighth of total appropriations
- General Government and Natural & Economic Resources - comprises 1/27th of all appropriations



Highlights: Public Education

	2011-12 Actual	2012-13 Authorized	2013-14 Recommended	% Change	2014-15 Recommended	% Change
Requirements	$9,811,730,401	$11,104,716,746	$11,200,962,588	0.9%	$11,388,034,980	2.6%
Requirements[1]			$11,273,142,010	1.5%	$11,460,214,402	3.2%
Receipts	$2,232,043,999	$3,260,113,134	$3,301,193,662	1.3%	$3,268,260,827	0.2%
GF Appropriation	$7,579,686,402	$7,844,603,612	$7,899,768,926	0.7%	$8,119,774,153	3.5%
GF Appropriation[1]			$7,971,948,348	1.6%	$8,191,953,575	4.4%

1. Including allocation of statewide salary reserve

- $43 million from Education Lottery receipts over the biennium to enhance digital learning opportunities
  - Purchases tablets for 3rd grade reading or other targeted high priority instructional needs
- $28 million for Summer Reading Camps and Reading Plans for parents as directed by the Excellent Public Schools Act
- Focuses teacher assistant funding on grades K-1
  - Provides sufficient funds for one teacher assistant per 17 students in those grades and reduces remaining funds ($117 million)

Highlights: NCCCS

	2011-12 Actual	2012-13 Authorized	2013-14 Recommended	% Change	2014-15 Recommended	% Change
Requirements	$1,408,984,462	$1,458,318,427	$1,450,873,517	-0.5%	$1,459,873,517	0.1%
Requirements[1]			$1,462,731,714	0.3%	$1,471,731,714	0.9%
Receipts	$406,902,847	$417,896,822	$424,070,298	1.5%	$424,070,298	1.5%
GF Appropriation	$1,002,081,615	$1,040,421,605	$1,026,803,219	-1.3%	$1,035,803,219	-0.4%
GF Appropriation[1]			$1,038,661,416	-0.2%	$1,047,661,416	0.7%

1. Including allocation of statewide salary reserve.

- $16.8 million each year to support higher costs and higher demand instructional programs
  - Leads to immediate employment
- $28 million over the biennium to support technical education equipment
- Funds enrollment at the higher of current year or 2-year average ($20 million) instead of 3-year average
- Reduces budget for benefits associated with part-time employees who are not eligible for retirement and health insurance ($15.2 million)

Highlights: UNC System

	2011-12 Actual	2012-13 Authorized	2013-14 Recommended	% Change	2014-15 Recommended	% Change
Requirements	$4,063,837,413	$4,240,777,779	$4,125,195,728	-2.7%	$4,168,334,352	-1.7%
Requirements[1]			$4,201,931,810	-0.9%	$4,245,070,434	0.1%
Receipts	$1,530,901,102	$1,577,215,344	$1,604,551,452	1.7%	$1,611,773,786	2.2%
GF Appropriation	$2,532,936,311	$2,663,562,435	$2,520,644,276	-5.4%	$2,556,560,566	-4.0%
GF Appropriation[1]			$2,597,380,358	-2.5%	$2,633,296,648	-1.1%

1. Including allocation of statewide salary reserve and repair and renovation reserve.

- $63.2 million over the biennium for the initial implementation of the UNC Strategic Directions Plan
- Allocates $50 million from the Repair and Renovation Reserves each year of the biennium for University facilities
- Mgmt. flexibility reduction of $110.7 million for UNC campuses and UNC G.A.
- Increases non-resident tuition 6% and 12.3% at select campuses with lower non-resident rates than their public peers

DHHS: Budget Overview

TOTAL HEALTH AND HUMAN SERVICES GENERAL FUND BUDGETS

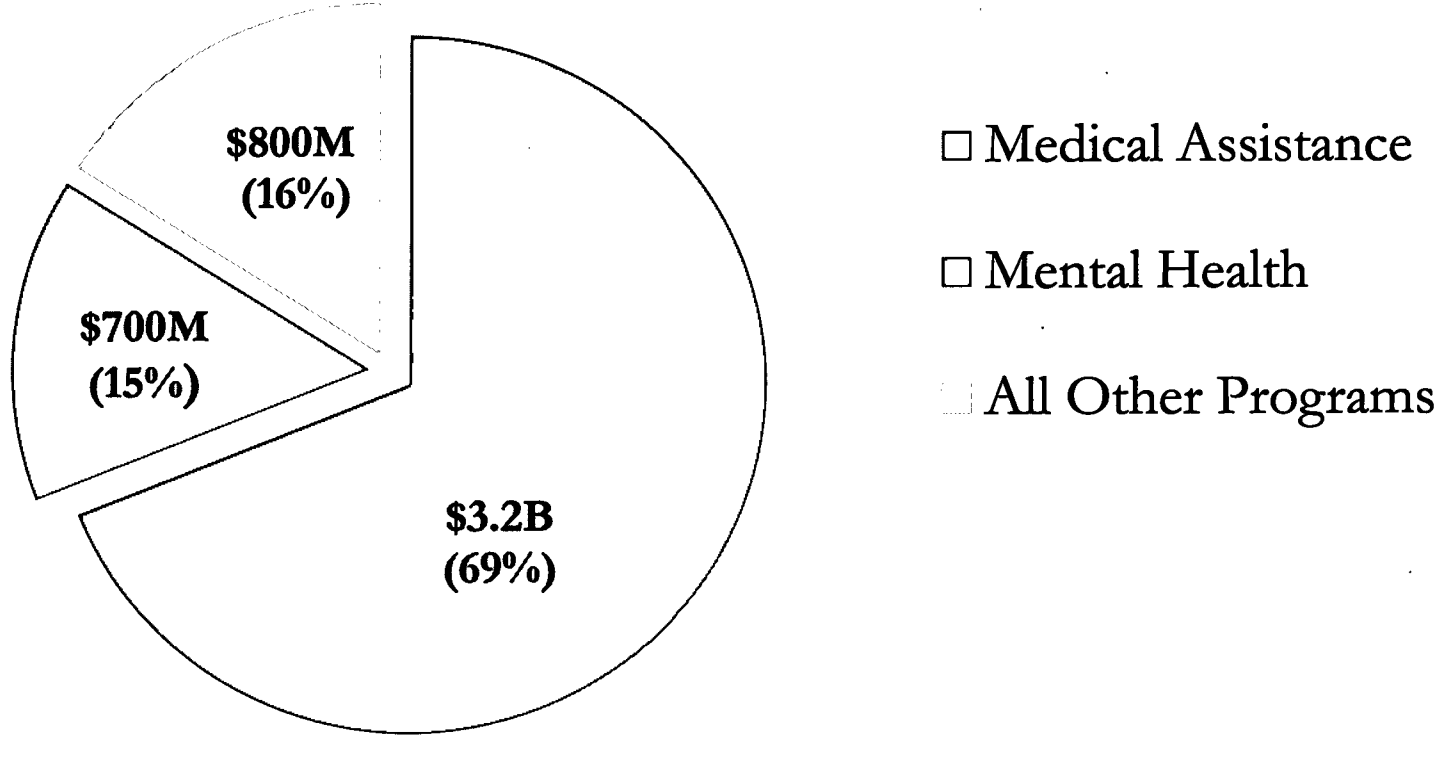
	2011-12 Actual	2012-13 Authorized	2013-14 Recommended	% Change	2014-15 Recommended	% Change
Requirements	$19,528,811,309	$17,575,935,887	$18,494,128,258	5.2%	$19,051,739,102	8.4%
Receipts	$14,944,812,786	$12,875,232,484	$13,735,202,590	6.7%	$14,087,442,657	9.4%
GF Appropriation	$4,583,998,523	$4,700,703,403	$4,758,925,668	1.2%	$4,964,296,445	5.6%

Includes:

- ***Medicaid and Health Choice***
- ***Social Services***
- ***Mental Health***
- ***Public Health***
- ***Child Development and Early Education***
- ***Vocational Rehabilitation***
- ***Central Administration***
- ***Aging and Adult Services***
- ***Services for the Blind, Deaf and Hard of Hearing***

DHHS State Funding

Medical Assistance and Mental Health account for 84% of DHHS General Fund appropriations in the recommended budget



2013-14 Recommended State General Fund Appropriation

Medicaid

- Governor's recommended budget funds changes in enrollment, consumption, mix of services, mandatory cost increases and "woodwork" effect of the Affordable Care Act
- $180 million for a Medicaid Risk Reserve over the biennium

2013-15 Recommended State Investment in Medicaid

	2013-14	2014-15
Medicaid Base Budget	$ 3,069,576,810	$ 3,083,576,810
Rebase Services	185,000,000	390,000,000
Contracts & Settlements	29,000,000	29,000,000
Increases	27,828,664	48,000,000
Reductions	(99,325,154)	(114,152,764)
Net Change	$ 142,503,510	$ 352,847,236
Medicaid Recommended Budget	$ 3,212,080,320	$ 3,436,424,046
% Change from SFY 12-13 Authorized	3.5%	10.8%
State Medicaid Risk Reserve (proposed in reserve outside of DMA budget)	***$ 90,000,000***	***$ 90,000,000***

Mental Health and Other Health and Human Service Priorities

- Adds $3.8 million and $9.4 million in each year of the biennium to the current $10.3M budget to place those with mental illness in appropriate treatment settings (US DOJ settlement)
- Invests $28 million over two years to equip the new Broughton Hospital
- Funds 5,000 NC Pre K slots each year with $26M annually in lottery proceeds and state funds
- Provides $550,000 each year for Project CARE (Caregiver Alternatives to Running on Empty)
  - Assists 800 families care for family members with Alzheimer's and avoiding more costly care

Other Health and Human Services Priorities

- $4.8 million to counties, helping them manage reduced federal funding for child protective services
- Targets state receipts of $11.2 million and $4.8 million state appropriations to complete the Medicaid Management Information System
- Identifies $36 million in savings in non-Medicaid agencies through administrative reductions, accurately budgeting receipts, and returning unspent state dollars to General Fund availability
- After all adjustments, DHHS spending increases by $58M (1.2%) in FY 2013-14 and $264M (5.6%) in FY 2014-15

General Government: Budget Overview

TOTAL GENERAL GOVERNMENT GENERAL FUND BUDGETS

	2011-12 Actual	2012-13 Authorized	2013-14 Recommended	% Change	2014-15 Recommended	% Change
Requirements	$887,877,041	$717,386,696	$706,567,021	-1.5%	$684,027,225	-4.7%
Receipts	$485,550,632	$303,487,512	$276,236,419	9.0%	$266,291,789	-12.3%
GF Appropriation	$402,326,409	$413,899,184	$430,330,602	4.0%	$417,735,436	0.9%

Includes Departments and Offices of:

Administration, State Personnel, State Controller, General Assembly, Governor, State Budget and Management, Housing Finance Agency, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, Insurance, Revenue, Cultural Resources, Roanoke Island Commission, State Board of Elections, Administrative Hearings

Highlights: General Government

General Government Priorities

- $10 million to compensate citizens who are verified victims of the state's former Eugenics Board program, which involuntarily sterilized North Carolinians during the 20th century
- Restores $1.2 million over the biennium for the Tryon Palace historic site
- $17.7 million over the biennium for development of the Tax Information Management System (TIMS)
- $3.4 million for the state's core Banking System
- Funds the two year NC Government Efficiency and Reform Project, **NC GEAR**
  - Continue to transform government through best practices, reorganization, innovation, and customer service

NER: Budget Overview

	2011-12 Actual	2012-13 Authorized	2013-14 Recommended	% Change	2014-15 Recommended	% Change
Requirements	$695,484,349	$688,210,088	$624,402,932	-9.27%	$606,292,255	-11.9%
Receipts	$301,764,290	$305,196,474	$292,069,367	-4.30%	$288,889,367	-5.3%
GF Appropriation	$393,720,059	$ 383,013,614	$332,333,565	-13.23%	$317,402,888	-17.1%

All figures in millions of dollars.

Includes:

- ***Agriculture and Consumer Services***
- ***Labor***
- ***Environment and Natural Resources***
- ***Clean Water Management Trust Fund***
- ***Wildlife Resources Commission***
- ***Commerce***
- ***Commerce - State Aid***

Department of Agriculture and Consumer Services

- Restores $1 million over the biennium for the Agriculture Water Resources Assistance Program
  - Continues assisting farmers and landowners to increase water use efficiency, availability and storage
  - Implements best management practices to conserve and protect water resources
- Restores $1 million in funding over the biennium for the Wine and Grape Growers Council
  - Facilitates the development of the state's grape and wine industries
- $725,000 over the biennium for the Southeastern N.C. Agriculture Center and Farmers Market

Department of Environment and Natural Resources

- $5 million in matching funds for the Clean Water State Revolving Fund
  - Provides the state with access to $25 million in federal funds to help finance projects which address water pollution programs
- $1.2 million in matching funds for the Drinking Water State Revolving Fund
  - Provides the state with access to $23.54 million in federal funds
  - Provides low and zero interest loans to water systems and support activities for technical assistance
- $7 million for the Noncommercial Leaking Underground Storage Tank Fund Program
  - Assists homeowners to clean up petroleum contamination caused by home heating oil tanks

DENR - Clean Water Management Trust Fund

- $6.75 million for the Clean Water Management Trust Fund
  - Assistance for financing projects that address water pollution problems
  - Focuses on surface waters - eliminating pollution, and protects, preserves and conserves unpolluted surface waters

Department of Commerce

- $79 million additional investment in the Job Development Incentive Grants Program (JDIG) and the One N.C. Program
  - Facilitates recruitment of new and expansion of existing businesses in North Carolina
- $14 million for the Job Maintenance and Capital Development Program (JMAC)
  - Encourages businesses to retain high-paying quality jobs and large-scale capital investments
- $3.9 million for statewide support of small businesses
  - State matching funds for federal contracts for the One N.C. Small Business Program
  - Competitive local grants for the Main Street Solutions Fund
  - Grants for the Broadband Connectivity Incentive Program to provide connectivity to unserved areas
- $5.4 million to develop a strategic economic growth plan for N.C.
  - Will include an agency reorganization plan that will address the state's economic development efforts with a public-private partnership
  - Development of a comprehensive branding strategy to promote the state of N.C.

Department of Commerce – State Aid

- $68 million reduction for non-governmental entities – utilizes these resources for other economic development priorities

NC Education Lottery (Proceeds and Commission)

- Adjusts the amount of total revenues that can be utilized for advertising expenses from no more than 1% to no more than .50%
  - Results in $14.8 million in savings over the biennium to be used for digital learning initiatives in public schools

- Identifies an additional $2.2 million over the biennium in operating efficiencies
  - Funds to be redirected to public schools for additional digital learning initiatives

JPS: Budget Overview

	2011-12 Actual	2012-13 Authorized	2013-14 Recommended	% Change	2014-15 Recommended	% Change
Requirements	$2,674,655,293	$2,660,857,399	$2,652,565,038	-0.31%	$2,637,134,202	-0.9%
Receipts	$345,007,081	$294,918,188	$288,954,986	-2.02%	$276,300,585	-6.3%
GF Appropriation	$2,329,648,212	$2,365,939,211	$2,363,610,052	-0.10%	$2,360,833,617	-0.22%

All figures in millions of dollars.

Includes:

- ***Judicial***
- ***Judicial - Indigent Defense***
- ***Justice***
- ***Department of Public Safety***

Judicial Branch

- $7 million over the biennium to re-establish Drug Treatment Courts
  - Addresses addiction issues with court-involved persons
- $2 million for legally mandated payments for interpreters, expert witnesses, and jury fees
- $1.5 million to provide an additional magistrate in 16 counties
  - Improve after-hours access to citizens

Judicial Branch (Indigent Defense)

- $5 million for FY 2013-14 to help reduce a shortfall that accumulated over several years
  - Provides payments of private counsel appointed to represent indigent defendants
- $783,000 to update and maintain the automated case management system used by public defenders to monitor and manage caseloads

Department of Justice

- $8.6 million over the biennium for expansion of crime labs to improve efficiency and turnaround time for law enforcement
  - Replace and modernize equipment in the State Crime Lab
  - Enhance DNA testing capability at the Triad and Western State Crime Labs
  - Enhance Toxicology testing capabilities at the Triad and Western State Crime labs
- $2 million in funds for investigative activities that are core to the mission of the Department of Justice
  - Combatting the increase in methamphetamine abuse to allow for more timely seizure, investigation, disabling of labs, and disposal of hazardous wastes
  - Funds for the growing number and complexity of prescription drug abuse cases
  - Funds for investigation and response to cyber threats against children
- Recommend that legal and support positions and associated operating budgets utilized to provide routine legal services to state agencies be transferred from the Department of Justice to the agencies they serve, effective October 1, 2013

Department of Public Safety

- $54 million in savings over the biennium from closing outdated inefficient prison facilities due to a declining prison population
- Reinvests $23 million in savings for implementation of the Justice Reinvestment Act
  - Adds additional probation/parole officers to reduce caseloads
  - Provides additional staff at the Post-Release Supervision and Parole Commission to enact supervision for all felons who leave prison
- $7 million for expanded use of electronic monitoring for offenders on supervision
- $6.1 million for additional staff and equipment to support the Voice Interoperability Plan for First Responders (VIPER) network to assist local law enforcement agencies
- $2.2 million to enhance technology resources to allow State Troopers to have roadside access for criminal background data
- $1.4 million for the State Capitol Police to improve safety and security for visitors and employees in the State Government Complex
- $625,000 to establish the Center for Safer Schools
  - Provides training and technical support to educators, law enforcement and parents in efforts to protect our children in schools throughout N.C.

Transportation: Budget Overview

	2011-12 Actual	2012-13 Authorized	2013-14 Recommended	% Change	2014-15 Recommended	% Change
Requirements	$4,367,899,525	$5,118,627,868	$4,307,548,172	-15.85%	$5,505,185,691	7.6%
Receipts	$1,601,002,305	$2,027,277,868	$1,264,648,172	-37.62%	$2,507,385,691	23.7%
HF & HTF Appropriation	$2,770,942,830	$3,091,350,000	$3,042,900,000	-1.57%	$2,997,800,000	-3.0%
Change in Fund Balance	$4,445,610	$ -	$ -		$ -	

Does not include duplication in requirements and receipts for project related costs.

Includes:

- ***Highway Fund***
- ***Highway Trust Fund***
- ***Turnpike Authority***

Highlights: Transportation

Highway Fund

- Redirects $68 million in Highway Fund appropriations, generated from efficiencies identified in other programs, to support other Transportation priorities
- $360 million above the 2013-15 base budget level to be directed to the Maintenance Program
  - Facilitates the continued support for a well maintained, multimodal transportation infrastructure
- Allocates $7.5 million gained from efficiencies to establish an Economic Development Fund
  - Provides for highway improvements that promote safety and mobility initiatives with an emphasis on job creation
- Customer service improvements for citizens that conduct business with the Division of Motor Vehicles
  - Adding Saturday service to 30 driver license sites over the biennium
  - Adding self-service kiosks
  - Identifying and eliminating unnecessary exams
  - Addition of another dedicated Regional Commercial Driver License testing facility
  - Replacement of critical DMV mainframe computer applications that fail to meet current business needs

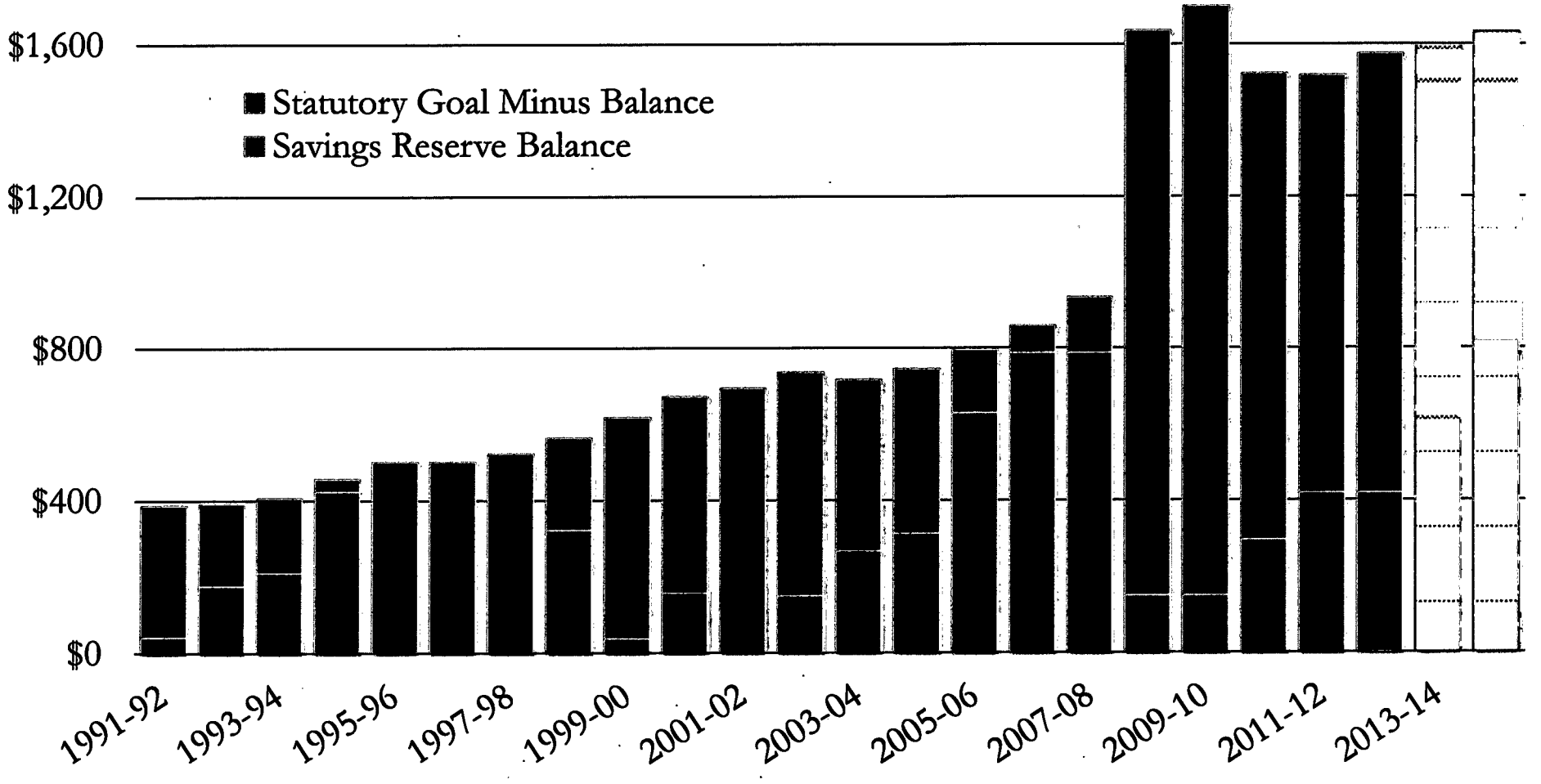
Reserves: Budget Overview

Over the biennium, $967 million set aside in non-operating reserves to provide greater fiscal integrity to the budget. Will allow N.C. to maintain the coveted Triple A bond rating from all major rating agencies

- Fiscal Responsibility Reserves ($600 million over the biennium)
  - $400 million over the biennium for the Savings Reserve Account
  - $180 million over the biennium for the establishment of a Medicaid Risk Reserve
  - $20 million over the biennium for the Disaster Relief Reserve
- Infrastructure Reserves ($367 million over the biennium)
  - $300 million over the biennium for the Repairs and Renovations Account
  - $67 million over the biennium for an Information Technology Planning Reserve
- In addition, $131 million remains unspent for FY 2013-14 and $332 million remains unspent for FY 2014-15

Savings Reserve Account Balances

$400 million allocated to Savings Reserve Account over the biennium will bring balance to $819 million in FY 2014-15 (4% of General Fund Appropriations)



Notes: 1) FY 2012-13 balance as of February 28, 2013; all others as of end of fiscal year. 2) Session Law 2006-203 raised Savings Reserve Account goal to "equal to or greater than eight percent (8%) of the prior year's General Fund operating budget," beginning with the 2007-09 biennium.

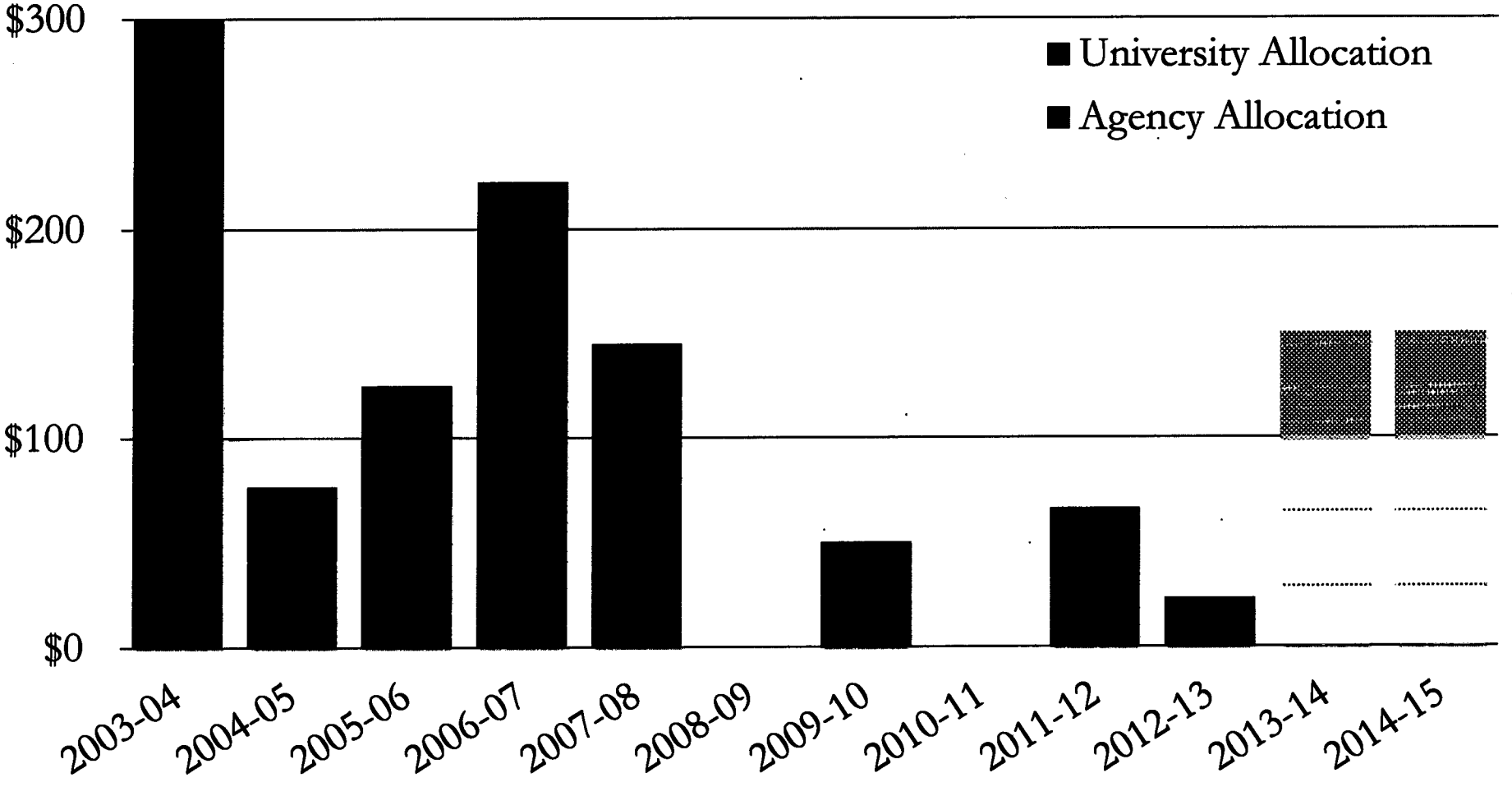
Reserves: Information Technology

Information Technology Reserve

- Provides $67 million over two years
  - Address critical statewide IT infrastructure and security deficiencies
  - Expand capacity for statewide IT oversight and enterprise planning
- Funds will be released to the State Chief Information Officer for implementation subsequent to the State Budget Director's approval
- Reserve will utilize $8 million from the E-Procurement fund balance in the FY 2013-14

Repair & Renovation Account Balances

Budget Includes $300 million over the biennium for Repair & Renovation Funding



Reserves: Salary and Benefits

- Provides a 1% cost of living salary increase to Teachers and State Employees as well as retirees
- Funds $20 million for a salary adjustment reserve to provide for competitive pay increases and retention bonuses for key employees who are not receiving market wages

	2013-14	2014-15
1% Pay Increases for Teachers & State Employees	$135,700,000	$135,700,000
Salary Adjustment Reserve/Compensation Study	$ 20,000,000	$ 20,000,000
Retirement System Annual Contribution	$ 36,100,000	$ 36,100,000
1% Cost-of Living Adjustment for Retirees	$ 35,000,000	$ 35,000,000
State Health Plan Contribution	$ 45,000,000	$136,200,000

QUESTIONS ????

Electronic version of Governor McCrory's budget can be located at the Office of State Budget and Management website: osbm.nc.gov

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: March 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
1	Brandon James	OSBM
2	Alicia James	OSBM
3	Tracy Little	OSBM
4	Nathan Kauffman	OSBM
5	Erin Matteson	OSBM
6	Thomas Cheek	OSBM
7	Deborah Landry	OSBM
8	Wanda Mitchell	OSBM
9	Pam Kilpatrick	OSBM
10	Mercedes Barton	OSBM
11	Donna S. Cox	OSBM
12	Cheryl Reed	OSBM
13	Jennifer Willis	UNC-CH
14	Drew Moretz	UNC-GA
15	Cassandra Skinner	NCACC
16	PAIGE WORSHAM	NC Center for Public Policy Research
17	Rebecca Troutman	NCACC

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: March 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
86	[illegible]	[illegible]
87	Colin Campbell	News + Observer
88	John Del Giorno	Builders Assoc.
89	Jim Wipperman	NC Div Veterans Affairs
90	John Bussian	NC Press Assn.
91	Regina Howard-Glaspie	NCPA
92		
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VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: March 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
52	Rogers Mims, Lobbyist	NCCM
53	Ricky Diaz	Governor's Office
54	Fred Steen	Governor's office
55	Rita Harris	MWC
56	Jaime Vinig Fuguen	NCEL
57	Michelle Frazier	MFTS
58	Charlie Perusse	UNC GA
59	David Brown	OSBM
60	Martez Hill	SBE
61	TOM BOWLIN	DPS : NATIONAL GUARD
62	Robert Carver	DPS: NATIONAL GUARD
63	Josh Ellis	Commerce
64	Faith Bynum	NCCDI, Inc.
65	Cori Ann Harris	LMTA
66	Vicky Young	NCDOT
67	Robin A Tanner	APPCNC/LLPP
68	Thomas Miller	JDS

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: March 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
69	[illegible]	NAMI NC
70	Annaliese Ralph	Ralph Law
71	Sean Moser	DPS - National Guard
72	[illegible]	IGR
73	[illegible] Rogers	CWMTF
74	Morgan Fearn	Gov. office
75	Haley Spalding	Staff
76	Carmen [illegible]	MVA
77	[illegible]	[illegible]
78	Laura Ventura	intern
79	[illegible]	MRC
80	[illegible]	CR
81	Jim Johnson	BSA
82	Chris McClure	Banks Pierce
83	Anthony Jones	Eckerd
84	Tom West	Eckerd
85	Ashley Park	Parkinson Law

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: March 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
18		OSBM
19	Christopher Jones	OSBM
20	Bryan Conrad	OSBM
21		Tracy & Travel
22		CRSWMA
23	Elizabeth Biser	Brooks Pierce
24	Jimmy Broughton	Womble Carlyle
25		OSBM
26	Becki Gray	JLF
27		RMC
28		
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30		
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34		

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE — 3/21/13

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[illegible]	NCDOT
Tommy Clark	NCWRC
Jarret Burr	DPS
[illegible]	CMR
Paul Motz	Rep Avila's Office
[illegible]	NCSEA

SENATE PAGES ATTENDING

COMMITTEE: Approp. Base Budget ROOM: 643

DATE: 3-21-13 TIME: 9-10AM

PLEASE PRINT LEGIBILY!!!!!!!!!!!!!

Page Name	Hometown	Sponsoring Senator
1 Garrett Davis	Raleigh	Berger
2 McCain Kerr ~~McCain Kerr~~	Monroe ~~Monroe~~	Tucker
3 James Zak	Fuquay Varina	Berger
4 Annissa Zak	Fuquay Varina	Berger ~~Berger~~
5		
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Do not add names below the grid.

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE — 3/21/13

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jenna Overton	NC Dept. of Agriculture
Joy Hicks	NCDA&CS
Rhonda Todd	DOA
MATTHEW LONGOBARDI	NC DOT
Tom Bean	EDF, NCSEA, NCWF
Bill [illegible]	DJ Bean
Ryan Combs	DPS
Douglas Holbrook	NC DPS
Perry Newson	SEC
Daniel [illegible]	NCBWA
Mitch Leonard	SEANC
Chuck Stone	SEANC
DANIEL VANLIERE	VIDANT HEALTH

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE — 3/21/13

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Todd Tilley	Perquimans Clerk of Superior Court
Barbara Moore	Conf of Clerks of Sup Ct
Fey Dorer	Conference of DAs
Missy O'neal	IBM
Rod Davis	DENR
Neal Robbins	"
Doug Lewis	DENR
John Harlan	MF&S
Duke Cheston	Pope Center
Marguerite Metzger	NCHFA
Nadia Luhr	NCCN

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE — 3/21/13

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mary Maclean Asbill	SELC
Skylar Adams	Pro Tem Staff
Robin Ramsey	Rep Ramsey's LA
Mary Shuping	NC CCS
[illegible]	SOS
TJ Brychee	Nexsen Pruet
[illegible]	
[illegible]	staff
Mac Barkley	NCAA
Allison Waller	Nelson Mullins
Chris Dillon	nelson

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE — 3/21/13

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Caroline Cobb	The Policy Group
Karl Knapp	NCLM
Andy Chase	KMA
Katherine Ross	PPAB
Crystal Collins	NC Trucking Assoc.
[illegible]	Beer Assn
[illegible]	NCS
[illegible]	Governmental Services Network
Rose Duke	DOA
Dee Jones	DOA
Carl Dean	DSP

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE — 3/21/13

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Carl Stoudemire	OSP
Shelley Cripps	NC Humanities Council
Jim Slate	DHHS
Steve Owens	DMA
Martha Jenkins	DCR
Kay Parsley	MASH NC
Matt Gross	NCPC
Tim McDowell	Tourism Raleigh
Chris Agner	DOJ
Barbara Bowers	OSBM
David Larson	LA Senator Harrington

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE — 3/13 3/21/13

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Adam Sholar	DHHS
Jennifer Haigwood	NCDOL
Carson Thies	MVA
Kerri Bolton	LCA
Thomas Lawler	NCHA
Ken Melton	K.M.A
Estherine Daye	ED&A
Leanne Winner	NCSBA
Meredith Hunter	NCCU
Tim Mark	NCACC
Wendy Kelly	Policy Consulting

Attachment 2

Senate Committee on Appropriations/Base Budget
Thursday, March 21, 2013, 15 minutes after Joint Appropriations meeting ends
643 Legislative Office Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
SB 334	Dorothea Dix Lease.	Senator Hise Senator Pate Senator Tucker

Presentations

Senator Brown Presiding

Other Business

Adjournment

Senate Committee on Appropriations/Base Budget
Thursday, March 21, 2013 at 15 minutes after Joint Appropriations meeting ends
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 10:15 a.m. in Room 643 of the Legislative Office Building. 16 members were present. Senator Harry Brown, Chair, presided. Senator Brown recognized the Sergeant at Arms' staff and Senate Pages.

Senator Louis Pate was recognized to give a brief explantion on the history of the Dorothea Dix campus then offered Amendment # 1 and moved for adoption. The amendment passed.

Senator Hise explained **Senate Bill 334: Dorothea Dix Lease.**

AN ACT TO CONDEMN THE LEASEHOLD INTEREST IN THE DOROTHEA DIX CAMPUS PROPERTY CONVEYED TO THE CITY OF RALEIGH AND ALLOCATE IT TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR MENTAL HEALTH PURPOSES, AS PROVIDED IN THE STATUTE AUTHORIZING ITS ACQUISITION AND IN THE DEEDS CONVEYING THE PROPERTY TO THE STATE, TO PROVIDE FOR IMPLEMENTATION OF THE 2007 STATE GOVERNMENT MASTER FACILITIES MASTER PLAN, INCLUDING LEASE OF A PORTION OF THE PROPERTY AT FIAR MARKET VALUE TO THE CITY OF RALEIGH FOR A PUBLIC PARK, AND TO PROVIDE FOR USE OF ANY LEASE PROCEEDS FOR MENTAL HEALTH PURPOSES.

Senator Hunt offered and explained Amendment # 2 and recommended passage. The amendment failed. The committee heard from one member of the public. After much discussion, Senator Apodaca moved for adoption of the committee report. The motion carried.

Attachments:

1. Committee Notice
2. Agenda
3. S. 334
4. Amendment # 1
5. Amendment # 2
6. Bill Analysis
7. Bill Summary
8. Public Member Registration Sheet
9. Visitor's Log
10. Committee Report

The meeting adjourned at 10:45 a.m.

Senator Harry Brown, Chair
Presiding

Kathy Davis, Committee Clerk

Attachment 1

[redacted]thy Davis (Sen. Neal Hunt)

[redacted]om: Kathy Davis (Sen. Neal Hunt)
Sent: Tuesday, March 19, 2013 03:07 PM
To: Sen. Louis Pate; Sen. Ralph Hise; Sen. Tommy Tucker
Cc: Edna Pearce (Sen. Louis Pate); Susan Fanning (Sen. Ralph Hise); Joseph Stansbury (Sen. Tommy Tucker)
Subject: <NCGA> Senate Appropriations/Base Budget Committee Meeting Notice for Thursday, March 21, 2013 at 15 minutes after Joint Appropriations meeting ends

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

[redacted]he **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	March 21, 2013	15 minutes after Joint Appropriations meeting ends	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	
SB 334	Dorothea Dix Lease.	Senator Hise Senator Pate Senator Tucker

Senator Harry Brown, Co-Chair
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

S 1

SENATE BILL 334

Short Title:	Dorothea Dix Lease.	(Public)
Sponsors:	Senators Hise, Pate, Tucker (Primary Sponsors); Brock, Cook, Daniel, Newton, and Randleman.	
Referred to:	Appropriations/Base Budget.	

March 19, 2013

A BILL TO BE ENTITLED

AN ACT TO CONDEMN THE LEASEHOLD INTEREST IN THE DOROTHEA DIX CAMPUS PROPERTY CONVEYED TO THE CITY OF RALEIGH AND ALLOCATE IT TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR MENTAL HEALTH PURPOSES, AS PROVIDED IN THE STATUTE AUTHORIZING ITS ACQUISITION AND IN THE DEEDS CONVEYING THE PROPERTY TO THE STATE, TO PROVIDE FOR IMPLEMENTATION OF THE 2007 STATE GOVERNMENT MASTER FACILITIES MASTER PLAN, INCLUDING LEASE OF A PORTION OF THE PROPERTY AT FAIR MARKET VALUE TO THE CITY OF RALEIGH FOR A PUBLIC PARK, AND TO PROVIDE FOR USE OF ANY LEASE PROCEEDS FOR MENTAL HEALTH PURPOSES.

Whereas, on December 28, 2012, Governor Beverly Perdue executed a 75- to 99-year below fair market value lease with the City of Raleigh for use of State property known generally as the "Dorothea Dix Property" as a city destination park; and

Whereas, the Dorothea Dix Property is used for Department of Health and Human Services operations and is the office site for 2,456 Department of Health and Human Services employees; and

Whereas, relocation of Department of Health and Human Services operations and employees off the Dorothea Dix Property will require significant planning and substantial commitment of State tax dollars or debt capacity; and

Whereas, the Department of Health and Human Services continues to face significant budget challenges as evidenced by the January 31, 2013, audit issued by the North Carolina State Auditor; and

Whereas, the Dorothea Dix Property has been the subject of multiple commercial appraisals and constitutes a significant State asset owned by and for the benefit of the people of this State; and

Whereas, authority for acquisition of the Dorothea Dix Property was granted in 1848 particularly for the benefit of North Carolinians with mental illness, a purpose given no attention in the December 28, 2012, lease; and

Whereas, G.S. 146-28 requires the Department of Administration to investigate present and future State need for State land proposed for conveyance, lease, or rent; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. Upon the effective date of this act, there is vested in the State of North Carolina, including the right of immediate possession by the State, all of the right, title, and interest, including without limitation leasehold interests, conveyed to the City of Raleigh by the State of North Carolina by lease approved by the Governor and Council of State and executed December 28, 2012. This includes those as described in Exhibit A of that lease and those in any of the exhibits, schedules, or attachments to that lease or in the Memorandum of Lease dated December 28, 2012. That lease covers approximately 325 acres as described in Section 1.8 of the lease and is shown as Dix Park, 307 acres +/-, in Exhibit A of that lease. Section 10 of the lease specifically notes the power of the State to take by condemnation all or any part of the leasehold interest.

SECTION 2. The property described in Section 1 of this act is allocated to the Department of Health and Human Services. Chapter 1 of the Laws of 1848-49 authorized acquisition of that property in trust for the use and benefit of the North Carolina Hospital for the Insane; some or all of the deeds provided that the conveyance to the State was in trust for the use and benefit of the North Carolina Hospital for the Insane. While the property remains subject to the power of sale or lease by the State, any proceeds from sale or lease shall be used solely for mental health treatment purposes, which the General Assembly determines under the doctrine of cy pres to be as near as may be to the purpose of its acquisition of the property for charitable purposes.

SECTION 3.(a) In compensation to the City of Raleigh for the taking in Section 1 of this act, the City is released from any obligations under such lease, and any funds paid by the City of Raleigh to the State of North Carolina under that lease shall be refunded to the City of Raleigh.

SECTION 3.(b) If the City of Raleigh contests that just compensation has not been provided by subsection (a) of this section, it shall, within 60 days of the effective date of this act, file a special proceeding in the Superior Court of Wake County for a determination of just compensation. The rules of procedure for such action shall be determined by the judge presiding, unless the Supreme Court otherwise provides rules of procedure under Section 13 of Article IV of the Constitution, but shall generally be the same as for determining just compensation in actions under Article 9 of Chapter 136 of the General Statutes.

SECTION 4.(a) The Department of Administration shall lease at fair market value a portion of the property identified in the 2007 State Government Facilities Master Plan as suitable for a public park. The City of Raleigh shall have the right of first refusal as a lessee.

SECTION 4.(b) It is the intent of the General Assembly that all revenues from leases of the Dorothea Dix Property under Section 4(a) be held in a special fund for appropriation by the General Assembly for mental health purposes consistent with the purposes in the underlying deeds transferring the Dix property to the State and in Chapter 1 of the Laws of 1848-49 that authorized acquisition of the property.

SECTION 4.(c) The Department of Administration and Department of Health and Human Services shall evaluate the recommended uses of the Dorothea Dix Property identified in the 2007 State Government Facilities Master Plan and report their findings to the General Assembly by March 15, 2014, along with any request for authority or appropriation to implement all or any portion of Section 8 of the 2007 State Government Facilities Master Plan.

SECTION 5. This act is effective when it becomes law.

Attachment 4

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 334

AMENDMENT NO. _____
(to be filled in by Principal Clerk)

S334-ALB-28 [v.1]

Comm. Sub. [NO]
Amends Title [NO]
First Edition

Date _____,2013

Senator Pate

moves to amend the bill on page 1, line 16, by deleting "2,456" and substituting "1,852"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

S334-ALB-28-V-1

Attachment 5

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 334

AMENDMENT NO. _____
(to be filled in by Principal Clerk)

S334-ALB-27 [v.1]

Comm. Sub. [NO]
Amends Title [NO]
First Edition

Date _____,2013

Senator Hunt

moves to amend the bill on page 2, lines 31-33 by rewriting those lines to read:

"**SECTION 4.(a)** The Department of Administration shall lease at fair market value as defined in this subsection a portion of the property identified in the 2007 State Government Facilities Master Plan as suitable for a public park. The City of Raleigh shall have the right of first refusal as a lessee. For the purpose of this subsection "fair market value" means the value of the portion of the land to be leased (i) for use as a park, or (ii) for use in a manner preserving the existing open space on that parcel. An appraisal for those purposes shall be obtained, at the expense of the would-be lessee, by an appraiser mutually agreed upon by the State and the would-be lessee."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

S334-ALB-27-V-1

S334:
Dorothea Dix Lease

2013-2015 General Assembly

SUMMARY: ***The bill condemns the interest in the Dorothea Dix property that was recently leased to the City of Raleigh, provides just compensation to the City for the taking, directs the leasing of a portion of the property, and directs that the proceeds of the lease be used for mental health purposes.***

BILL ANALYSIS:

Section 1 of the bill condemns the interest in the Dorothea Dix property that was leased to the City of Raleigh in the lease approved by the Governor and Council of State on December 28, 2012. This section also vests the State with the right to immediate possession of the property.

Section 2 allocates the Dorothea Dix property to the Department of Health and Human Services. This section further provides that if the property is sold or leased in the future, the proceeds shall be used solely for mental health purposes in accordance with the terms of several deeds under which the property was originally conveyed to the State.

Section 3(a) provides as compensation for the taking in Section 1 of the bill that the City of Raleigh is released from all obligations under the lease and is entitled to a refund of any payments made to the State under the lease.

Section 3(b) authorizes the City of Raleigh to file a special proceeding in the Superior Court of Wake County in the event that it wishes to contest the compensation provided under subsection 3(a) of the bill.

Section 4(a) directs the Department of Administration to lease at fair market value the portion of the Dorothea Dix property identified in the 2007 State Government Facilities Master Plan as being suitable for a public park. This section grants the City of Raleigh the right of first refusal to such a lease.

Section 4(b) directs that the proceeds of the lease be deposited into a special fund to be appropriated by the General Assembly for mental health purposes, consistent with the terms of the deeds that initially conveyed the property to the State.

Section 4(c) instructs the Departments of Administration and Health and Human Services to review the potential uses for the Dorothea Dix property identified in the 2007 State Government Facilities Master Plan and to report their findings and recommendations to the General Assembly by March 15, 2014.

EFFECTIVE DATE: The bill is effective when it becomes law.

Senate Bill 334 – Dorothea Dix Lease
Summary of Issues

Current Lease: On December 28, 2012, the State of North Carolina entered into a 75 year lease with a 24 year renewal option with the City of Raleigh for the Dorothea Dix Campus (Dix Campus). Under the terms of the lease, the City of Raleigh is to make the property a destination park. The State has the right to retain use of the property on Dix Campus for up to 15 years. The lease contains the following terms:

- Annual rent paid by the City of Raleigh to the State is $500,000 per year, with a 1.5% increase each year thereafter;
- Annual rent paid by the City of Raleigh is reduced by the proportion of property retained by the State;
    - Currently the State houses Department of Health and Human Services (DHHS) administration on the Dix Campus. In total, there are 1,852 DHHS employees on Dix Campus as of March 15, 2013 – however, this number changes over time.

Senate Bill 334: Senate Bill 334 would cancel the current lease and reallocate the Dix Campus back to DHHS. The Bill provides compensation for any damages due to the City of Raleigh from the taking of the leased property and refund any lease payments made to the State for the Dix Campus. The Department of Administration (DOA) is directed to offer a lease, at fair market value, to the City of Raleigh for a portion of the Dix Campus. The portion to be used was identified in the 2007 State Government Facilities Master Plan (Master Plan). DHHS and DOA are required to evaluate the Master Plan's recommendations regarding Dix Campus and report to the General Assembly by March 15, 2014

S.L. 2006-66, Sec. 23.1 appropriated $1 million to DOA to undertake a Facilities Master Plan for the State's Wake County operations. As part of the plan, special consideration was given to the future usage of Dix Campus. The recommendation of the Master Plan, broadly recommended:

- A consolidated DHHS Office Complex;
- Park and open space;
- Mixed-use villages;
- State Farmers Market (in existence);
- Connections to the surrounding context.

Potential Fiscal Impacts: There are a number of potential fiscal impacts as a result of the Bill. The impacts are as follows:

- Any damages due to the City of Raleigh under Sec. 3 of the Bill;
- Changes in lease payments from the lease of the Dix Campus at fair market value. The following chart reflects an analysis performed using a 2011 appraisal of the Dix Campus. The net present value of the total future lease payments is presented in order to provide a comparison in present dollars. The Fair Market Value (FMV) amount is based on an averaging of the 2011 appraised values.

Lease Option (75 year assumption)	Nominal Value	Net Present Value (3% Discount)
Current Lease: $500,000	$68,486,390	$22,574,170
FMV Option: $1,600,000 per year plus 1.5% increase	$219,156,449	$72,237,345

Fiscal Research Division
March 21, 2013

Senate Bill 334 – Dorothea Dix Lease
Summary of Issues

There are a couple of areas of concern regarding the fair market value analysis:

- The analysis is incomplete as it is based on limited information;
- The decision to lease the land to the City of Raleigh may not reflect the highest and best use of the Dix Campus, as reflected in the appraisal;
- Forecasting real estate value for a 325 acre tract, within the City of Raleigh over a 75 year (potentially 99 year) period is highly uncertain. It is unknown what the value of the Dix Campus is over such a time horizon given real estate trends in the Greater Raleigh Area;
- The analysis assumes a leasing of the entire Dix Campus;
- The analysis of the current lease does not take into account lowered payments due to State Occupancy.

Other Matters: The leases to the Healing Place, Food Runners, City of Raleigh (Soccer Fields), and Farmers Market remain in place under S.B. 334.

Sources of Information:

Department of Administration. 2007 State Government Facilities Master Plan. O'Brien/Atkins Associates, P.A. Link to 2007 Master Plan.

Department of Administration. Appraisal Report for Dix Property. Worthy and Watchtel, Inc. Link to 2011 Dix Campus Appraisal.

Department of Administration. Lease Agreement Between the State of North Carolina and the City of Raleigh. December 28, 2012

Senate Bill 334, First Edition. Senate Bill 334 Bill Look-Up Link.

Session Law 2006-66. The Current Operations and Capital Improvements Appropriations Act of 2006. S.L. 2006-66 Bill Look-Up Link.

Fiscal Research Division
March 21, 2013

Attachment 8

PUBLIC HEARING REGISTRATION SHEET

APPROPRIATIONS BASE BUDGET

Senate Bill 334

_____

Date

SPEAKERS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	NAME AND ADDRESS
Jim Goodman	719 lakestone drive. RR N.C

Attachment 9

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: March 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
1	Jimmy Broughton	Womble Carlyle
2	ALEXANDRA SKINNER	NCACE
3	Will Morgan	FNC
4	Colin Campbell	News + Observer
5	Ashley Perlinac	Perlinac Law
6	Cassie Gavin	Sierra Club
7	Harry Johnson	Sierra Club
8	John Hardin	MFBS
9	Mahalia Frazier	MFBS
10	Jan C	MUNC
11	Julia Adams	The Arc of NC / NCARF
12	Pate O. Yancey	APPC NC
13	John DeHaven	Blue Water Assoc.
14	Molly O'Leary	Sierra Club
15	Lewis Fisher	Advocate for Mentally Ill
16	Joey Stansbury	Office of S. Tucker
17	Nadia Luhr	NCCN

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: March 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
18		Raleigh
19		self
20		
21	Nancy McFarlane	City of Raleigh
22		self
23		SGSR C66
24	Susan Bowers	self
25		City of Raleigh
26		The Conservation Fund
27		
28	Joanna Valk	NBC-17
29		news
30		Bucks
31		R Urban Assoc
32	Annaliese Dolph	Dolph LLC
33		Zoo
34		CAPC

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: March 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
35	Canaan Hire	MVA
36	Wendy Keel	Policy Group
37	Rick Harris	McGuireWoods
38	Rhonda Todd	DOA
39	Drew Jones	DOA
[redacted]	Katherine Ross	PDAB
[redacted]	Will Grantham	MLC
42	[redacted]	NCS
43	David Larson	Senator Harrington's LA
44	Kay Pilcrow	NMSW-NC
45	[illegible]	[illegible]
46	Leanne Winner	NCSBA
47	[illegible]	[illegible]
48	Chris Agnew	DOJ
49	Mark Gross	NCDOE
50	Gary Robertson	AP
51	[redacted]	TSS

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: March 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
52	Andy Chase	KMA
53	Dean Plunkett	PS
54		
55		
56		
59	PAIGE WORSHAM	NC Center for Public Policy Research
60		NC ICU
61		City of Raleigh
62		NCCU
63		GSW
64		NMRS
65		DST Team
66		NCSP
67		CSS
68		

Attachment 10

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Thursday, March 21, 2013

Senator Brown,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

SB **334** Dorothea Dix Lease.

Draft Number:	S334-PCS35190-LB-9
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Senator Ralph Hise will handle SB 334



ATTACHMENT 2

Senate Committee on Appropriations/Base Budget
Wednesday, May 1, 2013, 8:30 AM
643 Legislative Office Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
SB 337	NC Public Charter School Board.	Senator Tillman Senator Soucek

Adjournment

Senate Committee on Appropriations/Base Budget
Wednesday, May 1, 2013 at 8:30 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:35 AM on May 1, 2013 in Room 643 of the Legislative Office Building. Thirteen members were present. Senator Neal Hunt called the meeting to order and recognized the Sergeant-at-Arms' staff and Pages.

Senator Brunstetter moved to hear the **PCS for Senate Bill 337** for discussion: **NC Public Charter School Board.** Senator Brown seconded.

AN ACT TO CREATE THE NORTH CAROLINA PUBLIC CHARTER SCHOOLS BOARD AND MAKE OTHER CHANGES TO CHARTER SCHOOL LAWS

Senator Hunt recognized Senator Tillman to explain the PCS. After discussion among the committee members, Senator Brunstetter moved for a favorable report. The motion carried.

The meeting adjourned at 8:55 AM.

Senator Neal Hunt, Presiding Chair

Mary Marchman, Committee Clerk

Attachments:

1 Committee Notice
2 Agenda
3 Committee Substitute #1
4 Fiscal Note for SB 337
5 Summary of PCS
6 PCS for SB 337
7 Visitor's Log
8 Committee Report

ATTACHMENT 1

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	May 1, 2013	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	
SB 337	NC Public Charter School Board.	Senator Tillman Senator Soucek

Senator Harry Brown, Co-Chair
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair

SENATE BILL 337
Education/Higher Education Committee Substitute Adopted 4/3/13

Short Title: NC Public Charter School Board. (Public)

Sponsors:

Referred to:

March 19, 2013

A BILL TO BE ENTITLED

AN ACT TO CREATE THE NORTH CAROLINA PUBLIC CHARTER SCHOOLS BOARD AND MAKE OTHER CHANGES TO CHARTER SCHOOL LAWS.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Article 16 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-238.29A1. North Carolina Public Charter Schools Board established.**

(a) Creation. – There is created the North Carolina Public Charter Schools Board, hereinafter referred to in this Part as the Charter Board. The Charter Board shall be located administratively within the Department of Public Instruction but shall exercise its powers and duties independently of the State Board of Education and Department of Public Instruction, except as provided in this section.

(b) Purpose. – The purpose of the Charter Board is to authorize and oversee high-quality public charter schools throughout the State, consistent with the purposes of this Part, and to exercise authority for approval of any charter applicant.

(c) Membership. – The State Superintendent of Public Instruction shall be the secretary of the Charter Board and a nonvoting member. The Charter Board shall consist of the following 11 voting members:

(1) Three members appointed by the Governor.

(2) Three members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, in accordance with G.S. 120-121.

(3) Three members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, in accordance with G.S. 120-121.

(4) The State Treasurer or the Treasurer's designee.

(5) The Lieutenant Governor or the Lieutenant Governor's designee.

(d) Qualifications of Members. – Members appointed to the Charter Board shall collectively possess strong experience and expertise in public and nonprofit governance, management and finance, public school leadership, assessment, curriculum and instruction, public charter schools, and public education law. All appointed members of the Charter Board shall have demonstrated an understanding of and a commitment to charter schools as a strategy for strengthening public education.

(e) Terms of Office and Vacancy Appointments. – Appointed members shall serve four-year terms of office beginning on July 1. No appointed member shall serve more than

eight consecutive years. Vacancy appointments shall be made by the appointing authority for the remainder of the term of office.

(f) Officers. – The Charter Board shall annually elect a chair and a vice-chair from among its membership. In the absence of the chair, the vice-chair shall preside over the Charter Board's meetings. A majority of the Charter Board constitutes a quorum. The Charter Board shall adopt rules to govern its proceedings.

(g) Meetings. – Meetings of the Charter Board shall be held upon the call of the chair or the vice-chair with the approval of the chair.

(h) Expenses. – Members of the Charter Board shall be reimbursed for travel and subsistence expenses at the rates allowed to State officers and employees by G.S. 138-6(a).

(i) Removal. – Any appointed member of the Charter Board may be removed by a vote of at least two-thirds of the members of the Charter Board at any duly held meeting for any cause that renders the member incapable or unfit to discharge the duties of the office.

(j) Office of Charter Schools. – The Office of Charter Schools shall be the principal administrative unit under the direction of the Charter Board. The Department of Public Instruction shall provide staff, offices, office equipment, and meeting space to the Charter Board and Office of Charter Schools.

(k) Powers and Duties. – The Charter Board shall have the following duties:

(1) To provide technical assistance, through the Office of Charter Schools and the Department of Public Instruction, to charter school applicants and to charter schools that are approved under this Part.

(2) To adopt rules in accordance with Article 2A of Chapter 150B of the General Statutes regarding all aspects of charter school operation, including time lines, standards, and criteria for acceptance and approval of applications, monitoring of charter schools, and grounds for revocation of charters.

(3) To oversee the process for accepting and approving applications for charters and to make final approval of charter applications.

(4) To oversee the process for monitoring the operation of charter schools with the assistance and counsel of staff from the Department of Public Instruction.

(5) To take any actions regarding a charter school, including renewals of charters, nonrenewals of charters, and revocation of charters.

(6) To undertake any duties and responsibilities consistent with the above powers and duties and incident thereto.

(l) The State Board shall have the authority to veto by a three-fourths vote any action adopted by vote of the Charter Board if the State Board's veto vote is taken within 45 days of the date the Charter Board voted to adopt the action."

SECTION 1.(b) G.S. 115C-238.29B reads as rewritten:

"§ 115C-238.29B. Eligible applicants; contents of applications; submission of applications for approval.

(a) Any ~~person, group of persons, or~~ nonprofit corporation seeking to establish a charter school may apply to the Charter Board to establish a charter school. If the applicant seeks to convert a public school to a charter school, the application shall include a statement signed by a majority of the teachers and instructional support personnel currently employed at the school indicating that they favor the conversion and evidence that a significant number of parents of children enrolled in the school favor conversion.

(b) The application shall contain at least the following information:

(1) A description of a program that implements one or more of the purposes in G.S. 115C-238.29A.

(2) A description of student achievement goals for the school's educational program and the method of demonstrating that students have attained the skills and knowledge specified for those student achievement goals.

(3) The governance structure of the school including the names of the ~~proposed~~ initial members of the board of directors of the nonprofit, tax-exempt corporation and the process to be followed by the school to ensure parental involvement.

(3a) The local school administrative unit in which the school will be located.

(4) Admission policies and procedures.

(5) A proposed budget for the school and evidence that the financial plan for the school is economically sound.

(6) Requirements and procedures for program and financial audits.

(7) A description of how the school will comply with G.S. 115C-238.29F.

(8) Types and amounts of insurance coverage, including bonding insurance for the principal officers of the school, to be obtained by the charter school.

(9) The term of the charter.

(10) The qualifications required for individuals employed by the school.

(11) The procedures by which students can be excluded from the charter school and returned to a public school. Notwithstanding any law to the contrary, any local board may refuse to admit any student who is suspended or expelled from a charter school due to actions that would lead to suspension or expulsion from a public school under G.S. 115C-390.5 through G.S. 115C-390.11 until the period of suspension or expulsion has expired.

(12) The number of students to be served, which number shall be at least 65, and the minimum number of teachers to be employed at the school, which number shall be at least three. However, the charter school may serve fewer than 65 students or employ fewer than three teachers if the application contains a compelling reason, such as the school would serve a geographically remote and small student population.

(13) Information regarding the facilities to be used by the school and the manner in which administrative services of the school are to be provided.

(14) Repealed by Session Laws 1997-430, s. 1.

~~(c) An applicant shall submit the application to a chartering entity for preliminary approval. A chartering entity may be:~~

~~(1) The local board of education of the local school administrative unit in which the charter school will be located;~~

~~(2) The board of trustees of a constituent institution of The University of North Carolina, so long as the constituent institution is involved in the planning, operation, or evaluation of the charter school; or~~

~~(3) The State Board of Education.~~

~~Regardless of which chartering entity receives the application for preliminary approval, the State Board of Education shall have final approval of the charter school.~~

~~Notwithstanding the provisions of this subsection, if the State Board of Education finds that an applicant (i) submitted an application to a local board of education and received final approval from the State Board of Education, but (ii) is unable to find a suitable location within that local school administrative unit to operate, the State Board of Education may authorize the charter school to operate within an adjacent local school administrative unit for one year only. The charter school cannot operate for more than one year unless it reapplies, in accordance with subdivision (1), (2), or (3) of this subsection, and receives final approval from the State Board of Education.~~

~~(d) Unless an applicant submits its application under subsection (c) of this section to the local board of education of the local school administrative unit in which the charter school will be located, the applicant shall submit a copy of its application to that local board within seven days of its submission under subsection (c) of this section. The local board may offer any information or comment concerning the application it considers appropriate to the chartering entity. The local board shall deliver this information to the chartering entity no later than January 1 of the next calendar year. The applicant shall not be required to obtain or deliver this information to the chartering entity on behalf of the local board. The State Board shall consider any information or comment it receives from a local board and shall consider the impact on the local school administrative unit's ability to provide a sound basic education to its students when determining whether to grant preliminary and final approval of the charter school.~~

(e) The Charter Board shall establish reasonable fees for initial and renewal charter applications in accordance with Article 2A of Chapter 150B of the General Statutes. The fees collected under this section shall be placed in a special fund to be designated the "Charter Application Fund" and shall be used under the supervision and direction of the Charter Board for the administration of this Part. No application fee shall be refunded in the event the application is rejected or the charter is revoked."

SECTION 1.(c) G.S. 115C-238.29C is repealed.

SECTION 1.(d) G.S. 115C-238.29D reads as rewritten:

"§ 115C-238.29D. Final approval of applications for charter schools.

(a) The ~~State~~ Charter Board may grant ~~final~~ approval of an application if it finds (i) that the application meets the requirements set out in this Part ~~or~~and such other requirements as may be adopted by the ~~State Board of Education~~ Charter Board, (ii) that the applicant has the ability to operate the school and would be likely to operate the school in an educationally and economically sound manner, and (iii) that granting the application would achieve one or more of the purposes set out in G.S. 115C-238.29A. ~~The State Board shall act by March 15 of a calendar year on all applications and appeals it receives prior to February 15 of that calendar year.~~In reviewing applications for the establishment of charter schools within a local school administrative unit, the Charter Board is encouraged to give preference to applications that demonstrate the capability to provide comprehensive learning experiences to students identified by the applicants as at risk of academic failure.

(b) Repealed by Session Laws 2011-164, s. 2(a), effective July 1, 2011.

(c) The ~~State~~ Charter Board ~~of Education~~ may authorize a school before the applicant has secured its space, equipment, facilities, and personnel if the applicant indicates the authority is necessary for it to raise working capital. ~~The State Board~~Funds shall not ~~allocate any funds~~be allocated to the school until the school has obtained space.

(d) The ~~State~~ Charter Board ~~of Education~~ may grant the initial charter for a period not to exceed 10 years and may renew the charter upon the request of the ~~chartering entity~~charter school for subsequent periods not to exceed 10 years each. The ~~State~~ Charter Board ~~of Education~~ shall review the operations of each charter school at least once every five years to ensure that the school is meeting the expected academic, financial, and governance standards.

A material revision of the provisions of a charter application shall be made only upon the approval of the ~~State Board of Education.~~Charter Board.

It shall not be considered a material revision of a charter application and shall not require the prior approval of the ~~State~~ Charter Board for a charter school to increase its enrollment during the charter school's second year of operation and annually thereafter (i) by up to twenty percent (20%) of the school's previous year's enrollment or (ii) in accordance with planned growth as authorized in the charter. Other enrollment growth shall be considered a material revision of the charter application, and the ~~State~~ Charter Board may approve such additional enrollment growth of greater than twenty percent (20%) only if the ~~State~~ Charter Board finds ~~that:~~all of the following:

(1) The actual enrollment of the charter school is within ten percent (10%) of its maximum authorized ~~enrollment;~~enrollment.

(2) The charter school has commitments for ninety percent (90%) of the requested maximum ~~growth;~~growth.

~~(3) The board of education of the local school administrative unit in which the charter school is located has had an opportunity to be heard by the State Board of Education on any adverse impact the proposed growth would have on the unit's ability to provide a sound basic education to its students;~~

(4) The charter school is not currently identified as ~~low-performing;~~low-performing.

(5) The charter school meets generally accepted standards of fiscal ~~management; and~~management.

(6) It is otherwise appropriate to approve the enrollment growth."

SECTION 1.(e) G.S. 115C-238.29E reads as rewritten:

"**§ 115C-238.29E. Charter school operation.**

(a) A charter school that is approved by the State shall be a public school within the local school administrative unit in which it is located. ~~It shall be accountable to the local board of education if it applied for and received preliminary approval from that local board for purposes of ensuring compliance with applicable laws and the provisions of its charter.~~ All ~~other~~ charter schools shall be accountable to the ~~State~~ Charter Board for ensuring compliance with applicable laws and the provisions of their ~~charters, except that any of these charter schools may agree to be accountable to the local board of the school administrative unit in which the charter school is located rather than to the State Board.~~charters.

(b) A charter school shall be operated by a private nonprofit corporation that shall have received federal tax-exempt status no later than 24 months following final approval of the application.

(c) A charter school shall operate under the written charter signed by the ~~entity to which it is accountable under subsection (a) of this section~~ Charter Board and the applicant. A charter school is not required to enter into any other contract. The charter shall incorporate the information provided in the application, as modified during the charter approval process, and any terms and conditions imposed on the charter school by the ~~State~~ Charter Board ~~of Education~~. No other terms may be imposed on the charter school as a condition for receipt of local funds.

(d) The board of directors of the charter school shall decide matters related to the operation of the school, including budgeting, curriculum, and operating procedures.

(e) A charter school's specific location shall not be prescribed or limited by a local board or other authority except a zoning authority. The school may lease space from a local board of education or as is otherwise lawful in the local school administrative unit in which the charter school is located. If a charter school leases space from a sectarian organization, the charter school classes and students shall be physically separated from any parochial students, and there shall be no religious artifacts, symbols, iconography, or materials on display in the charter school's entrance, classrooms, or hallways. Furthermore, if a charter school leases space from a sectarian organization, the charter school shall not use the name of that organization in the name of the charter school.

~~At~~ Notwithstanding any other law, and at the request of the charter school, the local board of education of the local school administrative unit in which the charter school will be located shall lease any available building or land to the charter school for one dollar ($1.00) per year unless the board demonstrates that the lease is not economically or practically feasible or that the local board does not have adequate classroom space to meet its enrollment needs. ~~Notwithstanding any other law, a local board of education may provide a school facility to a charter school free of charge; however,~~ If the local board of education provides the school

facility to a charter school for one dollar ($1.00) per year, the charter school is responsible for the maintenance of and insurance for the school facility.

(f) Except as provided in this Part and pursuant to the provisions of its charter, a charter school is exempt from statutes and rules applicable to a local board of education or local school administrative unit."

SECTION 1.(f) G.S. 115C-238.29F reads as rewritten:

"§ 115C-238.29F. General requirements.

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

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

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

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

(b) School Nonsectarian. – A charter school shall be nonsectarian in its programs, admission policies, employment practices, and all other operations and shall not charge tuition or fees, except that a charter school may charge any fees that are charged by the local school administrative unit in which the charter school is located. A charter school shall not be affiliated with a nonpublic sectarian school or a religious institution.

(c) Civil Liability and Insurance. –

(1) The board of directors of a charter school may sue and be sued. The ~~State~~ Charter Board ~~of Education~~ shall adopt rules to establish reasonable amounts and types of liability insurance that the board of directors shall be required by the charter to obtain. The board of directors shall obtain at least the amount of and types of insurance required by these rules to be included in the charter. Any sovereign immunity of the charter school, of the organization that operates the charter school, or its members, officers, or directors, or of the employees of the charter school or the organization that operates the charter school, is waived to the extent of indemnification by insurance.

(2) No civil liability shall attach to ~~any chartering entity,~~the Charter Board, to the State Board of Education, or to any of their members or employees, individually or collectively, for any acts or omissions of the charter school.

(d) Instructional Program. –

(1) The school shall provide instruction each year for at least 185 days or 1,025 hours over nine calendar months.

(2) The school shall design its programs to at least meet the student performance standards adopted by the State Board of Education and the student performance standards contained in the charter.

(3) A charter school shall conduct the student assessments required ~~for charter schools~~ by the State Board of Education.

(4) The school is subject to and shall comply with Article 9 of Chapter 115C of the General Statutes and The Individuals with Disabilities Education Improvements Act, 20 U.S.C. § 1400, et seq., (2004), as amended.~~shall comply with policies adopted by the State Board of Education for charter schools relating to the education of children with disabilities.~~

(5) The school is subject to and shall comply with Article 27 of Chapter 115C of the General Statutes, except that a charter school may also exclude a student from the charter school and return that student to another school in the local school administrative unit in accordance with the terms of its ~~charter.~~charter after due process.

(d1) Reading Proficiency and Student Promotion. –

(1) Students in the third grade shall be retained if the student fails to demonstrate reading proficiency by reading at or above the third grade level as demonstrated by the results of the State-approved standardized test of reading comprehension administered to third grade students. The charter school shall provide reading interventions to retained students to remediate reading deficiency, which may include 90 minutes of daily, uninterrupted, evidence-based reading instruction, accelerated reading classes, transition classes containing third and fourth grade students, and summer reading camps.

(2) Students may be exempt from mandatory retention in third grade for good cause but shall continue to receive instructional supports and services and reading interventions appropriate for their age and reading level. Good cause exemptions shall be limited to the following:

a. Limited English Proficient students with less than two years of instruction in an English as a Second Language program.

b. Students with disabilities, as defined in G.S. 115C-106.3(1), whose individualized education program indicates the use of alternative assessments and reading interventions.

c. Students who demonstrate reading proficiency appropriate for third grade students on an alternative assessment of reading comprehension. The charter school shall notify the State Board of Education of the alternative assessment used to demonstrate reading proficiency.

d. Students who demonstrate, through a student reading portfolio, reading proficiency appropriate for third grade students.

e. Students who have (i) received reading intervention and (ii) previously been retained more than once in kindergarten, first, second, or third grades.

(3) The charter school shall provide notice to parents and guardians when a student is not reading at grade level. The notice shall state that if the student's reading deficiency is not remediated by the end of third grade, the student shall be retained unless he or she is exempt from mandatory retention for good cause. Notice shall also be provided to parents and guardians of any student who is to be retained under this subsection of the reason the student is not eligible for a good cause exemption, as well as a

description of proposed reading interventions that will be provided to the student to remediate identified areas of reading deficiency.

(4) The charter school shall annually publish on the charter school's Web site and report in writing to the State Board of Education by September 1 of each year the following information on the prior school year:

a. The number and percentage of third grade students demonstrating and not demonstrating reading proficiency on the State-approved standardized test of reading comprehension administered to third grade students.

b. The number and percentage of third grade students not demonstrating reading proficiency and who do not return to the charter school for the following school year.

c. The number and percentage of third grade students who take and pass the alternative assessment of reading comprehension.

d. The number and percentage of third grade students retained for not demonstrating reading proficiency.

e. The number and percentage of third grade students exempt from mandatory third grade retention by category of exemption as listed in subdivision (2) of this subsection.

(e) Employees. –

(1) An employee of a charter school is not an employee of the local school administrative unit in which the charter school is located. The charter school's board of directors shall employ and contract with necessary teachers to perform the particular service for which they are employed in the ~~school; at least seventy-five percent (75%) of these teachers in grades kindergarten through five, at least fifty percent (50%) of these teachers in grades six through eight, and at least fifty percent (50%) of these teachers in grades nine through 12 shall hold teacher certificates. All teachers in grades six through 12 who are teaching in the core subject areas of mathematics, science, social studies, and language arts shall be college graduates.~~school. The board also may employ necessary employees who are not required to hold teacher ~~certificates~~ licenses to perform duties other than teaching and may contract for other services. The board may discharge teachers and noncertificated employees.

(2) No local board of education shall require any employee of the local school administrative unit to be employed in a charter school.

(3) If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at a charter school, the local school administrative unit shall grant the leave for one year. For the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has career status under G.S. 115C-325 prior to receiving a leave of absence to teach at a charter school may return to a public school in the local school administrative unit with career status at the end of the leave of

absence or upon the end of employment at the charter school if an appropriate position is available. If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers and that teacher shall have priority on all positions for which that teacher is qualified in accordance with G.S. 115C-325(e)(2).

(4) The employees of the charter school shall be deemed employees of the local school administrative unit for purposes of providing certain State-funded employee benefits, including membership in the Teachers' and State Employees' Retirement System and the State Health Plan for Teachers and State Employees. The State Board of Education provides funds to charter schools, and the Charter Board approves the original members of the boards of directors of the charter schools, has the authority to grant, supervise, and revoke charters, and demands full accountability from charter schools for school finances and student performance. Accordingly, it is the determination of the General Assembly that charter schools are public schools and that the employees of charter schools are public school employees. Employees of a charter school whose board of directors elects to become a participating employer under G.S. 135-5.3 are "teachers" for the purpose of membership in the North Carolina Teachers' and State Employees' Retirement System. In no event shall anything contained in this Part require the North Carolina Teachers' and State Employees' Retirement System to accept employees of a private employer as members or participants of the System.

(5) Education employee associations shall have equal access to charter school employees as provided in G.S. 115C-335.9.

(6) Each charter school board of directors shall adopt a policy on whether and under what circumstances an applicant for employment shall be required to be checked for a criminal history before the applicant is given an unconditional job offer. Each charter school board of directors shall apply its policy uniformly in requiring applicants for employment to be checked for a criminal history. A charter school board of directors that requires a criminal history check for an applicant may employ an applicant conditionally while the board is checking the person's criminal history and making a decision based on the results of the check.

(f) Accountability. –

(1) The school is subject to the financial audits, the audit procedures, and the audit requirements adopted by the ~~State~~ Charter Board ~~of Education~~ for charter schools. These audit requirements may include the requirements of the School Budget and Fiscal Control Act.

(2) The school shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting ~~System.~~System, except that reports shall be made to the Charter Board as well as the State Board of Education.

(3) The school shall report at least annually to the ~~chartering entity and the State~~Charter Board ~~of Education~~ the information required by the ~~chartering entity or the State~~Charter Board.

(g) Admission Requirements. –

(1) Any child who is qualified under the laws of this State for admission to a public school is qualified for admission to a charter school.

(2) No local board of education shall require any student enrolled in the local school administrative unit to attend a charter school.

(3) Admission to a charter school shall not be determined according to the school attendance area in which a student resides, except that any local school administrative unit in which a public school converts to a charter school shall give admission preference to students who reside within the former attendance area of that school.

(4) Admission to a charter school shall not be determined according to the local school administrative unit in which a student resides.

(5) A charter school shall not discriminate against any student on the basis of ethnicity, national origin, gender, or disability. Except as otherwise provided by law or the mission of the school as set out in the charter, the school shall not limit admission to students on the basis of intellectual ability, measures of achievement or aptitude, athletic ability, disability, race, creed, gender, national origin, religion, or ancestry. The charter school may give enrollment priority to siblings of currently enrolled students who were admitted to the charter school in a previous year and to children of the school's principal, teachers, and teacher assistants. In addition, and only for its first year of operation, the charter school may give enrollment priority to children of the initial members of the charter school's board of directors, so long as (i) these children are limited to no more than ten percent (10%) of the school's total enrollment or to 20 students, whichever is less, and (ii) the charter school is not a former public or private school. If multiple ~~birth~~ siblings apply for admission to a charter school and a lottery is needed under G.S. 115C-238.29F(g)(6), the charter school shall enter one surname into the lottery to represent all of the multiple ~~birth~~ siblings. If that surname of the multiple ~~birth~~ siblings is selected, then all of the multiple ~~birth~~ siblings shall be admitted. Within one year after the charter school begins operation, the population of the school shall make efforts to reasonably reflect the racial and ethnic composition of the general population residing within the local school administrative unit in which the school is located or the racial and ethnic composition of the special population that the school seeks to serve residing within the local school administrative unit in which the school is located. The school shall be subject to any court-ordered desegregation plan in effect for the local school administrative unit.

(6) During each period of enrollment, the charter school shall enroll an eligible student who submits a timely application, unless the number of applications exceeds the capacity of a program, class, grade level, or building. In this case, students shall be accepted by lot. Once enrolled, students are not required to reapply in subsequent enrollment periods.

(7) Notwithstanding any law to the contrary, a charter school may refuse admission to any student who has been expelled or suspended from a public school under G.S. 115C-390.5 through G.S. 115C-390.11 until the period of suspension or expulsion has expired.

(h) Transportation. – The charter school may provide transportation for students enrolled at the school. The charter school shall develop a transportation plan so that transportation is not a barrier to any student who resides in the local school administrative unit in which the school is located. The charter school is not required to provide transportation to any student who lives within one and one-half miles of the school. At the request of the charter school and if the local board of the local school administrative unit in which the charter school is located operates a school bus system, then that local board may contract with the charter school to provide transportation in accordance with the charter school's transportation plan to students who reside in the local school administrative unit and who reside at least one and

one-half miles of the charter school. A local board may charge the charter school a reasonable charge that is sufficient to cover the cost of providing this transportation. Furthermore, a local board may refuse to provide transportation under this subsection if it demonstrates there is no available space on buses it intends to operate during the term of the contract or it would not be practically feasible to provide this transportation.

(i) Assets. – Upon dissolution of the charter school or upon the nonrenewal of the charter, all net assets of the charter school purchased with public funds shall be deemed the property of the ~~local school administrative unit in which the charter school is located.~~State and shall be returned to the General Fund.

(j) Driving Eligibility Certificates. – In accordance with rules adopted by the State Board of Education, the designee of the school's board of directors shall do all of the following:

(1) Sign driving eligibility certificates that meet the conditions established in G.S. 20-11.

(2) Obtain the necessary written, irrevocable consent from parents, guardians, or emancipated juveniles, as appropriate, in order to disclose information to the Division of Motor Vehicles.

(3) Notify the Division of Motor Vehicles when a student who holds a driving eligibility certificate no longer meets its conditions.

(k) The Display of the United States and North Carolina Flags and the Recitation of the Pledge of Allegiance. – A charter school shall (i) display the United States and North Carolina flags in each classroom when available, (ii) require the recitation of the Pledge of Allegiance on a daily basis, and (iii) provide age-appropriate instruction on the meaning and historical origins of the flag and the Pledge of Allegiance. A charter school shall not compel any person to stand, salute the flag, or recite the Pledge of Allegiance. If flags are donated or are otherwise available, flags shall be displayed in each classroom.

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

SECTION 1.(g) G.S. 115C-238.29G reads as rewritten:

"**§ 115C-238.29G. Causes for nonrenewal or termination; disputes.**

(a) The ~~State Board of Education, or a chartering entity subject to the approval of the State Board of Education,~~Charter Board may ~~terminate or not renew a charter~~terminate, not renew, or seek applicants to assume the charter through a competitive bid process established by the Charter Board upon any of the following grounds:

(1) Failure to meet the requirements for student performance contained in the charter;

(2) Failure to meet generally accepted standards of fiscal management;

(3) Violations of law;

(4) Material violation of any of the conditions, standards, or procedures set forth in the charter;

(5) Two-thirds of the faculty and instructional support personnel at the school request that the charter be terminated or not renewed; or

(6) Other good cause identified.

(a1) The ~~State~~ Charter Board shall adopt criteria for adequate performance by a charter school and shall identify charter schools with inadequate performance. The criteria shall include a requirement that a charter school which demonstrates no growth in student

performance and has annual performance composites below sixty percent (60%) in any two years in a three-year period is inadequate.

(1) If a charter school is inadequate in the first five years of the charter, the charter school shall develop a strategic plan to meet specific goals for student performance that are consistent with ~~State~~ Charter Board criteria and the mission approved in the charter school. The strategic plan shall be reviewed and approved by the ~~State~~ Charter Board. The ~~State~~ Charter Board is authorized to terminate or not renew a charter for failure to demonstrate improvement under the strategic plan.

(2) If a charter school is inadequate and has had a charter for more than five years, the ~~State~~ Charter Board is authorized to terminate, not renew, or seek applicants to assume the charter through a competitive bid process established by the Charter Board. ~~terminate or not renew the charter.~~ The Charter Board shall develop rules on the assumption of a charter by a new entity that include all aspects of the operations of the charter school, including the status of the employees. Public assets would transfer to the new entity and not revert to the General Fund pursuant to G.S. 115C-238.29F(j).

(b) The ~~State~~ Charter Board ~~of Education~~ shall develop and implement a process to address contractual and other grievances between a charter school and its chartering entity or the local board of education during the time of its charter.

(c) The ~~State~~ Charter Board and the charter school are encouraged to make a good-faith attempt to resolve the differences that may arise between them. They may agree to jointly select a mediator. The mediator shall act as a neutral facilitator of disclosures of factual information, statements of positions and contentions, and efforts to negotiate an agreement settling the differences. The mediator shall, at the request of either the ~~State~~ Charter Board or a charter school, commence a mediation immediately or within a reasonable period of time. The mediation shall be held in accordance with rules and standards of conduct adopted under Chapter 7A of the General Statutes governing mediated settlement conferences but modified as appropriate and suitable to the resolution of the particular issues in disagreement.

Notwithstanding Article 33C of Chapter 143 of the General Statutes, the mediation proceedings shall be conducted in private. Evidence of statements made and conduct occurring in a mediation are not subject to discovery and are inadmissible in any court action. However, no evidence otherwise discoverable is inadmissible merely because it is presented or discussed in a mediation. The mediator shall not be compelled to testify or produce evidence concerning statements made and conduct occurring in a mediation in any civil proceeding for any purpose, except disciplinary hearings before the State Bar or any agency established to enforce standards of conduct for mediators. The mediator may determine that an impasse exists and discontinue the mediation at any time. The mediator shall not make any recommendations or public statement of findings or conclusions. The ~~State~~ Charter Board and the charter school shall share equally the mediator's compensation and expenses. The mediator's compensation shall be determined according to rules adopted under Chapter 7A of the General Statutes."

SECTION 1.(h) G.S. 115C-238.29H reads as rewritten:

"**§ 115C-238.29H. State and local funds for a charter school.**

(a) The State Board of Education shall allocate to each charter school:

(1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the charter school is located for each child attending the charter school except for the allocation for children with disabilities and for the allocation for children with limited English proficiency;

(2) An additional amount for each child attending the charter school who is a child with disabilities; and

(3) An additional amount for children with limited English proficiency attending the charter school, based on a formula adopted by the State Board.

~~In accordance with G.S. 115C-238.29D(d), the~~The State Board shall allow for annual adjustments to the amount allocated to a charter school based on its enrollment growth in school years subsequent to the initial year of operation.

In the event a child with disabilities leaves the charter school and enrolls in a public school during the first 60 school days in the school year, the charter school shall return a pro rata amount of funds allocated for that child to the State Board, and the State Board shall reallocate those funds to the local school administrative unit in which the public school is located. In the event a child with disabilities enrolls in a charter school during the first 60 school days in the school year, the State Board shall allocate to the charter school the pro rata amount of additional funds for children with disabilities.

(a1) Funds allocated by the State Board of Education may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities or equipment. However, State funds shall not be used to obtain any other interest in real property or mobile classroom units. No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions. Every contract or lease into which a charter school enters shall include the previous sentence. The school also may own land and buildings it obtains through non-State sources.

(b) If a student attends a charter school, the local school administrative unit in which the child resides shall transfer to the charter school an amount equal to the per pupil share of the local current expense ~~appropriation to~~ fund of the local school administrative unit for the fiscal year. The amount transferred under this subsection that consists of revenue derived from supplemental taxes shall be transferred only to a charter school located in the tax district for which these taxes are levied and in which the student resides. The per pupil share of the local current expense fund shall be transferred to the charter school within 30 days of the receipt of monies into the local current expense fund.

(c) The local school administrative unit shall also provide each charter school to which it transfers a per pupil share of its local current expense fund with all of the following information within the 30-day time period provided in subsection (b) of this section:

(1) The total amount of monies the local school administrative unit has in each of the funds listed in G.S. 115C-426(c).

(2) The student membership numbers used to calculate the per pupil share of the local current expense fund.

(3) How the per pupil share of the local current expense fund was calculated.

(d) The court shall award the prevailing party in an action to enforce the provisions of subsection (b) of this section its reasonable attorneys' fees and costs incurred in bringing such an action, plus interest at the legal rate as provided in G.S. 24-1 from and after the date that any such amounts should have otherwise been paid to the charter school for a fiscal year. The court shall order any delinquent funds, costs, fees, and interest to be paid in full within three years from the entry of any judgment."

SECTION 1.(i) G.S. 115C-238.29I reads as rewritten:

"**§ 115C-238.29I. Notice of the charter school process; review of charter ~~schools; Charter School Advisory Committee.~~schools.**

(a) The ~~State~~ Charter Board ~~of Education~~ shall distribute information announcing the availability of the charter school process described in this Part to each local school

administrative unit and public postsecondary educational institution and, through press releases, to each major newspaper in the State.

(b) Repealed by Session Laws 1997-18, s. 15(i).

(c) The ~~State~~ Charter Board ~~of Education~~ shall review and evaluate the educational effectiveness of the charter ~~school approach~~schools authorized under this Part and the effect of charter schools on the public schools in the local school administrative unit in which the charter schools are located. The Board shall report annually no later than January ~~1, 2002,~~1 to the Joint Legislative Education Oversight Committee ~~with recommendations to modify, expand, or terminate that approach. The Board shall base its recommendations predominantly on the following information:~~on the following:

(1) The current and projected impact of charter schools on the delivery of services by the public schools.

(2) Student academic progress in the charter schools as measured, where available, against the academic year immediately preceding the first academic year of the charter schools' operation.

(3) Best practices resulting from charter school operations.

(4) Other information the ~~State~~ Charter Board considers appropriate.

~~(d) The State Board of Education may establish a Charter School Advisory Committee to assist with the implementation of this Part. The Charter School Advisory Committee may (i) provide technical assistance to chartering entities or to potential applicants, (ii) review applications for preliminary approval, (iii) make recommendations as to whether the State Board should approve applications for charter schools, (iv) make recommendations as to whether the State Board should terminate or not renew a charter, (v) make recommendations concerning grievances between a charter school and its chartering entity, the State Board, or a local board, (vi) assist with the review under subsection (c) of this section, and (vii) provide any other assistance as may be required by the State Board.~~

~~(e) Notwithstanding the dates set forth in this Part, the State Board of Education may establish an alternative time line for the submission of applications, preliminary approvals, criminal record checks, appeals, and final approvals so long as the Board grants final approval by March 15 of each calendar year.~~"

SECTION 1.(j) G.S. 115C-238.29J is repealed.

SECTION 1.(k) G.S. 115C-238.29K is repealed.

SECTION 2.(a) G.S. 115C-426(c) reads as rewritten:

"(c) The uniform budget format shall require the following funds:

(1) The State Public School Fund.

(2) The local current expense fund.

(3) The capital outlay fund.

In addition, other funds may be used to account for reimbursements, including indirect costs, fees for actual costs, tuition, sales tax revenues distributed using the ad valorem method pursuant to G.S. 105-472(b)(2), sales tax refunds, gifts and grants restricted as to use, trust funds, federal appropriations made directly to local school administrative units, and funds received for prekindergarten ~~programs, and special programs.~~programs. In addition, the appropriation or use of fund balance or interest income by a local school administrative unit shall not be construed as a local current expense appropriation.

Each local school administrative unit shall maintain those funds shown in the uniform budget format that are applicable to its operations."

SECTION 2.(b) G.S. 115C-448 is amended by adding a new subsection to read:

"(d) Special funds of individual schools shall not be included as part of the local current expense fund of a local school administrative unit for the purposes of determining the per pupil share of the local current expense fund transferred to a charter school pursuant to G.S. 115C-238.29H(b)."

SECTION 3. G.S. 105-278.4(a) reads as rewritten:

"(a) Buildings. – Buildings, the land they actually occupy, and additional land reasonably necessary for the convenient use of any such building shall be exempted from taxation if all of the following requirements are met:

...

(4) Wholly and exclusively used for educational purposes by ~~the owner or occupied gratuitously by another nonprofit educational institution and wholly and exclusively used by the occupant for nonprofit educational purposes.~~any of the following:

a. The owner.

b. A nonprofit educational institution occupying the building gratuitously.

c. A charter school even if the charter school is not the owner of the building."

SECTION 4. G.S. 135-5.3(b) reads as rewritten:

"(b) No later than 30 days after both parties have signed the written charter under G.S. 115C-238.29E, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Retirement System in accordance with this Article. This election shall be in writing and filed with the Retirement System and with the ~~State~~North Carolina Public Charter Schools Board ~~of Education~~ and is effective for each charter school employee as of the date of that employee's entry into eligible service. This subsection applies to charter schools that receive State Board of Education or North Carolina Public Charter Schools Board approval under G.S. 115C-238.29D after 1998."

SECTION 5. G.S. 135-48.54(b) reads as rewritten:

"(b) No later than 30 days after both parties have signed the written charter under G.S. 115C-238.29E, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Plan in accordance with this Article. This election shall be in writing and filed with the Plan and the North Carolina Public Charter Schools Board. ~~State Board of Education.~~ This election is effective for each charter school employee as of the date of that employee's entry into eligible service. This subsection applies to charter schools that receive State Board of Education or North Carolina Public Charter Schools Board approval under G.S. 115C-238.29D after 1998."

SECTION 6. Notwithstanding G.S. 115C-238.29A1, as enacted by this act, initial appointments to the Charter Board shall be made by the Governor and the General Assembly no later than August 1, 2013. Initial terms of office to the Charter Board shall be as follows:

(1) Two members appointed by the Governor, as designated by the Governor, shall be appointed to serve until June 30, 2015. One member appointed by the Governor, as designated by the Governor, shall be appointed to serve until June 30, 2017.

(2) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as designated by the Speaker, shall be until June 30, 2015. Two members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as designated by the Speaker, shall be until June 30, 2017.

(3) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as designated by the President Pro Tempore, shall be until June 30, 2015. Two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as designated by the President Pro Tempore, shall be until June 30, 2017.

SECTION 7. This act is effective when it becomes law. G.S. 115C-238.29H(d), as enacted by this act, applies to proceedings commenced on or after the effective date of this act.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: Senate Bill 337 (Second Edition)

SHORT TITLE: NC Public Charter School Board.

SPONSOR(S): Senators Tillman and Soucek

FISCAL IMPACT

($ in millions)

☐ Yes ☐ No ☑ No Estimate Available

State Impact	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
General Fund Revenues:					
General Fund Expenditures:					
State Positions:					
NET STATE IMPACT	$0.0	$0.0	$0.0	$0.0	$0.0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
State Board of Education, Department of Public Instruction

EFFECTIVE DATE When the bill becomes law.

TECHNICAL CONSIDERATIONS:
Yes - See Technical Considerations Section

BILL SUMMARY:

The bill creates an eleven member North Carolina Public Charter Schools Board (Charter Board), located in the Department of Public Instruction (DPI), but exercising its powers and duties independently of the State Board of Education (State Board) and DPI. The Charter Board's purpose would be to authorize and oversee high-quality public charter schools throughout the state and to exercise authority for approving charter applicants. The Department of Public Instruction's Office of Charter Schools would serve as the principal administrative unit under the direction of the Charter Board. The Charter Board would have the authority to establish "reasonable" fees for initial and renewal charter applications under Chapter 150B of the General Statutes. The fees would be placed in the "Charter Application Fund" and be used by the Charter Board for the administration of Part 6A of Article 16 of Chapter 115C.

The bill would make several substantive changes to the charter school application process as well as other conforming changes. The bill would make two modifications to current charter school capital statutes. At the request of a charter school, the local board of education of the LEA in which the charter is located would be required to lease an available building or land under the LEA's ownership to the charter school for $1.00 per year unless it can show the lease is not economically or practically feasible or that it needs the space for its own enrollment needs. Secondly, if a charter school is dissolved or its charter is not renewed, all net assets purchased with public funds would become property of State and returned to the General Fund rather than the LEA in which the charter is located.

The bill would also modify certain requirements pertaining to teacher licensure, student admissions, charter review, renewal and revocation. It would also modify the timing of local per-pupil funding transfers from local school administrative units (LEAs) to charter schools, as well as clarifying the eligibility of certain funds in considering the local per-pupil funding transfer. Lastly, the bill would provide for a tax exemption from property that is wholly and exclusively used for educational purposes by a charter school even if the charter school is not the owner of the building.

ASSUMPTIONS AND METHODOLOGY: While this bill would make a number of substantive changes to charter school approval, operation and review processes, this analysis will solely focus on those items that could have a fiscal impact.

North Carolina Public Charter School Board Operations

The bill would create an independent Charter Board that would replicate many of the same responsibilities currently administered by the North Carolina Charter Schools Advisory Council (Advisory Council). Funding for the Advisory Council is allocated from the State Board of Education's administrative budget. Over the last calendar year, its expenses are as follows:

Advisory Council, Costs by Activity (4/2012-2/2013)	
Compensation to Board Members	2,325
Board Transportation	7,944
Board Subsistence	7,772
Miscellaneous Compensation	193
Food Service	3,253
Ground Transportation	80
Printing / Duplicating	3,739
Requisitions	117
Application Review	15,000
Total	**$40,426**

In that time, the Council has held 5 two-day full committee meetings, 2 one-day full committee meetings, 2 two-day subcommittee meetings and three no-cost webinars. With nine in-person meetings held over eleven months, the Council has been essentially been conducting monthly meetings. Fifteen members sit on the Advisory Council, four more than would be appointed to the

Charter Board, not including the Superintendent of Public Instruction, who would serve in a non-voting capacity.

The bill authorizes Charter Board meetings "... upon the call of the chair or the vice-chair with the approval of the chair," without restriction. In the absence of additional information about how often the Charter Board would meet and for how many days those meetings would last, there is insufficient evidence to estimate an additional fiscal impact above and beyond the costs associated with the Advisory Council. The Technical Considerations section of this document further discusses funding for the Charter Board.

Charter School Application Fees

The Charter Board would be authorized to collect "reasonable fees" for initial and charter school renewal applications. The bill does not articulate the extent of those fees. Currently fees are not charged for charter approvals. It may be that the bill would anticipate that fees could be set to cover the difference between the current State Board of Education support for the Advisory Council and any additional costs created by increased number and review of charter school applications by the Charter Board in future years.

This analysis assumes that funding for the primary staff to the Charter Board, the Office of Charter Schools, would remain State-supported through existing appropriations made to the Department of Public Instruction. As such, the anticipated impact of fees would likely be to provide for additional direct resources for the Charter Board's activities or contracted services.

Dispersal of Local Funds for Charter Schools

The bill would provide that the per-pupil share of the local current expense fund legally required to be provided on behalf of public charter school students be transferred to the charter school within 30 days of the receipt of monies into the local current expense fund. Current law does not specify a timeline for this fund transfer. In addition, a variety of information about the calculation of those funds must be provided by the LEA to the charter school.

To enforce the provisions of the transfer of local funds, courts adjudicating a proceeding regarding local charter school funding would be required to award the prevailing party reasonable attorneys' fees and costs plus interest from and after the date that the monies should have been paid to the charter school. Monies would have to be paid in full within 3 years of the judgment. Any impact of this provision would be local in nature. This analysis does not have a basis for estimating the potential LEA costs for legal fees and interest payments that may arise from this bill.

Leasing of Property by LEAs to Charter Schools

Current law holds that LEAs shall lease any available building or land under its ownership to a charter school located within its district, provided that it is economically feasible and the building or land is not otherwise needed by the LEA. That lease may be provided at no cost to the charter school tenant. This bill would modify that arrangement and require that the LEAs shall charge $1 per year for such leases, instead of a rate otherwise set by the LEA. Sufficient data is not available to estimate the impact of potentially lowered LEA revenues from leased facilities. Like most of the preceding sections, any impact would solely be local.

Property Tax Status of Charter School Property
The bill provides that charter school buildings used solely for educational purposes would be exempt from property taxes even if the building is not owned by the charter school. Sufficient data is not available to determine the number and value of charter school buildings that are currently subject to property tax that would become exempt under the bill. To the extent that properties that are currently taxable become tax-exempt, local governments would experience a decrease in property tax revenue; however, no estimate is available on the size of the fiscal impact.

Uniform Budget Format Modifications
The bill would remove "special programs" as a category that may be excluded from calculating the local per-pupil appropriation for transfer on behalf of charter school students. The bill would also exempt LEA special fund proceeds from that calculation. There is no estimate available for the potential changes in the local per-pupil appropriations transfer. Any actual impact would solely involve LEA funding.

SOURCES OF DATA: Department of Public Instruction.

TECHNICAL CONSIDERATIONS:
The bill creates a unique status for the Charter Board, in which it would be located administratively within the Department of Public Instruction but operate independently of the State Board of Education and Department of Public Instruction, with limited exceptions. The following considerations are identified as a result of the Board's special status.

State Board of Education funding. The preceding analysis presumes that funds appropriated to the State Board of Education and used for the activities of the Charter School Advisory Council would be reallocated to the Charter Board. The bill does not identify a financial relationship between the State Board and Charter Board. If the sponsors wish that existing Advisory Council funding be reallocated to the Charter Board, they may wish to consider language to explicitly require that distribution. On the other hand, if the sponsors anticipate that the Charter Board will be entirely fee-supported they may wish to include language that would clarify that status.

Legal Counsel. The State Board of Education currently provides legal services free of charge to the Advisory Council from its counsel. To the extent that the Advisory Council is under the purview of the State Board, no conflict is inherent. However, with the Charter Board's independence from the State Board, additional funding could be needed for the Charter Board to utilize necessary independent legal counsel.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Brian Matteson and Rodney Bizzell

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: April 10, 2013



Signed Copy Located in the NCGA Principal Clerk's Offices

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: Senate Bill 337 (Second Edition)

SHORT TITLE: NC Public Charter School Board.

SPONSOR(S): Senators Tillman and Soucek

FISCAL IMPACT

($ in millions)

☐ Yes ☐ No ☑ No Estimate Available

State Impact	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
General Fund Revenues:					
General Fund Expenditures:					
State Positions:					
NET STATE IMPACT	$0.0	$0.0	$0.0	$0.0	$0.0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
State Board of Education, Department of Public Instruction

EFFECTIVE DATE When the bill becomes law.

TECHNICAL CONSIDERATIONS:
Yes - See Technical Considerations Section

BILL SUMMARY:

The bill creates an eleven member North Carolina Public Charter Schools Board (Charter Board), located in the Department of Public Instruction (DPI), but exercising its powers and duties independently of the State Board of Education (State Board) and DPI. The Charter Board's purpose would be to authorize and oversee high-quality public charter schools throughout the state and to exercise authority for approving charter applicants. The Department of Public Instruction's Office of Charter Schools would serve as the principal administrative unit under the direction of the Charter Board. The Charter Board would have the authority to establish "reasonable" fees for initial and renewal charter applications under Chapter 150B of the General Statutes. The fees would be placed in the "Charter Application Fund" and be used by the Charter Board for the administration of Part 6A of Article 16 of Chapter 115C.

The bill would make several substantive changes to the charter school application process as well as other conforming changes. The bill would make two modifications to current charter school capital statutes. At the request of a charter school, the local board of education of the LEA in which the charter is located would be required to lease an available building or land under the LEA's ownership to the charter school for $1.00 per year unless it can show the lease is not economically or practically feasible or that it needs the space for its own enrollment needs. Secondly, if a charter school is dissolved or its charter is not renewed, all net assets purchased with public funds would become property of State and returned to the General Fund rather than the LEA in which the charter is located.

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This analysis assumes that funding for the primary staff to the Charter Board, the Office of Charter Schools, would remain State-supported through existing appropriations made to the Department of Public Instruction. As such, the anticipated impact of fees would likely be to provide for additional direct resources for the Charter Board's activities or contracted services.

Dispersal of Local Funds for Charter Schools

The bill would provide that the per-pupil share of the local current expense fund legally required to be provided on behalf of public charter school students be transferred to the charter school within 30 days of the receipt of monies into the local current expense fund. Current law does not specify a timeline for this fund transfer. In addition, a variety of information about the calculation of those funds must be provided by the LEA to the charter school.

To enforce the provisions of the transfer of local funds, courts adjudicating a proceeding regarding local charter school funding would be required to award the prevailing party reasonable attorneys' fees and costs plus interest from and after the date that the monies should have been paid to the charter school. Monies would have to be paid in full within 3 years of the judgment. Any impact of this provision would be local in nature. This analysis does not have a basis for estimating the potential LEA costs for legal fees and interest payments that may arise from this bill.

Leasing of Property by LEAs to Charter Schools

Current law holds that LEAs shall lease any available building or land under its ownership to a charter school located within its district, provided that it is economically feasible and the building or land is not otherwise needed by the LEA. That lease may be provided at no cost to the charter school tenant. This bill would modify that arrangement and require that the LEAs shall charge $1 per year for such leases, instead of a rate otherwise set by the LEA. Sufficient data is not available to estimate the impact of potentially lowered LEA revenues from leased facilities. Like most of the preceding sections, any impact would solely be local.

Property Tax Status of Charter School Property
The bill provides that charter school buildings used solely for educational purposes would be exempt from property taxes even if the building is not owned by the charter school. Sufficient data is not available to determine the number and value of charter school buildings that are currently subject to property tax that would become exempt under the bill. To the extent that properties that are currently taxable become tax-exempt, local governments would experience a decrease in property tax revenue; however, no estimate is available on the size of the fiscal impact.

Uniform Budget Format Modifications
The bill would remove "special programs" as a category that may be excluded from calculating the local per-pupil appropriation for transfer on behalf of charter school students. The bill would also exempt LEA special fund proceeds from that calculation. There is no estimate available for the potential changes in the local per-pupil appropriations transfer. Any actual impact would solely involve LEA funding.

SOURCES OF DATA: Department of Public Instruction.

TECHNICAL CONSIDERATIONS:
The bill creates a unique status for the Charter Board, in which it would be located administratively within the Department of Public Instruction but operate independently of the State Board of Education and Department of Public Instruction, with limited exceptions. The following considerations are identified as a result of the Board's special status.

State Board of Education funding. The preceding analysis presumes that funds appropriated to the State Board of Education and used for the activities of the Charter School Advisory Council would be reallocated to the Charter Board. The bill does not identify a financial relationship between the State Board and Charter Board. If the sponsors wish that existing Advisory Council funding be reallocated to the Charter Board, they may wish to consider language to explicitly require that distribution. On the other hand, if the sponsors anticipate that the Charter Board will be entirely fee-supported they may wish to include language that would clarify that status.

Legal Counsel. The State Board of Education currently provides legal services free of charge to the Advisory Council from its counsel. To the extent that the Advisory Council is under the purview of the State Board, no conflict is inherent. However, with the Charter Board's independence from the State Board, additional funding could be needed for the Charter Board to utilize necessary independent legal counsel.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Brian Matteson and Rodney Bizzell

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: April 10, 2013



Signed Copy Located in the NCGA Principal Clerk's Offices

SENATE BILL 337:
NC Public Charter School Board

2013-2014 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	May 1, 2013
Introduced by:	Sens. Tillman, Soucek	**Prepared by:**	Leslie Karkanawi
Analysis of:	PCS to Second Edition S337-CSMKf-2		Staff Attorney

SUMMARY: ***Senate Bill 337 creates a new North Carolina Public Charter Schools Board (Charter Board) to approve and monitor charter schools and makes other changes to the charter school laws.***

The Proposed Committee Substitute would make the following changes:

- ***Restores language requiring that teachers who teach grades six through 12 in the core subject areas of mathematics, science, social studies, and language arts must be college graduates.***
- ***Requires the Charter Board to adopt rules for charter schools to establish under what circumstances a charter school would check the criminal history of an applicant for employment before the applicant is given an unconditional job offer rather than directing each charter school to adopt its own policy as provided in the previous edition.***
- ***Clarifies that the appropriation or use of a fund balance or interest income by a local school administrative unit (LEA) shall not be construed as a local current expense appropriation included as part of the local current expense fund.***
- ***Makes a technical change to establish a real property tax exemption for charter schools in the appropriate statute.***
- ***Clarifies that the North Carolina Charter School Advisory Council, as established by the State Board of Education on August 4, 2011, by Policy TCS-B-006, would be abolished to conform with the provisions of this act.***
- ***Makes a technical change to the effective date.***

BILL ANALYSIS:

Section 1

Current Law: Part 6A of Article 16 of Chapter 115C establishes charter schools and provides that the State Board of Education is the entity that oversees charter schools in the State by granting final approval of charter schools, monitoring the schools, and revoking charters. Charter schools are prohibited from receiving State monies for obtaining any interest in real property or mobile classroom units other than leases.

Analysis:

115C-238.29A1 – Creates North Carolina Public Charter Schools Board (Charter Board)

- The Charter Board would operate independent of the State Board of Education (SBE) but the SBE would have the authority to veto by a ¾ vote any action adopted by vote of the Charter Board if the veto is taken within 45 days.
- The Charter Board would have 11 voting members. The Superintendent of Public Instruction would be a nonvoting member and secretary of the Charter Board. 9 members would be appointed by the Governor and the General Assembly. The Lieutenant Governor and State Treasurer would also serve as voting members.
- The Charter Board would have the following powers and duties: to provide technical assistance to charter schools and charter school applicants; adopt rules under Chapter 150B of the General Statutes on all aspects of charter schools; oversee the charter application process and approve charter schools; monitor existing charter

schools, and take any actions regarding charter schools including renewals, nonrenewals, and revocations of charters.

115C-238.29B – Eligible Applicants and Submission of Applications for Approval

- Only nonprofit corporations would be able to apply to the Charter Board to establish a charter school.
- The option to obtain preliminary approval from a chartering entity such as a local board of education or UNC constituent institution would be repealed.
- An applicant would no longer have to submit a copy of its charter school application to the local board of education of the LEA in which the charter school would be located and the Charter Board would not have to consider any information received from the local board of education regarding the charter application.
- The Charter Board would establish reasonable fees for initial and renewal charter applications under Chapter 150B of the General Statutes. The fees would be placed in the "Charter Application Fund" and be used by the Charter Board for the administration of Part 6A of Article 16 of Chapter 115C.
- Application fees would not be refunded in the event the application is rejected or the charter is revoked.

115C-238.29C – Preliminary Approval of Applications for Charter Schools

- This section would be repealed.

115C-238.29D – Final Approval of Applications for Charter Schools

- Recodifies the requirement that in order to grant approval, the Charter Board must find that the applicant has the ability to operate the school and would do so in an educationally and economically sound manner.
- The Charter Board would be encouraged to give preference to applications that show the capacity to provide learning experiences for students identified at risk of academic failure.
- In approving enrollment growth for existing charter schools, the Charter Board would not have to find that the local board of education of the LEA in which the charter is located has had an opportunity to be heard on any adverse impact the proposed enrollment growth of the charter would have on the LEA's ability to provide a sound basic education to its students.

115C-238.29E – Charter School Operations

- Charter schools would not be able to agree to be accountable to the local board of education of the LEA in which the charter is located rather than the Charter Board.
- At the request of a charter school, the local board of education of the LEA in which the charter is located would be required to lease an available building or land to the charter school for $1.00 per year unless it can show the lease is not economically or practically feasible or that it needs the space for its own enrollment needs.

115C-238.29F – General Requirements

Employees

- The bill would remove the requirement that sets out that certain percentages of teachers employed in charter schools must hold teaching licenses.
- The Charter School Board would adopt rules establishing under what circumstances a charter school must check the criminal history of an applicant for employment before the applicant is given an unconditional job offer.

Admissions Requirements

- If a charter school must conduct a lottery for admission and multiple siblings apply, then the school would enter one surname for all of the siblings and admit them all of the surname is selected. Under current law, the one surname requirement applies only to multiple birth siblings.
- Charter schools must make efforts to reasonably reflect the racial and ethnic composition of the LEA in which it is located or the special population that the school seeks to serve that is residing in the LEA.

Assets

- If the charter school is dissolved or its charter is not renewed, all net assets purchased with public funds would become property of State and returned to the General Fund rather than the LEA in which the charter is located.

115C-238.29G – Nonrenewal or Termination of Charters

- The Charter Board would be able to terminate, not renew, or find applicants to assume the charter through a competitive bid process established by the Charter Board upon the grounds listed in the statute. The Charter Board would develop rules on the assumption of the charter that cover all aspects of the operation of the charter including the status of the employees. Public assets would transfer to the new entity.

115C-238.29H – Local Funds for Charter Schools

- The bill would provide that the per pupil share of the local current expense fund must be transferred to the charter school within 30 days of the receipt of monies into the local current expense fund.
- An LEA would be required to provide to each charter school it transfers a per pupil share of its local current expense fund the following information within the 30 day time period:
  - The total amount of monies the LEA has in each of the funds listed in G.S. 115C-426(c) such as reimbursements, fees for actual costs, tuition, sales tax refunds, etc.
  - The student membership numbers used to calculate the per pupil share of the local current expense fund.
  - How the per pupil share of the local current expense fund was calculated.
- In actions to enforce the provisions of the transfer of local funds, courts must award the prevailing party reasonable attorneys' fees and costs plus interest from and after the date that the monies show have been paid to the charter school. Monies would have to be paid in full within 3 years of the judgment.

115C-238.29I – Review of Charter Schools

- The bill would repeal language that provided that the SBE may establish a Charter School Advisory Committee and what the duties of that Advisory Committee could be.
- The bill would also repeal language that provides that final approval of charter schools must be granted by the SBE by March 15 of each calendar year.

115C-238.29J – Public and private assistance to charter schools

- The bill would repeal this section which provides that (i) local boards of education can provide support to charter schools within their LEAs; (ii) private persons and entities are encouraged to provide funds and help to charter schools; (iii) the SBE direct the Department of Public Instruction (DPI) to provide guidance and assistance to charter applicants; and (iv) the SBE direct DPI to notify the Department of Revenue when a charter is terminated, nonrenewed, or not granted.

115C-238.29K – Criminal History Checks conducted by the SBE

- This section would be repealed.

Section 2 – Uniform Budget Format

Current Law: The Uniform Budget Format allows LEAs to have other funds to account for reimbursements, fees for actual costs, tuition, sales tax revenues distributed through ad valorem taxes, sales tax refunds, gifts and grants restricted as to use, trust funds, federal appropriations made to LEAs and funds for prekindgarten programs and special programs.

Analysis:

- The bill would eliminate the fund for "special programs".
- The bill would add language that provides that special funds of individual schools would not be included as a part of the local current expense fund of an LEA for determining the per pupil share of the local current expense fund to be transferred to a charter school.

Section 3 – Property Taxes

Analysis: The bill would add an exemption from taxation under G.S. 105-275 for real property that is occupied by a charter school and is wholly and exclusively used for educational purposes by the charter school regardless of whether the charter school is the owner of the building.

Sections 4 and 5 – Conforming Changes to the Retirement Statutes

Analysis: These sections would make conforming changes in the retirement statutes to ensure that the correct entity is referenced.

Section 6 – Initial Appointments to the Charter Board

Analysis: Provides for the phase-in of members on the Charter Board.

Section 7 – Abolish Charter School Advisory Council

Analysis: Abolishes the North Carolina Charter School Advisory Council as established by State Board of Education policy.

EFFECTIVE DATE: Section 3 of the bill would be effective for taxes imposed for taxable years beginning on or after July 1, 2013. The remainder of the bill would become effective when it becomes law. G.S. 115C-238.29H(d), as enacted by this bill, would apply to proceedings commenced on or after the effective date of this act.

Drupti Chauhan and Kara McCraw, Committee Counsel to Senate Education/Higher Education, substantially contributed to this summary.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

S 2

SENATE BILL 337

Education/Higher Education Committee Substitute Adopted 4/3/13

Short Title: NC Public Charter School Board. (Public)

Sponsors:

Referred to:

March 19, 2013

A BILL TO BE ENTITLED

AN ACT TO CREATE THE NORTH CAROLINA PUBLIC CHARTER SCHOOLS BOARD AND MAKE OTHER CHANGES TO CHARTER SCHOOL LAWS.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Article 16 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-238.29A1. North Carolina Public Charter Schools Board established.**

(a) Creation. – There is created the North Carolina Public Charter Schools Board, hereinafter referred to in this Part as the Charter Board. The Charter Board shall be located administratively within the Department of Public Instruction but shall exercise its powers and duties independently of the State Board of Education and Department of Public Instruction, except as provided in this section.

(b) Purpose. – The purpose of the Charter Board is to authorize and oversee high-quality public charter schools throughout the State, consistent with the purposes of this Part, and to exercise authority for approval of any charter applicant.

(c) Membership. – The State Superintendent of Public Instruction shall be the secretary of the Charter Board and a nonvoting member. The Charter Board shall consist of the following 11 voting members:

(1) Three members appointed by the Governor.

(2) Three members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, in accordance with G.S. 120-121.

(3) Three members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, in accordance with G.S. 120-121.

(4) The State Treasurer or the Treasurer's designee.

(5) The Lieutenant Governor or the Lieutenant Governor's designee.

(d) Qualifications of Members. – Members appointed to the Charter Board shall collectively possess strong experience and expertise in public and nonprofit governance, management and finance, public school leadership, assessment, curriculum and instruction, public charter schools, and public education law. All appointed members of the Charter Board shall have demonstrated an understanding of and a commitment to charter schools as a strategy for strengthening public education.

(e) Terms of Office and Vacancy Appointments. – Appointed members shall serve four-year terms of office beginning on July 1. No appointed member shall serve more than

eight consecutive years. Vacancy appointments shall be made by the appointing authority for the remainder of the term of office.

(f) Officers. – The Charter Board shall annually elect a chair and a vice-chair from among its membership. In the absence of the chair, the vice-chair shall preside over the Charter Board's meetings. A majority of the Charter Board constitutes a quorum. The Charter Board shall adopt rules to govern its proceedings.

(g) Meetings. – Meetings of the Charter Board shall be held upon the call of the chair or the vice-chair with the approval of the chair.

(h) Expenses. – Members of the Charter Board shall be reimbursed for travel and subsistence expenses at the rates allowed to State officers and employees by G.S. 138-6(a).

(i) Removal. – Any appointed member of the Charter Board may be removed by a vote of at least two-thirds of the members of the Charter Board at any duly held meeting for any cause that renders the member incapable or unfit to discharge the duties of the office.

(j) Office of Charter Schools. – The Office of Charter Schools shall be the principal administrative unit under the direction of the Charter Board. The Department of Public Instruction shall provide staff, offices, office equipment, and meeting space to the Charter Board and Office of Charter Schools.

(k) Powers and Duties. – The Charter Board shall have the following duties:

(1) To provide technical assistance, through the Office of Charter Schools and the Department of Public Instruction, to charter school applicants and to charter schools that are approved under this Part.

(2) To adopt rules in accordance with Article 2A of Chapter 150B of the General Statutes regarding all aspects of charter school operation, including time lines, standards, and criteria for acceptance and approval of applications, monitoring of charter schools, and grounds for revocation of charters.

(3) To oversee the process for accepting and approving applications for charters and to make final approval of charter applications.

(4) To oversee the process for monitoring the operation of charter schools with the assistance and counsel of staff from the Department of Public Instruction.

(5) To take any actions regarding a charter school, including renewals of charters, nonrenewals of charters, and revocation of charters.

(6) To undertake any duties and responsibilities consistent with the above powers and duties and incident thereto.

(l) The State Board shall have the authority to veto by a three-fourths vote any action adopted by vote of the Charter Board if the State Board's veto vote is taken within 45 days of the date the Charter Board voted to adopt the action."

SECTION 1.(b) G.S. 115C-238.29B reads as rewritten:

"**§ 115C-238.29B. Eligible applicants; contents of applications; submission of applications for approval.**

(a) Any ~~person, group of persons, or~~ nonprofit corporation seeking to establish a charter school may apply to the Charter Board to establish a charter school. If the applicant seeks to convert a public school to a charter school, the application shall include a statement signed by a majority of the teachers and instructional support personnel currently employed at the school indicating that they favor the conversion and evidence that a significant number of parents of children enrolled in the school favor conversion.

(b) The application shall contain at least the following information:

(1) A description of a program that implements one or more of the purposes in G.S. 115C-238.29A.

(2) A description of student achievement goals for the school's educational program and the method of demonstrating that students have attained the skills and knowledge specified for those student achievement goals.

(3) The governance structure of the school including the names of the ~~proposed~~ initial members of the board of directors of the nonprofit, tax-exempt corporation and the process to be followed by the school to ensure parental involvement.

(3a) The local school administrative unit in which the school will be located.

(4) Admission policies and procedures.

(5) A proposed budget for the school and evidence that the financial plan for the school is economically sound.

(6) Requirements and procedures for program and financial audits.

(7) A description of how the school will comply with G.S. 115C-238.29F.

(8) Types and amounts of insurance coverage, including bonding insurance for the principal officers of the school, to be obtained by the charter school.

(9) The term of the charter.

(10) The qualifications required for individuals employed by the school.

(11) The procedures by which students can be excluded from the charter school and returned to a public school. Notwithstanding any law to the contrary, any local board may refuse to admit any student who is suspended or expelled from a charter school due to actions that would lead to suspension or expulsion from a public school under G.S. 115C-390.5 through G.S. 115C-390.11 until the period of suspension or expulsion has expired.

(12) The number of students to be served, which number shall be at least 65, and the minimum number of teachers to be employed at the school, which number shall be at least three. However, the charter school may serve fewer than 65 students or employ fewer than three teachers if the application contains a compelling reason, such as the school would serve a geographically remote and small student population.

(13) Information regarding the facilities to be used by the school and the manner in which administrative services of the school are to be provided.

(14) Repealed by Session Laws 1997-430, s. 1.

~~(c) An applicant shall submit the application to a chartering entity for preliminary approval. A chartering entity may be:~~

~~(1) The local board of education of the local school administrative unit in which the charter school will be located;~~

~~(2) The board of trustees of a constituent institution of The University of North Carolina, so long as the constituent institution is involved in the planning, operation, or evaluation of the charter school; or~~

~~(3) The State Board of Education.~~

~~Regardless of which chartering entity receives the application for preliminary approval, the State Board of Education shall have final approval of the charter school.~~

~~Notwithstanding the provisions of this subsection, if the State Board of Education finds that an applicant (i) submitted an application to a local board of education and received final approval from the State Board of Education, but (ii) is unable to find a suitable location within that local school administrative unit to operate, the State Board of Education may authorize the charter school to operate within an adjacent local school administrative unit for one year only. The charter school cannot operate for more than one year unless it reapplies, in accordance with subdivision (1), (2), or (3) of this subsection, and receives final approval from the State Board of Education.~~

~~(d) Unless an applicant submits its application under subsection (c) of this section to the local board of education of the local school administrative unit in which the charter school will be located, the applicant shall submit a copy of its application to that local board within seven days of its submission under subsection (c) of this section. The local board may offer any information or comment concerning the application it considers appropriate to the chartering entity. The local board shall deliver this information to the chartering entity no later than January 1 of the next calendar year. The applicant shall not be required to obtain or deliver this information to the chartering entity on behalf of the local board. The State Board shall consider any information or comment it receives from a local board and shall consider the impact on the local school administrative unit's ability to provide a sound basic education to its students when determining whether to grant preliminary and final approval of the charter school.~~

(e) The Charter Board shall establish reasonable fees for initial and renewal charter applications in accordance with Article 2A of Chapter 150B of the General Statutes. The fees collected under this section shall be placed in a special fund to be designated the "Charter Application Fund" and shall be used under the supervision and direction of the Charter Board for the administration of this Part. No application fee shall be refunded in the event the application is rejected or the charter is revoked."

SECTION 1.(c) G.S. 115C-238.29C is repealed.

SECTION 1.(d) G.S. 115C-238.29D reads as rewritten:

"§ 115C-238.29D. Final approval of applications for charter schools.

(a) The ~~State~~ Charter Board may grant ~~final~~ approval of an application if it finds (i) that the application meets the requirements set out in this Part ~~or~~and such other requirements as may be adopted by the ~~State Board of Education~~ Charter Board, (ii) that the applicant has the ability to operate the school and would be likely to operate the school in an educationally and economically sound manner, and (iii) that granting the application would achieve one or more of the purposes set out in G.S. 115C-238.29A. ~~The State Board shall act by March 15 of a calendar year on all applications and appeals it receives prior to February 15 of that calendar year.~~In reviewing applications for the establishment of charter schools within a local school administrative unit, the Charter Board is encouraged to give preference to applications that demonstrate the capability to provide comprehensive learning experiences to students identified by the applicants as at risk of academic failure.

(b) Repealed by Session Laws 2011-164, s. 2(a), effective July 1, 2011.

(c) The ~~State~~ Charter Board ~~of Education~~ may authorize a school before the applicant has secured its space, equipment, facilities, and personnel if the applicant indicates the authority is necessary for it to raise working capital. ~~The State Board~~Funds shall not ~~allocate any funds~~be allocated to the school until the school has obtained space.

(d) The ~~State~~ Charter Board ~~of Education~~ may grant the initial charter for a period not to exceed 10 years and may renew the charter upon the request of the ~~chartering entity~~charter school for subsequent periods not to exceed 10 years each. The ~~State~~ Charter Board ~~of Education~~ shall review the operations of each charter school at least once every five years to ensure that the school is meeting the expected academic, financial, and governance standards.

A material revision of the provisions of a charter application shall be made only upon the approval of the ~~State Board of Education.~~Charter Board.

It shall not be considered a material revision of a charter application and shall not require the prior approval of the ~~State~~ Charter Board for a charter school to increase its enrollment during the charter school's second year of operation and annually thereafter (i) by up to twenty percent (20%) of the school's previous year's enrollment or (ii) in accordance with planned growth as authorized in the charter. Other enrollment growth shall be considered a material revision of the charter application, and the ~~State~~ Charter Board may approve such additional enrollment growth of greater than twenty percent (20%) only if the ~~State~~ Charter Board finds ~~that:~~all of the following:

(1) The actual enrollment of the charter school is within ten percent (10%) of its maximum authorized ~~enrollment;~~enrollment.

(2) The charter school has commitments for ninety percent (90%) of the requested maximum ~~growth;~~growth.

~~(3) The board of education of the local school administrative unit in which the charter school is located has had an opportunity to be heard by the State Board of Education on any adverse impact the proposed growth would have on the unit's ability to provide a sound basic education to its students;~~

(4) The charter school is not currently identified as ~~low-performing;~~low-performing.

(5) The charter school meets generally accepted standards of fiscal ~~management; and~~management.

(6) It is otherwise appropriate to approve the enrollment growth."

SECTION 1.(e) G.S. 115C-238.29E reads as rewritten:

"**§ 115C-238.29E. Charter school operation.**

(a) A charter school that is approved by the State shall be a public school within the local school administrative unit in which it is located. ~~It shall be accountable to the local board of education if it applied for and received preliminary approval from that local board for purposes of ensuring compliance with applicable laws and the provisions of its charter. All other~~ charter schools shall be accountable to the ~~State~~ Charter Board for ensuring compliance with applicable laws and the provisions of their ~~charters, except that any of these charter schools may agree to be accountable to the local board of the school administrative unit in which the charter school is located rather than to the State Board.~~charters.

(b) A charter school shall be operated by a private nonprofit corporation that shall have received federal tax-exempt status no later than 24 months following final approval of the application.

(c) A charter school shall operate under the written charter signed by the ~~entity to which it is accountable under subsection (a) of this section~~ Charter Board and the applicant. A charter school is not required to enter into any other contract. The charter shall incorporate the information provided in the application, as modified during the charter approval process, and any terms and conditions imposed on the charter school by the ~~State~~ Charter Board ~~of Education~~. No other terms may be imposed on the charter school as a condition for receipt of local funds.

(d) The board of directors of the charter school shall decide matters related to the operation of the school, including budgeting, curriculum, and operating procedures.

(e) A charter school's specific location shall not be prescribed or limited by a local board or other authority except a zoning authority. The school may lease space from a local board of education or as is otherwise lawful in the local school administrative unit in which the charter school is located. If a charter school leases space from a sectarian organization, the charter school classes and students shall be physically separated from any parochial students, and there shall be no religious artifacts, symbols, iconography, or materials on display in the charter school's entrance, classrooms, or hallways. Furthermore, if a charter school leases space from a sectarian organization, the charter school shall not use the name of that organization in the name of the charter school.

~~At~~ Notwithstanding any other law, and at the request of the charter school, the local board of education of the local school administrative unit in which the charter school will be located shall lease any available building or land to the charter school for one dollar ($1.00) per year unless the board demonstrates that the lease is not economically or practically feasible or that the local board does not have adequate classroom space to meet its enrollment needs. ~~Notwithstanding any other law, a local board of education may provide a school facility to a charter school free of charge; however,~~ If the local board of education provides the school

facility to a charter school for one dollar ($1.00) per year, the charter school is responsible for the maintenance of and insurance for the school facility.

(f) Except as provided in this Part and pursuant to the provisions of its charter, a charter school is exempt from statutes and rules applicable to a local board of education or local school administrative unit."

SECTION 1.(f) G.S. 115C-238.29F reads as rewritten:

"**§ 115C-238.29F. General requirements.**

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

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

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

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

(b) School Nonsectarian. – A charter school shall be nonsectarian in its programs, admission policies, employment practices, and all other operations and shall not charge tuition or fees, except that a charter school may charge any fees that are charged by the local school administrative unit in which the charter school is located. A charter school shall not be affiliated with a nonpublic sectarian school or a religious institution.

(c) Civil Liability and Insurance. –

(1) The board of directors of a charter school may sue and be sued. The ~~State~~ Charter Board ~~of Education~~ shall adopt rules to establish reasonable amounts and types of liability insurance that the board of directors shall be required by the charter to obtain. The board of directors shall obtain at least the amount of and types of insurance required by these rules to be included in the charter. Any sovereign immunity of the charter school, of the organization that operates the charter school, or its members, officers, or directors, or of the employees of the charter school or the organization that operates the charter school, is waived to the extent of indemnification by insurance.

(2) No civil liability shall attach to ~~any chartering entity,~~the Charter Board, to the State Board of Education, or to any of their members or employees, individually or collectively, for any acts or omissions of the charter school.

(d) Instructional Program. –

(1) The school shall provide instruction each year for at least 185 days or 1,025 hours over nine calendar months.

(2) The school shall design its programs to at least meet the student performance standards adopted by the State Board of Education and the student performance standards contained in the charter.

(3) A charter school shall conduct the student assessments required ~~for charter schools~~ by the State Board of Education.

(4) The school is subject to and shall comply with Article 9 of Chapter 115C of the General Statutes and The Individuals with Disabilities Education Improvements Act, 20 U.S.C. § 1400, et seq., (2004), as amended.~~shall comply with policies adopted by the State Board of Education for charter schools relating to the education of children with disabilities.~~

(5) The school is subject to and shall comply with Article 27 of Chapter 115C of the General Statutes, except that a charter school may also exclude a student from the charter school and return that student to another school in the local school administrative unit in accordance with the terms of its ~~charter.~~charter after due process.

(d1) Reading Proficiency and Student Promotion. –

(1) Students in the third grade shall be retained if the student fails to demonstrate reading proficiency by reading at or above the third grade level as demonstrated by the results of the State-approved standardized test of reading comprehension administered to third grade students. The charter school shall provide reading interventions to retained students to remediate reading deficiency, which may include 90 minutes of daily, uninterrupted, evidence-based reading instruction, accelerated reading classes, transition classes containing third and fourth grade students, and summer reading camps.

(2) Students may be exempt from mandatory retention in third grade for good cause but shall continue to receive instructional supports and services and reading interventions appropriate for their age and reading level. Good cause exemptions shall be limited to the following:

a. Limited English Proficient students with less than two years of instruction in an English as a Second Language program.

b. Students with disabilities, as defined in G.S. 115C-106.3(1), whose individualized education program indicates the use of alternative assessments and reading interventions.

c. Students who demonstrate reading proficiency appropriate for third grade students on an alternative assessment of reading comprehension. The charter school shall notify the State Board of Education of the alternative assessment used to demonstrate reading proficiency.

d. Students who demonstrate, through a student reading portfolio, reading proficiency appropriate for third grade students.

e. Students who have (i) received reading intervention and (ii) previously been retained more than once in kindergarten, first, second, or third grades.

(3) The charter school shall provide notice to parents and guardians when a student is not reading at grade level. The notice shall state that if the student's reading deficiency is not remediated by the end of third grade, the student shall be retained unless he or she is exempt from mandatory retention for good cause. Notice shall also be provided to parents and guardians of any student who is to be retained under this subsection of the reason the student is not eligible for a good cause exemption, as well as a

description of proposed reading interventions that will be provided to the student to remediate identified areas of reading deficiency.

(4) The charter school shall annually publish on the charter school's Web site and report in writing to the State Board of Education by September 1 of each year the following information on the prior school year:

a. The number and percentage of third grade students demonstrating and not demonstrating reading proficiency on the State-approved standardized test of reading comprehension administered to third grade students.

b. The number and percentage of third grade students not demonstrating reading proficiency and who do not return to the charter school for the following school year.

c. The number and percentage of third grade students who take and pass the alternative assessment of reading comprehension.

d. The number and percentage of third grade students retained for not demonstrating reading proficiency.

e. The number and percentage of third grade students exempt from mandatory third grade retention by category of exemption as listed in subdivision (2) of this subsection.

(e) Employees. –

(1) An employee of a charter school is not an employee of the local school administrative unit in which the charter school is located. The charter school's board of directors shall employ and contract with necessary teachers to perform the particular service for which they are employed in the ~~school; at least seventy-five percent (75%) of these teachers in grades kindergarten through five, at least fifty percent (50%) of these teachers in grades six through eight, and at least fifty percent (50%) of these teachers in grades nine through 12 shall hold teacher certificates. All teachers in grades six through 12 who are teaching in the core subject areas of mathematics, science, social studies, and language arts shall be college graduates.~~school. The board also may employ necessary employees who are not required to hold teacher ~~certificates~~ licenses to perform duties other than teaching and may contract for other services. The board may discharge teachers and noncertificated employees.

(2) No local board of education shall require any employee of the local school administrative unit to be employed in a charter school.

(3) If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at a charter school, the local school administrative unit shall grant the leave for one year. For the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has career status under G.S. 115C-325 prior to receiving a leave of absence to teach at a charter school may return to a public school in the local school administrative unit with career status at the end of the leave of

absence or upon the end of employment at the charter school if an appropriate position is available. If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers and that teacher shall have priority on all positions for which that teacher is qualified in accordance with G.S. 115C-325(e)(2).

(4) The employees of the charter school shall be deemed employees of the local school administrative unit for purposes of providing certain State-funded employee benefits, including membership in the Teachers' and State Employees' Retirement System and the State Health Plan for Teachers and State Employees. The State Board of Education provides funds to charter schools, and the Charter Board approves the original members of the boards of directors of the charter schools, has the authority to grant, supervise, and revoke charters, and demands full accountability from charter schools for school finances and student performance. Accordingly, it is the determination of the General Assembly that charter schools are public schools and that the employees of charter schools are public school employees. Employees of a charter school whose board of directors elects to become a participating employer under G.S. 135-5.3 are "teachers" for the purpose of membership in the North Carolina Teachers' and State Employees' Retirement System. In no event shall anything contained in this Part require the North Carolina Teachers' and State Employees' Retirement System to accept employees of a private employer as members or participants of the System.

(5) Education employee associations shall have equal access to charter school employees as provided in G.S. 115C-335.9.

(6) Each charter school board of directors shall adopt a policy on whether and under what circumstances an applicant for employment shall be required to be checked for a criminal history before the applicant is given an unconditional job offer. Each charter school board of directors shall apply its policy uniformly in requiring applicants for employment to be checked for a criminal history. A charter school board of directors that requires a criminal history check for an applicant may employ an applicant conditionally while the board is checking the person's criminal history and making a decision based on the results of the check.

(f) Accountability. –

(1) The school is subject to the financial audits, the audit procedures, and the audit requirements adopted by the ~~State~~ Charter Board ~~of Education~~ for charter schools. These audit requirements may include the requirements of the School Budget and Fiscal Control Act.

(2) The school shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting ~~System.~~System, except that reports shall be made to the Charter Board as well as the State Board of Education.

(3) The school shall report at least annually to the ~~chartering entity and the~~ StateCharter Board ~~of Education~~ the information required by the ~~chartering entity or the~~ StateCharter Board.

(g) Admission Requirements. –

(1) Any child who is qualified under the laws of this State for admission to a public school is qualified for admission to a charter school.

(2) No local board of education shall require any student enrolled in the local school administrative unit to attend a charter school.

(3) Admission to a charter school shall not be determined according to the school attendance area in which a student resides, except that any local school administrative unit in which a public school converts to a charter school shall give admission preference to students who reside within the former attendance area of that school.

(4) Admission to a charter school shall not be determined according to the local school administrative unit in which a student resides.

(5) A charter school shall not discriminate against any student on the basis of ethnicity, national origin, gender, or disability. Except as otherwise provided by law or the mission of the school as set out in the charter, the school shall not limit admission to students on the basis of intellectual ability, measures of achievement or aptitude, athletic ability, disability, race, creed, gender, national origin, religion, or ancestry. The charter school may give enrollment priority to siblings of currently enrolled students who were admitted to the charter school in a previous year and to children of the school's principal, teachers, and teacher assistants. In addition, and only for its first year of operation, the charter school may give enrollment priority to children of the initial members of the charter school's board of directors, so long as (i) these children are limited to no more than ten percent (10%) of the school's total enrollment or to 20 students, whichever is less, and (ii) the charter school is not a former public or private school. If multiple ~~birth~~ siblings apply for admission to a charter school and a lottery is needed under G.S. 115C-238.29F(g)(6), the charter school shall enter one surname into the lottery to represent all of the multiple ~~birth~~ siblings. If that surname of the multiple ~~birth~~ siblings is selected, then all of the multiple ~~birth~~ siblings shall be admitted. Within one year after the charter school begins operation, the population of the school shall make efforts to reasonably reflect the racial and ethnic composition of the general population residing within the local school administrative unit in which the school is located or the racial and ethnic composition of the special population that the school seeks to serve residing within the local school administrative unit in which the school is located. The school shall be subject to any court-ordered desegregation plan in effect for the local school administrative unit.

(6) During each period of enrollment, the charter school shall enroll an eligible student who submits a timely application, unless the number of applications exceeds the capacity of a program, class, grade level, or building. In this case, students shall be accepted by lot. Once enrolled, students are not required to reapply in subsequent enrollment periods.

(7) Notwithstanding any law to the contrary, a charter school may refuse admission to any student who has been expelled or suspended from a public school under G.S. 115C-390.5 through G.S. 115C-390.11 until the period of suspension or expulsion has expired.

(h) Transportation. – The charter school may provide transportation for students enrolled at the school. The charter school shall develop a transportation plan so that transportation is not a barrier to any student who resides in the local school administrative unit in which the school is located. The charter school is not required to provide transportation to any student who lives within one and one-half miles of the school. At the request of the charter school and if the local board of the local school administrative unit in which the charter school is located operates a school bus system, then that local board may contract with the charter school to provide transportation in accordance with the charter school's transportation plan to students who reside in the local school administrative unit and who reside at least one and

one-half miles of the charter school. A local board may charge the charter school a reasonable charge that is sufficient to cover the cost of providing this transportation. Furthermore, a local board may refuse to provide transportation under this subsection if it demonstrates there is no available space on buses it intends to operate during the term of the contract or it would not be practically feasible to provide this transportation.

(i) Assets. – Upon dissolution of the charter school or upon the nonrenewal of the charter, all net assets of the charter school purchased with public funds shall be deemed the property of the ~~local school administrative unit in which the charter school is located.~~State and shall be returned to the General Fund.

(j) Driving Eligibility Certificates. – In accordance with rules adopted by the State Board of Education, the designee of the school's board of directors shall do all of the following:

(1) Sign driving eligibility certificates that meet the conditions established in G.S. 20-11.

(2) Obtain the necessary written, irrevocable consent from parents, guardians, or emancipated juveniles, as appropriate, in order to disclose information to the Division of Motor Vehicles.

(3) Notify the Division of Motor Vehicles when a student who holds a driving eligibility certificate no longer meets its conditions.

(k) The Display of the United States and North Carolina Flags and the Recitation of the Pledge of Allegiance. – A charter school shall (i) display the United States and North Carolina flags in each classroom when available, (ii) require the recitation of the Pledge of Allegiance on a daily basis, and (iii) provide age-appropriate instruction on the meaning and historical origins of the flag and the Pledge of Allegiance. A charter school shall not compel any person to stand, salute the flag, or recite the Pledge of Allegiance. If flags are donated or are otherwise available, flags shall be displayed in each classroom.

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

SECTION 1.(g) G.S. 115C-238.29G reads as rewritten:

"**§ 115C-238.29G. Causes for nonrenewal or termination; disputes.**

(a) The ~~State Board of Education, or a chartering entity subject to the approval of the State Board of Education,~~Charter Board may ~~terminate or not renew a charter~~terminate, not renew, or seek applicants to assume the charter through a competitive bid process established by the Charter Board upon any of the following grounds:

(1) Failure to meet the requirements for student performance contained in the charter;

(2) Failure to meet generally accepted standards of fiscal management;

(3) Violations of law;

(4) Material violation of any of the conditions, standards, or procedures set forth in the charter;

(5) Two-thirds of the faculty and instructional support personnel at the school request that the charter be terminated or not renewed; or

(6) Other good cause identified.

(a1) The ~~State~~ Charter Board shall adopt criteria for adequate performance by a charter school and shall identify charter schools with inadequate performance. The criteria shall include a requirement that a charter school which demonstrates no growth in student

performance and has annual performance composites below sixty percent (60%) in any two years in a three-year period is inadequate.

(1) If a charter school is inadequate in the first five years of the charter, the charter school shall develop a strategic plan to meet specific goals for student performance that are consistent with ~~State~~ Charter Board criteria and the mission approved in the charter school. The strategic plan shall be reviewed and approved by the ~~State~~ Charter Board. The ~~State~~ Charter Board is authorized to terminate or not renew a charter for failure to demonstrate improvement under the strategic plan.

(2) If a charter school is inadequate and has had a charter for more than five years, the ~~State~~ Charter Board is authorized to terminate, not renew, or seek applicants to assume the charter through a competitive bid process established by the Charter Board. ~~terminate or not renew the charter.~~ The Charter Board shall develop rules on the assumption of a charter by a new entity that include all aspects of the operations of the charter school, including the status of the employees. Public assets would transfer to the new entity and not revert to the General Fund pursuant to G.S. 115C-238.29F(i).

(b) The ~~State~~ Charter Board ~~of Education~~ shall develop and implement a process to address contractual and other grievances between a charter school and its chartering entity or the local board of education during the time of its charter.

(c) The ~~State~~ Charter Board and the charter school are encouraged to make a good-faith attempt to resolve the differences that may arise between them. They may agree to jointly select a mediator. The mediator shall act as a neutral facilitator of disclosures of factual information, statements of positions and contentions, and efforts to negotiate an agreement settling the differences. The mediator shall, at the request of either the ~~State~~ Charter Board or a charter school, commence a mediation immediately or within a reasonable period of time. The mediation shall be held in accordance with rules and standards of conduct adopted under Chapter 7A of the General Statutes governing mediated settlement conferences but modified as appropriate and suitable to the resolution of the particular issues in disagreement.

Notwithstanding Article 33C of Chapter 143 of the General Statutes, the mediation proceedings shall be conducted in private. Evidence of statements made and conduct occurring in a mediation are not subject to discovery and are inadmissible in any court action. However, no evidence otherwise discoverable is inadmissible merely because it is presented or discussed in a mediation. The mediator shall not be compelled to testify or produce evidence concerning statements made and conduct occurring in a mediation in any civil proceeding for any purpose, except disciplinary hearings before the State Bar or any agency established to enforce standards of conduct for mediators. The mediator may determine that an impasse exists and discontinue the mediation at any time. The mediator shall not make any recommendations or public statement of findings or conclusions. The ~~State~~ Charter Board and the charter school shall share equally the mediator's compensation and expenses. The mediator's compensation shall be determined according to rules adopted under Chapter 7A of the General Statutes."

SECTION 1.(h) G.S. 115C-238.29H reads as rewritten:

"**§ 115C-238.29H. State and local funds for a charter school.**

(a) The State Board of Education shall allocate to each charter school:

(1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the charter school is located for each child attending the charter school except for the allocation for children with disabilities and for the allocation for children with limited English proficiency;

(2) An additional amount for each child attending the charter school who is a child with disabilities; and

(3) An additional amount for children with limited English proficiency attending the charter school, based on a formula adopted by the State Board.

~~In accordance with G.S. 115C-238.29D(d), the~~The State Board shall allow for annual adjustments to the amount allocated to a charter school based on its enrollment growth in school years subsequent to the initial year of operation.

In the event a child with disabilities leaves the charter school and enrolls in a public school during the first 60 school days in the school year, the charter school shall return a pro rata amount of funds allocated for that child to the State Board, and the State Board shall reallocate those funds to the local school administrative unit in which the public school is located. In the event a child with disabilities enrolls in a charter school during the first 60 school days in the school year, the State Board shall allocate to the charter school the pro rata amount of additional funds for children with disabilities.

(a1) Funds allocated by the State Board of Education may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities or equipment. However, State funds shall not be used to obtain any other interest in real property or mobile classroom units. No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions. Every contract or lease into which a charter school enters shall include the previous sentence. The school also may own land and buildings it obtains through non-State sources.

(b) If a student attends a charter school, the local school administrative unit in which the child resides shall transfer to the charter school an amount equal to the per pupil share of the local current expense ~~appropriation to~~ fund of the local school administrative unit for the fiscal year. The amount transferred under this subsection that consists of revenue derived from supplemental taxes shall be transferred only to a charter school located in the tax district for which these taxes are levied and in which the student resides. The per pupil share of the local current expense fund shall be transferred to the charter school within 30 days of the receipt of monies into the local current expense fund.

(c) The local school administrative unit shall also provide each charter school to which it transfers a per pupil share of its local current expense fund with all of the following information within the 30-day time period provided in subsection (b) of this section:

(1) The total amount of monies the local school administrative unit has in each of the funds listed in G.S. 115C-426(c).

(2) The student membership numbers used to calculate the per pupil share of the local current expense fund.

(3) How the per pupil share of the local current expense fund was calculated.

(d) The court shall award the prevailing party in an action to enforce the provisions of subsection (b) of this section its reasonable attorneys' fees and costs incurred in bringing such an action, plus interest at the legal rate as provided in G.S. 24-1 from and after the date that any such amounts should have otherwise been paid to the charter school for a fiscal year. The court shall order any delinquent funds, costs, fees, and interest to be paid in full within three years from the entry of any judgment."

SECTION 1.(i) G.S. 115C-238.29I reads as rewritten:

"**§ 115C-238.29I. Notice of the charter school process; review of charter ~~schools; Charter School Advisory Committee.~~schools.**

(a) The ~~State~~ Charter Board ~~of Education~~ shall distribute information announcing the availability of the charter school process described in this Part to each local school

administrative unit and public postsecondary educational institution and, through press releases, to each major newspaper in the State.

(b) Repealed by Session Laws 1997-18, s. 15(i).

(c) The ~~State~~ Charter Board ~~of Education~~ shall review and evaluate the educational effectiveness of the charter ~~school approach~~schools authorized under this Part and the effect of charter schools on the public schools in the local school administrative unit in which the charter schools are located. The Board shall report annually no later than January ~~1, 2002,~~1 to the Joint Legislative Education Oversight Committee ~~with recommendations to modify, expand, or terminate that approach. The Board shall base its recommendations predominantly on the following information:~~on the following:

(1) The current and projected impact of charter schools on the delivery of services by the public schools.

(2) Student academic progress in the charter schools as measured, where available, against the academic year immediately preceding the first academic year of the charter schools' operation.

(3) Best practices resulting from charter school operations.

(4) Other information the ~~State~~ Charter Board considers appropriate.

~~(d) The State Board of Education may establish a Charter School Advisory Committee to assist with the implementation of this Part. The Charter School Advisory Committee may (i) provide technical assistance to chartering entities or to potential applicants, (ii) review applications for preliminary approval, (iii) make recommendations as to whether the State Board should approve applications for charter schools, (iv) make recommendations as to whether the State Board should terminate or not renew a charter, (v) make recommendations concerning grievances between a charter school and its chartering entity, the State Board, or a local board, (vi) assist with the review under subsection (c) of this section, and (vii) provide any other assistance as may be required by the State Board.~~

~~(e) Notwithstanding the dates set forth in this Part, the State Board of Education may establish an alternative time line for the submission of applications, preliminary approvals, criminal record checks, appeals, and final approvals so long as the Board grants final approval by March 15 of each calendar year.~~"

SECTION 1.(j) G.S. 115C-238.29J is repealed.

SECTION 1.(k) G.S. 115C-238.29K is repealed.

SECTION 2.(a) G.S. 115C-426(c) reads as rewritten:

"(c) The uniform budget format shall require the following funds:

(1) The State Public School Fund.

(2) The local current expense fund.

(3) The capital outlay fund.

In addition, other funds may be used to account for reimbursements, including indirect costs, fees for actual costs, tuition, sales tax revenues distributed using the ad valorem method pursuant to G.S. 105-472(b)(2), sales tax refunds, gifts and grants restricted as to use, trust funds, federal appropriations made directly to local school administrative units, and funds received for prekindergarten ~~programs, and special programs.~~programs. In addition, the appropriation or use of fund balance or interest income by a local school administrative unit shall not be construed as a local current expense appropriation.

Each local school administrative unit shall maintain those funds shown in the uniform budget format that are applicable to its operations."

SECTION 2.(b) G.S. 115C-448 is amended by adding a new subsection to read:

"(d) Special funds of individual schools shall not be included as part of the local current expense fund of a local school administrative unit for the purposes of determining the per pupil share of the local current expense fund transferred to a charter school pursuant to G.S. 115C-238.29H(b)."

SECTION 3. G.S. 105-278.4(a) reads as rewritten:

"(a) Buildings. – Buildings, the land they actually occupy, and additional land reasonably necessary for the convenient use of any such building shall be exempted from taxation if all of the following requirements are met:

...

(4) Wholly and exclusively used for educational purposes by ~~the owner or occupied gratuitously by another nonprofit educational institution and wholly and exclusively used by the occupant for nonprofit educational purposes.~~any of the following:

a. The owner.

b. A nonprofit educational institution occupying the building gratuitously.

c. A charter school even if the charter school is not the owner of the building."

SECTION 4. G.S. 135-5.3(b) reads as rewritten:

"(b) No later than 30 days after both parties have signed the written charter under G.S. 115C-238.29E, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Retirement System in accordance with this Article. This election shall be in writing and filed with the Retirement System and with the ~~State~~North Carolina Public Charter Schools Board ~~of Education~~ and is effective for each charter school employee as of the date of that employee's entry into eligible service. This subsection applies to charter schools that receive State Board of Education or North Carolina Public Charter Schools Board approval under G.S. 115C-238.29D after 1998."

SECTION 5. G.S. 135-48.54(b) reads as rewritten:

"(b) No later than 30 days after both parties have signed the written charter under G.S. 115C-238.29E, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Plan in accordance with this Article. This election shall be in writing and filed with the Plan and the North Carolina Public Charter Schools Board. ~~State Board of Education.~~ This election is effective for each charter school employee as of the date of that employee's entry into eligible service. This subsection applies to charter schools that receive State Board of Education or North Carolina Public Charter Schools Board approval under G.S. 115C-238.29D after 1998."

SECTION 6. Notwithstanding G.S. 115C-238.29A1, as enacted by this act, initial appointments to the Charter Board shall be made by the Governor and the General Assembly no later than August 1, 2013. Initial terms of office to the Charter Board shall be as follows:

(1) Two members appointed by the Governor, as designated by the Governor, shall be appointed to serve until June 30, 2015. One member appointed by the Governor, as designated by the Governor, shall be appointed to serve until June 30, 2017.

(2) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as designated by the Speaker, shall be until June 30, 2015. Two members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as designated by the Speaker, shall be until June 30, 2017.

(3) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as designated by the President Pro Tempore, shall be until June 30, 2015. Two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as designated by the President Pro Tempore, shall be until June 30, 2017.

SECTION 7. This act is effective when it becomes law. G.S. 115C-238.29H(d), as enacted by this act, applies to proceedings commenced on or after the effective date of this act.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: Senate Bill 337 (Second Edition)

SHORT TITLE: NC Public Charter School Board.

SPONSOR(S): Senators Tillman and Soucek

FISCAL IMPACT

($ in millions)

☐ Yes ☐ No ☑ No Estimate Available

State Impact	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
General Fund Revenues:					
General Fund Expenditures:					
State Positions:					
NET STATE IMPACT	$0.0	$0.0	$0.0	$0.0	$0.0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
State Board of Education, Department of Public Instruction

EFFECTIVE DATE When the bill becomes law.

TECHNICAL CONSIDERATIONS:
Yes - See Technical Considerations Section

BILL SUMMARY:

The bill creates an eleven member North Carolina Public Charter Schools Board (Charter Board), located in the Department of Public Instruction (DPI), but exercising its powers and duties independently of the State Board of Education (State Board) and DPI. The Charter Board's purpose would be to authorize and oversee high-quality public charter schools throughout the state and to exercise authority for approving charter applicants. The Department of Public Instruction's Office of Charter Schools would serve as the principal administrative unit under the direction of the Charter Board. The Charter Board would have the authority to establish "reasonable" fees for initial and renewal charter applications under Chapter 150B of the General Statutes. The fees would be placed in the "Charter Application Fund" and be used by the Charter Board for the administration of Part 6A of Article 16 of Chapter 115C.

The bill would make several substantive changes to the charter school application process as well as other conforming changes. The bill would make two modifications to current charter school capital statutes. At the request of a charter school, the local board of education of the LEA in which the charter is located would be required to lease an available building or land under the LEA's ownership to the charter school for $1.00 per year unless it can show the lease is not economically or practically feasible or that it needs the space for its own enrollment needs. Secondly, if a charter school is dissolved or its charter is not renewed, all net assets purchased with public funds would become property of State and returned to the General Fund rather than the LEA in which the charter is located.

The bill would also modify certain requirements pertaining to teacher licensure, student admissions, charter review, renewal and revocation. It would also modify the timing of local per-pupil funding transfers from local school administrative units (LEAs) to charter schools, as well as clarifying the eligibility of certain funds in considering the local per-pupil funding transfer. Lastly, the bill would provide for a tax exemption from property that is wholly and exclusively used for educational purposes by a charter school even if the charter school is not the owner of the building.

ASSUMPTIONS AND METHODOLOGY: While this bill would make a number of substantive changes to charter school approval, operation and review processes, this analysis will solely focus on those items that could have a fiscal impact.

North Carolina Public Charter School Board Operations

The bill would create an independent Charter Board that would replicate many of the same responsibilities currently administered by the North Carolina Charter Schools Advisory Council (Advisory Council). Funding for the Advisory Council is allocated from the State Board of Education's administrative budget. Over the last calendar year, its expenses are as follows:

Advisory Council, Costs by Activity (4/2012-2/2013)	
Compensation to Board Members	2,325
Board Transportation	7,944
Board Subsistence	7,772
Miscellaneous Compensation	193
Food Service	3,253
Ground Transportation	80
Printing / Duplicating	3,739
Requisitions	117
Application Review	15,000
Total	**$40,426**

In that time, the Council has held 5 two-day full committee meetings, 2 one-day full committee meetings, 2 two-day subcommittee meetings and three no-cost webinars. With nine in-person meetings held over eleven months, the Council has been essentially been conducting monthly meetings. Fifteen members sit on the Advisory Council, four more than would be appointed to the

Charter Board, not including the Superintendent of Public Instruction, who would serve in a non-voting capacity.

The bill authorizes Charter Board meetings "... upon the call of the chair or the vice-chair with the approval of the chair," without restriction. In the absence of additional information about how often the Charter Board would meet and for how many days those meetings would last, there is insufficient evidence to estimate an additional fiscal impact above and beyond the costs associated with the Advisory Council. The Technical Considerations section of this document further discusses funding for the Charter Board.

Charter School Application Fees

The Charter Board would be authorized to collect "reasonable fees" for initial and charter school renewal applications. The bill does not articulate the extent of those fees. Currently fees are not charged for charter approvals. It may be that the bill would anticipate that fees could be set to cover the difference between the current State Board of Education support for the Advisory Council and any additional costs created by increased number and review of charter school applications by the Charter Board in future years.

This analysis assumes that funding for the primary staff to the Charter Board, the Office of Charter Schools, would remain State-supported through existing appropriations made to the Department of Public Instruction. As such, the anticipated impact of fees would likely be to provide for additional direct resources for the Charter Board's activities or contracted services.

Dispersal of Local Funds for Charter Schools

The bill would provide that the per-pupil share of the local current expense fund legally required to be provided on behalf of public charter school students be transferred to the charter school within 30 days of the receipt of monies into the local current expense fund. Current law does not specify a timeline for this fund transfer. In addition, a variety of information about the calculation of those funds must be provided by the LEA to the charter school.

To enforce the provisions of the transfer of local funds, courts adjudicating a proceeding regarding local charter school funding would be required to award the prevailing party reasonable attorneys' fees and costs plus interest from and after the date that the monies should have been paid to the charter school. Monies would have to be paid in full within 3 years of the judgment. Any impact of this provision would be local in nature. This analysis does not have a basis for estimating the potential LEA costs for legal fees and interest payments that may arise from this bill.

Leasing of Property by LEAs to Charter Schools

Current law holds that LEAs shall lease any available building or land under its ownership to a charter school located within its district, provided that it is economically feasible and the building or land is not otherwise needed by the LEA. That lease may be provided at no cost to the charter school tenant. This bill would modify that arrangement and require that the LEAs shall charge $1 per year for such leases, instead of a rate otherwise set by the LEA. Sufficient data is not available to estimate the impact of potentially lowered LEA revenues from leased facilities. Like most of the preceding sections, any impact would solely be local.

Property Tax Status of Charter School Property
The bill provides that charter school buildings used solely for educational purposes would be exempt from property taxes even if the building is not owned by the charter school. Sufficient data is not available to determine the number and value of charter school buildings that are currently subject to property tax that would become exempt under the bill. To the extent that properties that are currently taxable become tax-exempt, local governments would experience a decrease in property tax revenue; however, no estimate is available on the size of the fiscal impact.

Uniform Budget Format Modifications
The bill would remove "special programs" as a category that may be excluded from calculating the local per-pupil appropriation for transfer on behalf of charter school students. The bill would also exempt LEA special fund proceeds from that calculation. There is no estimate available for the potential changes in the local per-pupil appropriations transfer. Any actual impact would solely involve LEA funding.

SOURCES OF DATA: Department of Public Instruction.

TECHNICAL CONSIDERATIONS:
The bill creates a unique status for the Charter Board, in which it would be located administratively within the Department of Public Instruction but operate independently of the State Board of Education and Department of Public Instruction, with limited exceptions. The following considerations are identified as a result of the Board's special status.

State Board of Education funding. The preceding analysis presumes that funds appropriated to the State Board of Education and used for the activities of the Charter School Advisory Council would be reallocated to the Charter Board. The bill does not identify a financial relationship between the State Board and Charter Board. If the sponsors wish that existing Advisory Council funding be reallocated to the Charter Board, they may wish to consider language to explicitly require that distribution. On the other hand, if the sponsors anticipate that the Charter Board will be entirely fee-supported they may wish to include language that would clarify that status.

Legal Counsel. The State Board of Education currently provides legal services free of charge to the Advisory Council from its counsel. To the extent that the Advisory Council is under the purview of the State Board, no conflict is inherent. However, with the Charter Board's independence from the State Board, additional funding could be needed for the Charter Board to utilize necessary independent legal counsel.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Brian Matteson and Rodney Bizzell

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: April 10, 2013



Signed Copy Located in the NCGA Principal Clerk's Offices

ATTACHMENT 7

VISITOR REGISTRATION SHEET

Appropriations / Base Budget

Date: ~~March 16, 2010~~ May 1, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
1	Doug Lewis	DENR
2	Leanne Winner	NCSBA
3	Katherine Joyce	NCASA
4	Rachel Blaylock	NCDPI
5	Joel Medley	"
6	Drew Nuckz	UNCGA
7	Christine Mele	NCACC
8	Rebecca Troutman	NCACC
9	Alyssa Willett	NCACC
10	JR Rogers	NCDENR
11		
12		
13		
14		
15		
16		
17		

VISITOR REGISTRATION SHEET

Date: March 16, 2010

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
35	Doug Lassiter	NCSTA
36	Tom West	Poyner Spruill LLP
37	Allen Hardison	CRSWMA
38	Tim Dugan	Ed Consultant
39	Andy Chase	NCMA
40	Jennifer Willis	UNC-CH
41	Betty Dosta	UNC Charlotte
42	Ben Seaman	OSBM
43	Elizabeth Groomes	OSBM
44	Joel Medley	NCDPI
45	Will Grantham	MWL
46	Cheryl Posner-Cahill	NC School Psych Assoc
47	Morgan Beam	Gov. Office
48	Chris McClure	Brooks Pierce
49	Paul Sherrin	NCFB
50	Alicia Wallace	Nelson Mullins
51		

Attachment 8

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Wednesday, May 01, 2013

Senator Hunt,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 2

SB **337** **(CS#1)** NC Public Charter School Board.

Draft Number:	S337-PCS15258-MKf-2
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Senator Jerry Tillman will handle SB 337



ATTACHMENT 8

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

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NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Wednesday, May 01, 2013

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Draft Number:	S337-PCS15258-MKf-2
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Senator Jerry Tillman will handle SB 337



2013-2014

SENATE APPROPRIATIONS – BASE BUDGET

MINUTES

Attachment 2

Agenda

Senate Appropriations/Base Budget Committee

Legislative Office Building, Room 643
8:30 a.m.
May 21, 2013

Senate Bill 402 **Appropriations Act of 2013** **Proposed Committee Substitute**	*Senator Harry Brown, Presiding* *Senator Peter Brunstetter* *Senator Neal Hunt*
Opening Remarks and Presentation of Committee Rules	Senate Appropriations Chairs
Availability, Reserves and Capital	Senate Appropriations Chairs
Subcommittee Overview	Senate Subcommittee Chairs

- Education
- Health and Human Service
- Natural and Economic Resources
- Justice and Public Safety
- General Government
- Transportation

Information Technology

Vote - Proposed Committee Substitute Senate Bill 402

Adjourn

Senate Committee on Appropriations/Base Budget
Tuesday, May 21, 2013 at 8:30 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:32 AM on May 21, 2013 in Room 643 of the Legislative Office Building. All twenty members were present. Senator Brown presided. Senator Brown called the meeting to order and recognized the Sergeant at Arms' staff and Pages.

Senator Brown asked for a motion to hear the PCS for SB402 (Attachment # 4). Senator Brunstetter made the motion. The Chair read the Senate Appropriations/Base Budget Committee's Rules for Considering Amendments (Attachment # 3). He then called on Senator Brunstetter to present an overview of SB402: Proposed Committee Substitute.

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

During Senator Brunstetter's presentation, he referred to a three page spread sheet: Summary of General Fund Appropriations, Fiscal Year 2013-14 and 2014-15 (Attachment # 6).

The Chair recognized the following Sub-Committee Chairs to explain their portions of the bill:

Senator Soucek	Education/Higher Education
Senator Hise	Health & Human Services
Senator Brock	Natural & Economic Resources
Senator Goolsby	Justice and Public Safety
Senator J. Davis	General Government
Senators Rabon & Harrington	Transportation
Senator Brock	Information Technology

The Committee chairs and staff took a one hour recess to review the amendments submitted.

At 11:04 A.M. the committee began considering the amendments.

The amendments and their actions follow: (Attachment # 7).

ALL-22 [v-1]	Goolsby	Adopted
ALL-15 [v-3]	Goolsby	Adopted
ALL-24 [v-1]	Brunstetter	Adopted
AMD-12 [v-17]	Brunstetter	Adopted
AMH-23 [v-2]	Harrington	Adopted

Following discussions by the members, Senator Brunstetter moved for a motion:

UNFAVORABLE AS TO BILL BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL, AS AMENDED.

He commented that the amendments were to be unengrossed.

Attachments (9)

1. Committee Notice
2. Agenda
3. Rules For Considering Amendments
4. PCS for SB 402
5. Money Report
6. Summary of General Fund Appropriations
7. List of Amendments and Action Taken
8. Visitor's Log
9. Committee Report

The meeting adjourned at 11:29 AM.

Senator Harry Brown, Presiding

Kathy Davis, Committee Clerk

Attachment 1

Principal Clerk
Reading Clerk

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	May 21, 2013	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 402	Appropriations Act of 2013.	Senator Brunstetter Senator Brown Senator Hunt

Senator Harry Brown will be presiding.

Senator Harry Brown, Co-Chair
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair

Senate Appropriations/Base Budget Committee

Rules for Considering Amendments

If amendments are offered, then the following rules must be met in order to make the amendment eligible for consideration:

1. Money can only be transferred among items within the same subcommittee section.

2. Amendments where money is being transferred among items within a subcommittee must clearly identify the items/programs that are being increased and decreased.

3. Nonrecurring reductions cannot be made to fund recurring additions.

4. Amendments that spend reversions are not allowed.

5. Amendments that increase or create new management flexibility reserves are not allowed.

6. Amendments that increase spending in the subcommittee budgets are not allowed.

7. Amendments are not allowed where funding for an item comes from statewide reserves.

8. Since this is a meeting of Full Appropriations, amendments that address finance portions of the bill will not be heard.

9. Amendments must be in writing, the original signed, with 75 copies available for distribution.

10. To be considered, a proposed amendment must have been logged in by the committee clerk in room 643 by 10:00 a.m. on Tuesday, May 21, 2013.

Attachment 4

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

S D

SENATE BILL 402
PROPOSED COMMITTEE SUBSTITUTE S402-PCS15273-MDxf-9

Short Title: Appropriations Act of 2013. (Public)

Sponsors:

Referred to:

March 26, 2013

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE

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

INTRODUCTION

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

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

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

Current Operations – General Fund	**2013-2014**	**2014-2013**
EDUCATION		
Community Colleges System Office	$ 1,026,315,467	$ 1,014,315,467
Department of Public Instruction	7,849,691,842	8,032,588,328
University of North Carolina – Board of Governors		

Appalachian State University	127,908,903	127,908,903
East Carolina University		
Academic Affairs	220,012,450	220,615,626
Health Affairs	64,841,247	64,841,247
Elizabeth City State University	35,363,212	35,385,057
Fayetteville State University	49,336,186	49,336,186
NC A&T State University	96,882,428	96,882,428
NC Central University	84,084,488	84,084,488
NC State University		
Academic Affairs	389,976,973	390,045,059
Agricultural Extension	39,859,682	39,859,682
Agricultural Research	54,911,053	54,911,053
UNC – Asheville	37,465,299	37,465,299
UNC – Chapel Hill		
Academic Affairs	274,632,544	274,515,010
Health Affairs	202,260,403	205,741,444
Area Health Education Centers	42,418,348	42,418,348
UNC – Charlotte	192,697,970	192,683,456
UNC – Greensboro	153,838,192	153,783,960
UNC – Pembroke	54,175,566	54,175,566
UNC School of the Arts	31,547,460	29,146,203
UNC – Wilmington	96,484,692	96,484,692
Western Carolina University	83,140,199	83,161,081
Winston-Salem State University	68,957,656	68,980,084
General Administration	34,752,475	34,752,475
University Institutional Programs	(12,320,751)	(25,204,458)
Related Educational Programs	83,408,458	110,387,576
NC School of Science and Mathematics	17,877,872	16,657,107
Aid to Private Colleges	88,851,588	88,851,588
Total University of North Carolina – Board of Governors	$ 2,613,364,593	$ 2,627,869,160

HEALTH AND HUMAN SERVICES

Department of Health and Human Services		
Central Management and Support	$ 65,069,146	$ 62,655,211
Division of Aging & Adult Services	54,142,341	54,342,341
Division of Blind Services/Deaf/HH	8,178,618	8,178,618
Division of Child Development & Early Education	255,039,269	255,039,269
Health Service Regulation	16,461,992	16,461,992
Division of Medical Assistance	3,484,745,754	3,655,086,552
Division of Mental Health, Developmental Disabilities, & Substance Abuse Services	675,738,286	678,592,084
NC Health Choice	67,177,341	56,281,405
Division of Public Health	147,178,997	144,980,498
Division of Social Services	172,455,677	172,519,249
Division of Vocation Rehabilitation	38,773,169	38,773,169
Total Health and Human Services	$ 4,984,960,590	$ 5,142,910,388

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	$ 114,670,702	$ 114,769,902
Department of Commerce		
Commerce	42,661,856	45,692,759
Commerce State-Aid	9,505,810	9,255,810
Wildlife Resources Commission	9,476,588	9,476,588
Department of Environment and Natural Resources	157,890,131	157,385,763
Department of Labor	16,696,339	16,696,339
JUSTICE AND PUBLIC SAFETY		
Department of Public Safety	$ 1,712,621,317	$ 1,692,187,988
Judicial Department	456,876,742	455,376,742
Judicial Department – Indigent Defense	114,357,264	109,357,264
Department of Justice	47,476,998	51,365,574
GENERAL GOVERNMENT		
Department of Administration	$ 67,117,185	$ 66,571,237
Office of Administrative Hearings	4,727,544	4,652,581
Department of State Auditor	11,217,468	11,217,468
Office of State Controller	28,160,691	28,160,691
Department of Cultural Resources		
Cultural Resources	62,934,497	61,426,429
Roanoke Island Commission	0	0
State Board of Elections	6,699,032	6,021,532
General Assembly	51,449,283	51,484,767
Office of the Governor	5,120,050	5,122,132
Office of State Budget and Management		
Office of State Budget and Management	6,837,072	6,919,583
OSBM – Reserve for Special Appropriations	1,800,000	1,500,000
Housing Finance Agency	8,499,464	8,499,464
Department of Insurance		
Insurance	37,994,004	38,003,624
Insurance – Volunteer Safety Workers' Compensation		

Fund	0	0
Office of Lieutenant Governor	681,089	675,089
Department of Revenue	85,336,745	85,317,085
Department of Secretary of State	11,616,001	11,616,001
Department of State Treasurer		
State Treasurer	8,137,890	7,026,305
State Treasurer – Retirement for Fire and Rescue Squad Workers	23,179,042	23,179,042
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Statewide Compensation Study	$ 1,000,000	$ 0
Severance Expenditure Reserve	37,126,314	0
Disability Income Plan of North Carolina	(1,100,000)	(1,100,000)
Reserve for Teachers' and State Employees' Retirement Contribution	36,000,000	36,000,000
Reserve for Judicial Retirement System Contribution	1,000,000	1,000,000
Reserve for Future Benefit Needs	0	56,400,000
Information Technology Fund	6,053,142	6,053,142
One North Carolina Fund	9,000,000	9,000,000
Reserve for State Health Plan	34,000,000	77,000,000
Contingency and Emergency Fund	5,000,000	5,000,000
Firemen's and Rescue Squad Workers' Pension Fund	(820,000)	(820,000)
NC Government and Efficiency and Reform Project (NC GEAR)	2,000,000	2,000,000
Unemployment Insurance Reserve	23,800,000	13,600,000
Reserve for Job Development Investment Grants (JDIG)	51,823,772	63,045,357
Information Technology Reserve Fund	31,000,000	36,000,000
Reserve for Escheat Fund Global TransPark Debt Repayment	27,000,000	0
Debt Service		
General Debt Service	725,057,796	745,471,838

Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 20,567,630,700**	**$ 20,946,907,819**

GENERAL FUND AVAILABILITY STATEMENT

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

	FY 2013-2014	FY 2014-2015
Unappropriated Balance Remaining from Previous Year	$ 213,432,877	$ 106,360,611
Anticipated Overcollections from FY 2012-13	405,700,000	0
Overcollections Due to MSA Disputed Payments	51,510,749	
Anticipated Reversions from FY 2012-13	170,000,000	0
Net Supplemental Medicaid Appropriations (H.B. 980)	(306,100,000)	
Less Earmarkings of Year End Fund Balance		
Savings Reserve	(165,075,883)	(74,244,692)
Repairs and Renovations	(100,000,000)	(25,502,274)
Beginning Unreserved Fund Balance	**$ 269,467,743**	**$ 6,613,645**
Revenues Based on Existing Tax Structure	**$ 19,628,100,000**	**$ 20,549,000,000**
Nontax Revenues		
Investment Income	13,700,000	14,100,000
Judicial Fees	250,200,000	251,400,000
Disproportionate Share	110,000,000	109,000,000
Insurance	72,500,000	73,400,000
Other Nontax Revenues	173,000,000	175,000,000
Highway Trust Fund/Use Tax Reimbursement Transfer	0	0
Highway Fund Transfer	218,100,000	215,900,000
Subtotal Nontax Revenues	837,500,000	838,800,000
Total General Fund Availability	**$ 20,735,067,743**	**$ 21,394,413,645**
Adjustments to Availability: 2013 Session		
Finance Package	$ (217,100,000)	$ (553,100,000)
Tobacco Master Settlement Agreement (MSA)	137,500,000	137,500,000
MSA Disputed Payments Erroneously Paid to Golden LEAF (S.L. 2011-145)	24,639,357	0
Repeal North Carolina Public Campaign Fund	3,500,000	0
Transfer from NC Flex FICA Fund Balance	2,000,000	0
Transfer from E-Commerce Reserve Fund Balance	5,111,585	4,000,000
Transfer from Misdemeanant Confinement Fund	1,000,000	1,000,000
Repeal Portion of Solid Waste Disposal Tax Earmark	2,300,000	2,300,000
Increase Lobbyist Fees	400,000	400,000
Adjust Transfer from Insurance Regulatory Fund	(460,589)	(460,589)
Adjust Transfer from Treasurer's Office	175,215	175,215
Adjust Gross Premiums Tax for Volunteer Safety Workers	(3,000,000)	(3,000,000)
Subtotal Adjustments to Availability: 2013 Session	**$ (43,934,432)**	**$ (411,185,374)**

Revised General Fund Availability	**$ 20,691,133,311**	**$ 20,983,228,271**
Less: General Fund Appropriations	**$ (20,584,772,700)**	**$ (20,955,157,819)**
Unappropriated Balance Remaining	**$ 106,360,611**	**$ 28,070,452**

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 105-187.9(b)(1) and G.S. 105-187.9(b)(2), no funds shall be transferred from the Highway Trust Fund under those subdivisions for the 2013-2014 fiscal year or for the 2014-2015 fiscal year.

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

SECTION 2.2.(d) Notwithstanding any other provision of law to the contrary, effective July 1, 2013, the following amounts shall be transferred to the State Controller to be deposited in the appropriate budget code as determined by the State Controller. These funds shall be used to support the General Fund appropriations as specified in this act for the 2013-2014 fiscal year and the 2014-2015 fiscal year.

Budget Code	Fund Code	Description	FY 2013-2014 Amount	FY 2014-2015 Amount
24100	2514	E-Commerce Fund	$ 5,111,585	$ 4,000,000
24500	2225	Misdemeanant Confinement Fund	1,000,000	1,000,000

SECTION 2.2.(e) Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer a total of one hundred million dollars ($100,000,000) from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2013, and shall transfer a total of twenty-five million five hundred two thousand two hundred seventy-four dollars ($25,502,274) from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2014. This subsection becomes effective June 30, 2013. Funds transferred under this section to the Repairs and Renovations Reserve are appropriated for the 2013-2014 fiscal year and for the 2014-2015 fiscal year and shall be used in accordance with G.S. 143C-4-3.

SECTION 2.2.(f) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer a total of one hundred sixty-five million seventy-five thousand eight hundred eighty-three dollars ($165,075,883) from the unreserved fund balance to the Savings Reserve Account on June 30, 2013, and shall transfer a total of seventy-four million two hundred forty-four thousand six hundred ninety-two dollars ($74,244,692) from the unreserved fund balance to the Savings Reserve Account on June 30, 2014. Neither of these transfers is an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2013.

SECTION 2.2.(g) Notwithstanding the provisions of Article 6 of Chapter 143C of the General Statutes or any other law to the contrary, the State Controller shall transfer two million dollars ($2,000,000) from the NC FICA Account for deposit in the appropriate budget code as determined by the State Controller for the 2013-2014 fiscal year.

SECTION 2.2.(h) Of the unexpended and unencumbered monies credited to the North Carolina Public Campaign Fund, established under repealed G.S. 163-278.63, the sum of three million five hundred thousand dollars ($3,500,000) for the 2013-2014 fiscal year shall be transferred to the General Fund.

SECTION 2.2.(i) Notwithstanding any other provision of law, the sum of five million one hundred eleven thousand five hundred eighty-five dollars ($5,111,585) for the

2013-2014 fiscal year and the sum of four million dollars ($4,000,000) for the 2014-2015 fiscal year shall be transferred from the E-Commerce Reserve, Budget Code 24100, to the State Controller to be deposited in the appropriate budget code as determined by the State Controller for each fiscal year.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

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

Current Operations – Highway Fund	**2013-2014**	**2014-2015**
Department of Transportation		
Administration	$ 94,027,709	$ 98,994,109
Division of Highways		
Administration	34,218,958	34,218,958
Construction	53,923,707	39,859,878
Maintenance	1,143,487,787	1,033,662,280
Planning and Research	4,055,402	4,055,402
OSHA Program	365,337	365,337
Ferry Operations	40,564,796	39,414,796
State Aid to Municipalities	142,293,840	136,874,010
Intermodal Divisions		
Public Transportation	83,351,374	83,351,374
Aviation	22,244,510	22,244,510
Rail	40,392,294	24,942,294
Bicycle and Pedestrian	751,066	751,066
Governor's Highway Safety	284,932	284,932
Division of Motor Vehicles	116,352,241	116,996,778
Other State Agencies, Reserves, Transfers	259,634,197	261,737,076
Capital Improvements	18,055,500	19,937,700
Total Highway Fund Appropriations	**$2,054,003,650**	**$1,917,690,500**

HIGHWAY FUND/AVAILABILITY STATEMENT

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

Highway Fund Availability Statement	**2013-2014**	**2014-2015**
Unreserved Fund Balance	$ 74,150,000	$ 0
Estimated Revenue	1,937,200,000	1,892,400,000
Adjustment to Revenue Availability:		

Adjustment to Emission Inspection Fees	23,600,000	21,600,000
Adjustment to Technology Improvement Account Fees	634,000	634,000
Motor Fuel Tax		
(Shallow Draft Navigation Channel Dredging Fund)	(2,280,350)	(2,193,500)
Hybrid/Electric Vehicle Registration Fee	1,500,000	1,500,000
North Carolina Railroad Company Dividend Payments	19,200,000	3,750,000
Total Highway Fund Availability	**$ 2,054,003,650**	**$ 1,917,690,500**
Unappropriated Balance	$ 0	$ 0

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

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

Current Operations – Highway Trust Fund	**2013-2014**	**2014-2015**
Program Administration	$ 45,590,880	$ 45,590,880
Aid to Municipalities	0	0
Intrastate	0	0
Secondary Roads	0	0
Urban Loops	0	0
Mobility Fund	0	0
Turnpike Authority	49,000,000	49,000,000
Transfer to General Fund	0	0
Transfer to Highway Fund	400,000	400,000
Debt Service	79,170,090	60,307,448
Strategic Prioritization Funding Plan		
for Transportation Investments	931,539,030	950,101,672
Total Highway Trust Fund Appropriations	**$ 1,105,700,000**	**$ 1,105,400,000**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

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

Highway Trust Fund Availability	**2013-2014**	**2014-2015**
Unreserved Fund Balance	$ 0	$ 0
Estimated Revenue	1,105,700,000	1,105,400,000
Adjustment to Revenue Availability	0	0
Total Highway Trust Fund Availability	**$ 1,105,700,000**	**$ 1,105,400,000**
Unappropriated Balance	$ 0	$ 0

PART V. OTHER APPROPRIATIONS

APPROPRIATION OF OTHER FUNDS

SECTION 5.1.(a) Expenditures of cash balances, federal funds, departmental receipts, grants, and gifts from the various General Fund, Special Revenue Fund, Enterprise

Fund, Internal Service Fund, and Trust and Agency Fund budget codes are appropriated and authorized for the 2013-2015 fiscal biennium as follows:

(1) For all budget codes listed in "The State of North Carolina Recommended Continuation Budget and Fund Purpose Statements, 2013-2015" and in the Budget Support Document, cash balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2013-2014 fiscal year and the 2014-2015 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 2013-2014 fiscal year and the 2014-2015 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 2013-2014 fiscal year and the 2014-2015 fiscal year.

SECTION 5.1.(b) Receipts collected in a fiscal year in excess of the amounts authorized 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 Revenues for each fiscal year an amount equal to the amount of the distributions required by law to be made from that reserve for that fiscal year.

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

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

OTHER RECEIPTS FROM PENDING GRANT AWARDS

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

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

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

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

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

	2013-2014	**2014-2015**
Department of Agriculture and Consumer Services		
Soil and Water Conservation GIS Project	$30,000	$0
Department of Public Instruction		
The New Venture Fund	$75,000	$0
Promoting Adolescent Health through School-Based HIV/STD Prevention	$290,000	$400,000

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

CIVIL PENALTY AND FORFEITURE FUND

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

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

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

INDIAN GAMING EDUCATION REVENUE FUND

SECTION 5.4.(a) There is appropriated from the Indian Gaming Education Revenue Fund to the Department of Public Instruction, School Technology Fund, the sum of

three million dollars ($3,000,000) for the 2013-2014 fiscal year and the sum of three million five hundred thousand dollars ($3,500,000) for the 2014-2015 fiscal year.

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

PART VI. GENERAL PROVISIONS

CONTINGENCY AND EMERGENCY FUND LIMITATION

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

ESTABLISHING OR INCREASING FEES UNDER THIS ACT

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

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

GLOBAL TRANSPARK LOAN REPAYMENT

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

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

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

MSA PAYMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENT EFFICIENCY AND REFORM

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

(1) The statutory authority, funding sources, and functions of each department, agency, institution, or program.

(2) The organizational structure and staffing patterns in place to perform these functions and whether they are appropriate based on comparative data and other reasonable staffing criteria.

(3) The measurement of each reviewed program's outcomes, overall performance, and success in accomplishing its mandated or stated mission and subsequent goals, considering the resources provided to the program.

(4) State and local responsibilities for providing government services and funding for those services, and whether these responsibilities should be reallocated.

(5) Personnel systems operations and management.

(6) State purchasing operations and management.

(7) Information technology and telecommunications systems policy, organization, and management.

(8) The identification of opportunities to reduce fragmentation, duplication, and related or overlapping services or activities through restructuring of departmental organizations and streamlining programs.

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

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

SECTION 6.5.(d) At the request of the Office of State Budget and Management, the Legislative Services Officer of the General Assembly may authorize selected central legislative staff to be consulted by the Office of State Budget and Management staff about developing the review, analysis, and findings needed to produce a final report and recommendations to the Governor and General Assembly.

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

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

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

EXPENDITURES OF FUNDS IN RESERVES LIMITED

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

BUDGET CODE CONSOLIDATIONS

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

NORTH CAROLINA EDUCATION LOTTERY

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

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

...."

PROVISION OF ANONYMOUS TAX RETURN DATA TO REVENUE ESTIMATORS

SECTION 6.9. G.S. 105-259(b)(13) reads as rewritten:

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

...

(13) To furnish the following to the Fiscal Research Division of the ~~General Assembly,~~ Legislative Services Commission, and the Office of State Budget and Management, upon request:

a. A sample, suitable in character, composition, and size for statistical analyses, of tax returns or other tax information from which taxpayers' names and identification numbers have been removed.

b. An analysis of the fiscal impact of proposed legislation.

...."

EXEMPTIONS FROM MANAGEMENT FLEXIBILITY REDUCTIONS

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

CLOSE OUT PUBLIC SCHOOL BUILDING CAPITAL FUND/ APPROPRIATE EDUCATION LOTTERY FUNDS

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

"§ 115C-546.1. Creation of Fund; administration.

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

~~(b) Each calendar quarter, the Secretary of Revenue shall remit to the State Treasurer for credit to the Public School Building Capital Fund an amount equal to the applicable fraction provided in the table below of the net collections received during the previous quarter by the Department of Revenue under G.S. 105-130.3. All funds deposited in the Public School Building Capital Fund shall be invested as provided in G.S. 147-69.2 and G.S. 147-69.3.~~

~~Period~~	~~Fraction~~
~~10/1/97 to 9/30/98~~	~~One fifteenth (1/15)~~
~~10/1/98 to 9/30/99~~	~~Two twenty-ninths (2/29)~~
~~10/1/99 to 9/30/00~~	~~One fourteenth (1/14)~~
~~After 9/30/00~~	~~Five sixty-ninths (5/69)~~

(c) The Fund shall be administered by the Department of Public Instruction."

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

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

~~(a) Of the monies credited to the Fund by the Secretary of Revenue pursuant to G.S. 115C-546.1(b), the State Board of Education may allocate up to one million dollars ($1,000,000) each year to the Department of Public Instruction. These funds shall be used by the Plant Operation Section of the School Support Division to assist each local school administrative unit with effective energy and environmental management, effective water management, hazardous material management, clean air quality, and engineering support for safe, effective environmental practices. The remainder of the monies in the Fund shall be~~

~~allocated to the counties on a per average daily membership basis according to the average daily membership for the budget year as determined and certified by the State Board of Education. Interest earned on funds allocated to each county shall be allocated to that county.~~

~~The Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee by April 15 of each year on the effectiveness of the program in accomplishing its purpose and on any other information requested by the Committee.~~

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

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

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

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

(c) Monies previously credited to the Fund by the Secretary of Revenue pursuant to G.S. 115C-546.1(b) for capital projects shall be matched on the basis of one dollar of local funds for every three dollars of State funds. ~~Monies~~ Such monies in the Fund transferred to the State Technology Fund do not require a local match.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(1) A sum equal to fifty percent (50%) to support reduction of class size in early grades to class size allotments not exceeding 1:18 in order to eliminate achievement gaps and to support academic prekindergarten programs for at-risk four-year-olds who would otherwise not be served in a high-quality~~

~~education program in order to help those four-year-olds be prepared developmentally to succeed in school.~~

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

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

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

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

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

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

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

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

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

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

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

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

"(b) Subject to the maximum amounts provided in this section, the Authority shall have the power to determine the actual scholarship amounts disbursed to students in any given year based on the amount of ~~net income available under Chapter 18C of the General Statutes.~~ funds appropriated from the Education Lottery Fund. If the net income available is not sufficient to fully fund the scholarships to the maximum amount, all scholarships shall be reduced equally, to the extent practicable, so that every eligible applicant shall receive a proportionate scholarship amount."

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

	FY 2013-2014	**FY 2014-2015**
Classroom Teachers	$ 220,643,188	$ 220,643,188
Prekindergarten Program	$ 63,135,709	$ 63,135,709
Public School Building Capital Fund	$ 100,000,000	$ 100,000,000
Scholarships for Needy Students	$ 30,450,000	$ 30,450,000
UNC Need-Based Financial Aid	$ 10,744,733	$ 10,744,733
UNC Need-Based Financial Aid Forward Funding Reserve	$ 55,128,620	-
Lottery Reserve Fund	-	$ 43,459,463

TOTAL APPROPRIATION **$ 480,102,250** **$ 468,433,093**

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

SECTION 6.11.(g) Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C of the General Statutes, or any other provision of law, the funds appropriated in this section for UNC Need-Based Financial Aid shall be administered in accordance with the policy adopted by the Board of Governors of The University of North Carolina.

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

AMEND STATE BUDGET ACT

TECHNICAL CORRECTIONS AND CLARIFYING CHANGES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUBSTANTIVE CHANGES

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

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

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

...

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

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

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

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

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

...

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

...

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

(1) A statement of its needs for information technology and related resources, including expected improvements to programmatic or business operations, together with a review and evaluation of that statement prepared by the State Chief Information Officer.

(2) A statement setting forth the requirements for State resources, together with an evaluation of those requirements by the State Chief Information Officer that takes into consideration the State's current technology, the opportunities for technology sharing, the requirements of Article 3D of Chapter 147 of the General Statutes, and any other factors relevant to the analysis.

(3) A statement by the State Chief Information Officer that sets forth viable alternatives, if any, for meeting the agency needs in an economical and efficient manner.

(4) In the case of an acquisition, an explanation of the method by which the acquisition is to be financed.

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

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

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

...

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

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

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

...

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

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

(d) Funds Included in Budget. – Consistent with requirements of the North Carolina Constitution, Article 5, Section 7(1), the Governor's Recommended State Budget, together with the Budget Support Document, shall include recommended expenditures of State funds from all Governmental and Proprietary Funds, as those funds are described in ~~G.S. 143C-1-3.~~ G.S. 143C-1-3, and all funds established for The University of North Carolina and its

constituent institutions that are subject to this Chapter. Except where provided otherwise by federal law, funds received from the federal government become State funds when deposited in the State treasury and shall be classified and accounted for in the Governor's budget recommendations no differently than funds from other sources.

...."

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 6.12.(m) G.S. 143C-5-2 reads as rewritten:

"**§ 143C-5-2. Order of appropriations bills.**

(a) Each house of the General Assembly shall first pass its version of the Current Operations Appropriations Act on third reading and order it sent to the other chamber before placing any other appropriations bill on the calendar for second reading. This section does not apply to the following bills:

(1) An appropriations bill to respond to an emergency as defined by G.S. 166A-19.3.

(2) An appropriations bill making adjustments to the current year budget.

(3) An appropriations bill authorizing continued operations at current funding levels.

(4) In even-numbered years, an appropriations bill that contains a statement that the General Assembly does not intend to enact a Current Operations Appropriations Act that year.

(b) The provisions of subsection (a) of this section shall apply to each fiscal year of the biennium."

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

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

...

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

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

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

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

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

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

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

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

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

a. Required by a court or Industrial Commission order;

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

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

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

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

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

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

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

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

...."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"(b) ~~Funds~~ Upon appropriation by the General Assembly, funds received in the Indian Gaming Education Revenue Fund ~~are hereby appropriated as received to the State Public School Fund for quarterly allotments~~shall be allocated quarterly by the State Board of Education to local school administrative units, charter schools, and regional schools on the basis of allotted average daily membership. The funds allotted by the State Board of Education pursuant to this section shall be nonreverting. Funds received pursuant to this section by local school administrative units shall be expended for classroom teachers, teacher assistants, classroom materials or supplies, or textbooks."

PART VII. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND

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

	FY 2013-2014	FY 2014-2015
General Fund Appropriation for IT Fund	$6,053,142	$6,055,342
General Fund Appropriation for Government Data Analytics Center	3,000,000	4,417,515
Interest	$2,200	$2,200
IT Fund Balance, June 30	$0	$0
Total Funds Available	$9,055,342	$10,475,057

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

Information Technology Operations		
Criminal Justice Information Network	$189,563	$189,563
Center for Geographic Information and Analysis	$495,338	$495,338
Enterprise Security Risk Management	$864,148	$864,148
Enterprise Project Management Office	$1,473,285	$1,473,285
Architecture and Engineering	$851,986	$851,986
State Web Site	$224,741	$224,741
Enterprise Licenses	$33,000	$33,000
Subtotal Information Technology Operations	$4,132,061	$4,132,061
Information Technology Projects		
Government Data Analytics Center	$3,000,000	$4,417,515
IT Consolidation	$1,021,081	$1,021,081
Electronic Forms/Digital Signatures	$900,000	$900,000
Subtotal Information Technology Projects	$4,921,081	$6,338,596
Total	$9,053,142	$10,470,657

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

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

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND

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

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

(a) ~~The Office shall develop an annual budget for review and approval by the Office of State Budget and Management prior to April 1 of each year.~~The Office of Information Technology Services (ITS) shall develop an annual budget for review and approval by the Office of State Budget and Management (OSBM) in accordance with a schedule prescribed by the Director of the Office of State Budget and Management. The approved Information

Technology Internal Service Fund budget shall be included in the Governor's budget recommendations to the General Assembly.

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

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

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

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

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

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

INFORMATION TECHNOLOGY RESERVE FUND

SECTION 7.3.(a) Funds in the Reserve for Information Technology for the 2013-2014 fiscal year consist of the sum of thirty-one million dollars ($31,000,000) appropriated from the General Fund. Funds in the Reserve for Information Technology for the 2014-2015 fiscal year consist of the sum of thirty-six million dollars ($36,000,000) appropriated from the General Fund.

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

	FY 2013-2014	FY 2014-2015
Prepare/Focus	$250,000	$0
Plan	$1,752,806	$2,232,321
Build	$1,057,353	$2,754,163
Remediation	$1,100,000	$600,000
Security	$1,571,394	$392,788
Network Simplification	$0	$5,250,000
Desktop Remediation	$16,000,000	$14,300,000
Desktop Software Licenses	$7,615,000	$2,300,000
Operate	$985,446	$685,446
Customer Data	$400,000	$1,000,000
Secure Sign-On	$0	$6,350,000
Innovation Center	$0	$0

SECTION 7.3.(c) By August 1, 2013, the State Chief Information Officer shall provide a time line for completing initiatives included in the IT Reserve Fund to the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division. The time line shall include the dates for completion of a strategic plan, an enterprise architecture, a new business case methodology, and implementation of a new project management process. Not later than the dates specified in the time line, each of these documents shall be submitted to the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division.

INFORMATION TECHNOLOGY OPERATIONS

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

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

SECTION 7.4.(c) G.S. 147-33.80 reads as rewritten:

"§ 147-33.80. Exempt agencies.

Except as otherwise specifically provided by law, this Article shall not apply to the General ~~Assembly, the Judicial Department, or The University of North Carolina and its constituent~~

~~institutions.~~ Assembly or to the Judicial Department. These agencies may elect to participate in the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office."

STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT

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

PUBLIC SCHOOL PROCUREMENT OF INFORMATION TECHNOLOGY

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

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

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

INFORMATION TECHNOLOGY CONTRACTS

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

SECTION 7.7.(b) Sole Sourcing Limited. – State IT contracts, including extensions of the period of performance or expansion of the scope of existing contracts, shall not be sole sourced, unless the State CIO grants a specific exception to allow sole sourcing. The State CIO shall immediately report any exceptions granted to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The report shall explain the reasons why any sole sourcing was deemed to be appropriate.

SECTION 7.7.(c) Contract Payments. – State payments under information technology contracts must be in return for value received or benefits conferred to the State in accordance with timely vendor performance of the contract. Therefore, all payments made by the State under information technology contracts shall be linked to vendor completion of

specified performance standards and measures, the delivery of deliverables required under the contract, or both. State information technology contracts shall include terms requiring that vendors meet specific benchmarks within specified time periods. If vendors fail to meet benchmarks within the specified time period, the State CIO shall suspend or terminate the contract. If an agency develops a detailed risk versus reward analysis in advance that (i) is reviewed and approved by the Office of the State CIO and the Office of State Budget and Management and (ii) reflects industry practices, then contract payments provisions may consider the level of risk that a vendor assumes under the contract.

SECTION 7.7.(d) State Intellectual Property. – In any IT contract in which the State funds any portion of the development of intellectual property, the State shall own and shall have a financial interest in the IT-related intellectual property developed with State funds. The State's financial interest shall be specified in all contracts written in association with the development of the intellectual property. The Office of the State CIO shall review and approve any contract provisions related to the State's interest in intellectual property. This subsection shall not apply to the development of intellectual property by (i) The University of North Carolina, (ii) any other college or university in North Carolina, or (iii) any nonprofit with regard to State-funded biotechnology research done by that nonprofit.

SECTION 7.7.(e) Guaranteed Savings. – If a selected vendor presents a proposal quantifying savings to the State over a specific time period, the savings shall be considered guaranteed. To ensure that the State receives the guaranteed savings, the vendor shall provide security to the State in the form acceptable to the Office of the State Treasurer and in an amount equal to one hundred percent (100%) of the total cost of the guaranteed savings contract to ensure the vendor's faithful performance. Any bonds required under this section shall be subject to the provisions of Article 3 of Chapter 44A of the General Statutes. If the savings resulting from a guaranteed contract are not as great as projected under the contract and all required shortfall payments to the State have not been made, the State Chief Information Officer may terminate the contract without incurring any additional obligation to the vendor.

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

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

(1) Ensure that sufficient funds are budgeted to support their agreed shares of enterprise contracts throughout the life of the contract.

(2) Transfer the required funding to the Information Technology Internal Service Fund in sufficient time for the Office of Information Technology Services to meet vendor contract requirements.

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

(1) Any advance payment can be accomplished within the IT Internal Service Fund budget.

(2) The State Controller receives conclusive evidence that the proposed agreement would be more cost-effective than a multiyear agreement that complies with G.S. 147-86.11.

(3) The procurement complies in all other aspects with applicable statutes and rules.

(4) The proposed agreement contains contract terms that protect the financial interest of the State against contractor nonperformance or insolvency through the creation of escrow accounts for funds, source codes, or both, or by any other reasonable means that have legally binding effect.

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

SECTION 7.7.(h) Develop State IT Contract Expertise. – The State CIO, the Office of State Personnel Management, and the University of North Carolina School of Government shall work jointly to create a career path for information technology contracting professionals that includes defined qualifications, career progression, training opportunities, and appropriate compensation. By March 1, 2014, the UNC School of Government shall submit a report on efforts to create the career path for government information technology contracting professionals to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT REQUIREMENTS

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

(1) Standards for determining whether it is more appropriate for an agency to hire an employee or use the services of a vendor.

(2) A process to monitor all State agency personal services contracts, as well as any other State contracts providing personnel to perform information technology functions.

(3) A process for obtaining approval of contractor positions.

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

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

PREVENT DUPLICATION OF INFORMATION TECHNOLOGY CAPABILITIES

SECTION 7.9.(a) The Office of the State Chief Information Officer (CIO) shall develop a plan and adopt measures to prevent the duplication of information technology capabilities and resources across State agencies. When multiple agencies require the same, or substantially similar, information technology capabilities, the State CIO shall designate one State agency as the lead to coordinate and manage the capability for all State agencies, with the State CIO maintaining oversight of the effort. By October 1, 2013, the State CIO shall provide this plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

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

(1) Review all current and future information technology projects to determine whether the capabilities required for each project already exist in a planned, ongoing, or completed information technology project developed by another State agency. For projects where the capability already exists, the Office of the State CIO shall assist the agency with implementing the existing capability.

(2) Identify existing projects that can best support a specific information technology capability for multiple agencies and work to transition all agencies requiring the specific capability to the identified projects.

(3) When State agencies request approval for new projects, determine if the information technology project can be implemented using an existing application, or if the new project has the potential to support multiple agencies' requirements.

(4) Provide quarterly reports on progress toward eliminating duplication to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

(5) Ensure that contracts for information technology allow the addition of other agencies' requirements within the terms of the existing contracts.

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

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

GOVERNMENT DATA ANALYTICS/DATA SHARING

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

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

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

(1) For the purpose of administering the driver's license laws.
(2) To the Department of Health and Human Services, Child Support Enforcement Program for the purpose of establishing paternity or child support or enforcing a child support order.
(3) To the Department of Revenue for the purpose of verifying taxpayer identity.
(4) To the Office of Indigent Defense Services of the Judicial Department for the purpose of verifying the identity of a represented client and enforcing a court order to pay for the legal services rendered.
(5) To each county jury commission for the purpose of verifying the identity of deceased persons whose names should be removed from jury lists.
(6) To the Office of the State Controller for the purposes of G.S. 143B-426.38A."

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

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

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

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

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

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

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

(1) Creation of initiative. – In carrying out the purposes of this section, the Office of the State Controller shall conduct an ongoing, comprehensive evaluation of State data analytics projects and plans in order to identify data integration and business intelligence opportunities that will generate greater efficiencies in, and improved service delivery by, State agencies, departments, and institutions. The State Controller and State CIO shall continue to utilize public-private partnerships and existing data integration and analytics contracts and licenses as appropriate to continue the implementation of the initiative.
(2) Application to State government. – The initiative shall include all State agencies, departments, and institutions, including The University of North Carolina.
(3) Governance. – The State Controller shall lead the initiative established pursuant to this section. The Chief Justice of the North Carolina Supreme Court and the Legislative Services Commission each shall designate an officer or agency to advise and assist the State Controller with respect to

implementation of the initiative in their respective branches of government. The judicial and legislative branches shall fully cooperate in the initiative mandated by this section in the same manner as is required of State agencies.

(b) Government Data Analytics Center. –

(1) GDAC established. – There is established in the Office of the State Controller the Government Data Analytics Center (GDAC). GDAC shall assume the work, purpose, and resources of the current data integration effort in the Office of the State Controller and shall otherwise advise and assist the State Controller in the management of the initiative. The State Controller shall make any organizational changes necessary to maximize the effectiveness and efficiency of GDAC.

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

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

1. The deployment, support, technology improvements, and expansion for the Criminal Justice Law Enforcement Automated Data System (CJLEADS).
2. The pilot and subsequent phase initiative for the North Carolina Financial Accountability and Compliance Technology System (NCFACTS).
3. Individual-level student data and workforce data from all levels of education and the State workforce.
4. Other capabilities developed as part of the initiative.

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

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

d. Compare capabilities and costs across State agencies.

e. Ensure implementation is properly supported across State agencies.

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

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

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

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

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

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

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

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

2. Develop a plan of action that does all of the following:
   I. Defines the program requirements, objectives, and end state of the initiative.
   II. Prioritizes projects and stages of implementation in a detailed plan and benchmarked time line.
   III. Includes the effective coordination of all of the State's current data integration initiatives.
   IV. Utilizes a common approach that establishes standards for business intelligence initiatives for all State agencies and prevents the development of projects that do not meet the established standards.
   V. Determines costs associated with the development efforts and identifies potential sources of funding.
   VI. Includes a privacy framework for business intelligence consisting of adequate access controls and end user security requirements.
   VII. Estimates expected savings.
3. Inventory existing external data sources that are purchased by State agencies to determine whether consolidation of licenses is appropriate for the enterprise.
4. Determine whether current, ongoing projects support the enterprise-level objectives.
5. Determine whether current applications are scalable or are applicable for multiple State agencies or both.

b. Phase II requirements. – In the second phase, the State Controller through the GDAC shall:
   1. Identify redundancies and recommend to the State CIO any projects that should be discontinued.
   2. Determine where gaps exist in current or potential capabilities.

c. Phase III requirements. – In the third phase:
   1. The State Controller through GDAC shall incorporate or consolidate existing projects, as appropriate.
   2. The State Controller shall, notwithstanding G.S. 147-33.76 or any rules adopted pursuant thereto, eliminate redundant business intelligence projects, applications, software, and licensing.
   3. The State Controller through GDAC shall complete all necessary steps to ensure data integration in a manner that adequately protects privacy.

(2) Project Management. – The State CIO shall ensure that all current and new business intelligence/data analytics projects are in compliance with all State laws, policies, and rules pertaining to information technology procurement, project management, and project funding and that they include quantifiable and verifiable savings to the State. The State CIO shall report to the Joint Legislative Oversight Committee on Information Technology on projects that are not achieving projected savings. The report shall include a proposed corrective action plan for the project.

The Office of the State CIO, with the assistance of the Office of State Budget and Management, shall identify potential funding sources for

expansion of existing projects or development of new projects. No GDAC project shall be initiated, extended, or expanded:

a. Without the specific approval of the General Assembly unless the project can be implemented within funds appropriated for GDAC projects.

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

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

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

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

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

(2) Report the following information as needed:

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

b. Any additional information to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight

Committee on Information Technology that is requested by those entities.

(f) Data Sharing. –

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

a. Grant the Office of the State Controller access to all information required to develop and support State business intelligence applications pursuant to this section. The State Controller and the GDAC shall take all necessary actions and precautions, including training, certifications, background checks, and governance policy and procedure, to ensure the security, integrity, and privacy of the data in accordance with State and federal law and as may be required by contract.

b. Provide complete information on the State agency's information technology, operational, and security requirements.

c. Provide information on all of the State agency's information technology activities relevant to the State business intelligence effort.

d. Forecast the State agency's projected future business intelligence information technology needs and capabilities.

e. Ensure that the State agency's future information technology initiatives coordinate efforts with the GDAC to include planning and development of data interfaces to incorporate data into the initiative and to ensure the ability to leverage analytics capabilities.

f. Provide technical and business resources to participate in the initiative by providing, upon request and in a timely and responsive manner, complete and accurate data, business rules and policies, and support.

g. Identify potential resources for deploying business intelligence in their respective State agencies and as part of the enterprise-level effort.

h. Immediately seek any waivers and enter into any written agreements that may be required by State or federal law to effectuate data sharing and to carry out the purposes of this section, as appropriate.

(2) Specific requirements. – The State Controller and the GDAC shall enhance the State's business intelligence through the collection and analysis of data relating to workers' compensation claims for the purpose of preventing and detecting fraud, as follows:

a. The North Carolina Industrial Commission shall release to GDAC, or otherwise provide electronic access to, all data requested by GDAC relating to workers' compensation insurance coverage, claims, appeals, compliance, and enforcement under Chapter 97 of the General Statutes.

b. The North Carolina Rate Bureau (Bureau) shall release to GDAC, or otherwise provide electronic access to, all data requested by GDAC relating to workers' compensation insurance coverage, claims, business ratings, and premiums under Chapter 58 of the General Statutes. The Bureau shall be immune from civil liability for releasing information pursuant to this subsection, even if the information is erroneous, provided the Bureau acted in good faith and without malicious or willful intent to harm in releasing the information.

c. The Department of Commerce, Division of Employment Security (DES), shall release to GDAC, or otherwise provide access to, all data requested by GDAC relating to unemployment insurance coverage, claims, and business reporting under Chapter 96 of the General Statutes.

d. The Department of Labor shall release to GDAC, or otherwise provide access to, all data requested by GDAC relating to safety inspections, wage and hour complaints, and enforcement activities under Chapter 95 of the General Statutes.

e. The Department of Revenue shall release to GDAC, or otherwise provide access to, all data requested by GDAC relating to the registration and address information of active businesses, business tax reporting, and aggregate federal tax Form 1099 data for comparison with information from DES, the Rate Bureau, and the Department of the Secretary of State for the evaluation of business reporting. Additionally, the Department of Revenue shall furnish to the GDAC, upon request, other tax information, provided that the information furnished does not impair or violate any information-sharing agreements between the Department and the United States Internal Revenue Service. Notwithstanding any other provision of law, a determination of whether furnishing the information requested by GDAC would impair or violate any information-sharing agreements between the Department of Revenue and the United States Internal Revenue Service shall be within the sole discretion of the State Chief Information Officer. The Department of Revenue and the Office of the State Controller shall work jointly to assure that the evaluation of tax information pursuant to this subdivision is performed in accordance with applicable federal law.

(3) All information shared with GDAC and the State Controller under this subdivision is protected from release and disclosure in the same manner as any other information is protected under this section.

(g) Provisions on Privacy and Confidentiality of Information. –

(1) Status with respect to certain information. – The State Controller and the GDAC shall be deemed to be all of the following for the purposes of this section:

a. With respect to criminal information, and to the extent allowed by federal law, a criminal justice agency (CJA), as defined under Criminal Justice Information Services (CJIS) Security Policy. The State CJIS Systems Agency (CSA) shall ensure that CJLEADS receives access to federal criminal information deemed to be essential in managing CJLEADS to support criminal justice professionals.

b. With respect to health information covered under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended, and to the extent allowed by federal law:

1. A business associate with access to protected health information acting on behalf of the State's covered entities in support of data integration, analysis, and business intelligence.

2. Authorized to access and view individually identifiable health information, provided that the access is essential to the enterprise fraud, waste, and improper payment detection program or required for future initiatives having specific definable need for the data.

c. Authorized to access all State and federal data, including revenue and labor information, deemed to be essential to the enterprise fraud, waste, and improper payment detection program or future initiatives having specific definable need for the data.

d. Authorized to develop agreements with the federal government to access data deemed to be essential to the enterprise fraud, waste, and improper payment detection program or future initiatives having specific definable need for such data.

(2) Release of information. – The following limitations apply to (i) the release of information compiled as part of the initiative (ii) data from State agencies that is incorporated into the initiative and (iii) data released as part of the implementation of the initiative:

a. Information compiled as part of the initiative. – Notwithstanding the provisions of Chapter 132 of the General Statutes, information compiled by the State Controller and the GDAC related to the initiative may be released as a public record only if the State Controller, in that officer's sole discretion, finds that the release of information is in the best interest of the general public and is not in violation of law or contract.

b. Data from State agencies. – Any data that is not classified as a public record under G.S. 132-1 shall not be deemed a public record when incorporated into the data resources comprising the initiative. To maintain confidentiality requirements attached to the information provided to the State Controller and GDAC, each source agency providing data shall be the sole custodian of the data for the purpose of any request for inspection or copies of the data under Chapter 132 of the General Statutes.

c. Data released as part of implementation. – Information released to persons engaged in implementing the State's business intelligence strategy under this section that is used for purposes other than official State business is not a public record pursuant to Chapter 132 of the General Statutes."

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

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

SECTION 7.10.(f) The Office of State Controller, in consultation with the State CIO, shall continue the management and implementation of the GDAC, and shall continue to manage the ongoing enterprise data integration efforts under the GDAC including CJLEADS and NC FACTS. The Office of the State CIO, in consultation with OSC, shall develop a plan for a cooperative transition of the GDAC and all of its programs to the Office of the SCIO, effective July 1, 2014. The plan shall include provisions for a governance structure for GDAC that includes participation by the State Controller. The plan shall also include milestones for the transition. The State CIO shall report the plan details and any associated costs to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division

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

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

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

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

STATE INFORMATION TECHNOLOGY DATA ARCHIVING

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

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

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

INFORMATION TECHNOLOGY/PRIVACY PROTECTION OF CITIZEN DATA

SECTION 7.12. The Joint Legislative Oversight Committee on Information Technology shall study and develop legislative proposals to establish State requirements to safeguard the personal data of individuals collected and managed by the various State agencies. This review shall be conducted in collaboration with the State Chief Information Officer (CIO), and with the participation and assistance of agency CIOs selected jointly by the Committee and State CIO.

STATE INFORMATION TECHNOLOGY INNOVATION CENTER

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

Any contracts awarded as a result of State collaboration with private vendors in the Innovation Center shall include a provision that allows the State to own and have a financial interest in any intellectual property that is developed.

Any contracts awarded as a result of State collaboration with private vendors in the Innovation Center shall include a provision that allows the State to own and have a financial interest in any intellectual property that is developed.

ENTERPRISE GRANTS MANAGEMENT

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

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

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

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

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

ENTERPRISE ELECTRONIC FORMS AND DIGITAL SIGNATURES

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

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

VEHICLE MANAGEMENT

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

(1) Consult with State agencies that own vehicles.

(2) Review the existing fleet management information systems used by State agencies.

(3) Examine fleet management information systems used by other state governments.

(4) Determine whether the State should (i) expand a fleet management information system currently used by a State agency for statewide use, (ii) develop a new in-house system, or (iii) purchase a new system from an outside vendor.

(5) Determine fees or other methods to pay the initial and ongoing costs for the system.

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

SECTION 7.16.(c) Beginning October 1, 2013, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the implementation plan for the statewide motor fleet management information

system including progress toward the development of the enterprise system, the associated costs, identified sources of funding, and any issues associated with the project.

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

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

(1) "Unmanned aircraft" means an aircraft that is operated without the possibility of human intervention from within or on the aircraft.

(2) "Unmanned aircraft system" means an unmanned aircraft and associated elements, including communication links and components that control the unmanned aircraft that are required for the pilot in command to operate safely and efficiently in the national airspace system.

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

(1) Governance structure to include the appropriate use at each level of government.

(2) Guidelines for program implementation to include limitations on unmanned aircraft system use.

(3) Potential participants.

(4) Costs associated with establishing a program.

(5) Potential sources of funding.

(6) Issues associated with establishing a program to include limitations on entities that may already have purchased unmanned aircraft systems.

(7) Recommendations for legislative proposals.

TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE PARTNERSHIP AUTHORIZED

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Details of each public-private contract.

(2) The benefits from each contract.

(3) A comprehensive forecast of the benefits of using public-private agreements to implement TIMS, the additional PDP components, and additional components authorized by this section, including cost savings and the acceleration of the project time line.

(4) Any issues associated with the operation of the public-private partnership.

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

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

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

The members of the Committee shall include the following:

(1) The ~~State Budget Director;~~Director of the Office of State Budget and Management;

(2) The Secretary of the Department of Revenue;

(3) The State Chief Information Officer;

(4) Two persons appointed by the Governor;

(5) One member of the general public having expertise in information technology appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives; and

(6) One member of the general public having expertise in economic and revenue forecasting appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate.

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

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

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

USE OF MOBILE COMMUNICATIONS DEVICES

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

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

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

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

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

NEXT GENERATION SECURE DRIVER LICENSE SYSTEM

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

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

(6) Programmatic impacts for Division of Motor Vehicles driver license services.

(7) Requirements and costs to implement a process to allow persons who are homebound to apply for or renew a special photo identification card, with a color photo, and similar in size, shape, design, and background to a drivers license, by means other than personal appearance.

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

STATE TITLING AND REGISTRATION SYSTEM/STATE AUTOMATED DRIVER LICENSE SYSTEM/LIABILITY INSURANCE TRACKING AND ENFORCEMENT SYSTEM

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

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

(1) Project scope, milestones, and anticipated business process improvements.

(2) Estimated development, implementation, and maintenance costs.

(3) Project status, including any modifications to the project scope or revisions to baseline cost estimates.

(4) Project accomplishments and changes in status for the previous quarter.

(5) Actual costs incurred, by purpose and funding source, for the previous quarter.

(6) Remaining cost to complete by project phase for the next two fiscal years.

(7) Any issues, including vendor performance, identified during project development and implementation and planned corrective actions.

GDAC/LOCAL GOVERNMENTS/COLLECTION AGREEMENTS

SECTION 7.21.(a) Cities and counties may enter into an agreement with the North Carolina Department of Revenue and the North Carolina Office of the State Controller, Government Data Analytics Center (GDAC), to manage the collection of outstanding unpaid parking fines and penalties. Any such agreements shall:

(1) Comply with State or federal law regarding data sharing, as appropriate.

(2) Provide the GDAC with access to all required information necessary to develop and support analytics allowing the identification of the owners of vehicles with associated unpaid parking fines and penalties.

(3) Provide for technical and business resources to support the analytics development.

(4) Provide for timely and responsive access to complete and accurate data, business rules, policies and technical support.

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

(1) Ensure the security, integrity, and privacy of the data in accordance with State and federal law and as may be required by contract.

(2) Leverage enterprise data sources, as allowed by State and federal law, and GDAC governance agreements, to provide analytics to integrate and match data to identify owner information associated with vehicles with unpaid parking fines and penalties.

(3) Provide access to analytics reporting and information to the participating city or municipality and the Department of Revenue.

(4) Provide data to the Department of Revenue for use in the withholding of tax refunds of persons that have unpaid parking fines and penalties.

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

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

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

PART VIII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

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

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

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

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 8.3.(a) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians,

instructional supplies and equipment, staff development, and textbooks and (ii) for salary supplements for instructional personnel and instructional support personnel. Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades three through eight.

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

(1) "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.

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

(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:
   a. Subtract the present-use value of agricultural land, horticultural land, and forestland in the county, as defined in G.S. 105-277.2, from the total assessed real property valuation of the county.
   b. Adjust the resulting amount by multiplying by a weighted average of the three most recent annual sales assessment ratio studies.
   c. Add to the resulting amount the following:
      1. Present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2.
      2. Value of property of public service companies, determined in accordance with Article 23 of Chapter 105 of the General Statutes.
      3. Personal property value for the county.

(7) "County-adjusted property tax base per square mile" means the county-adjusted property tax base divided by the number of square miles of land area in the county.

(8) "County wealth as a percentage of State average wealth" shall be computed as follows:

a. For counties containing a base of the Armed Forces of the United States that have an average daily membership of more than 23,000 students:
   1. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of four-tenths.
   2. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State average revenue availability per student and weight the resulting percentage by a factor of five-tenths.
   3. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth.
   4. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.

b. For all other counties in the State:
   1. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of five-tenths.
   2. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State average revenue availability per student and weight the resulting percentage by a factor of four-tenths.
   3. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth.
   4. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.

(9) "Effective county tax rate" means the actual county tax rate multiplied by a weighted average of the three most recent annual sales assessment ratio studies.

(10) "Effective State average tax rate" means the average of effective county tax rates for all counties.

(11) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

(12) "Per capita income" means the average for the most recent three years for which data are available of the per capita income according to the most recent report of the United States Department of Commerce, Bureau of Economic Analysis, including any reported modifications for prior years as outlined in the most recent report.

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

(14) "State average current expense appropriations per student" means the most recent State total of county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

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

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

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

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

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

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

SECTION 8.3.(f) Minimum Effort Required. – Counties that had effective tax rates in the 1996-1997 fiscal year that were above the State average effective tax rate but that had effective rates below the State average in the 1997-1998 fiscal year or thereafter shall receive reduced funding under this section. This reduction in funding shall be determined by subtracting the amount that the county would have received pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount that the county would have received if qualified for full funding and multiplying the difference by ten percent (10%). This method of calculating reduced funding shall apply one time only. This method of calculating reduced funding shall not apply in cases in which the effective tax rate fell below the statewide average effective tax rate as a result of a reduction in the actual property tax rate. In these cases, the minimum effort required shall be calculated in accordance with Section 17.1(g) of Chapter 507 of the 1995 Session Laws. If the county documents that it has increased the per student appropriation to the school current expense fund in the current fiscal year, the State Board of

Education shall include this additional per pupil appropriation when calculating minimum effort pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws.

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

(1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of the local current expense appropriations per student for the three prior fiscal years.

(2) The county cannot show (i) that it has remedied the deficiency in funding or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section.

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

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

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

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

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

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

(1) Round all fractions of positions to the next whole position.

(2) Provide five and one-half additional regular classroom teachers in counties in which the average daily membership per square mile is greater than four and provide seven additional regular classroom teachers in counties in which the average daily membership per square mile is four or fewer.

(3) Provide additional program enhancement teachers adequate to offer the standard course of study.

(4) Change the duty-free period allocation to one teacher assistant per 400 average daily membership.

(5) Provide a base for the consolidated funds allotment of at least seven hundred seventeen thousand three hundred sixty dollars ($717,360), excluding textbooks, for the 2013-2014 fiscal year and a base of seven hundred seventeen thousand three hundred sixty dollars ($717,360) for the 2014-2015 fiscal year.

(6) Allot vocational education funds for grade six as well as for grades seven through 12. If funds appropriated for each fiscal year for small school system supplemental funding are not adequate to fully fund the program, the State Board of Education shall reduce the amount allocated to each county school administrative unit on a pro rata basis. This formula is solely a basis for distribution of supplemental funding for certain county school administrative units and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula also is not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for such county administrative units.

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

(1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of the local current expense appropriations per student for the three prior fiscal years.

(2) The county cannot show (i) that it has remedied the deficiency in funding or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section.

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

SECTION 8.4.(c) Phase-Out Provisions. – If a local school administrative unit becomes ineligible for funding under this formula because of (i) an increase in the population of the county in which the local school administrative unit is located or (ii) an increase in the county-adjusted property tax base per student of the county in which the local school administrative unit is located, funding for that unit shall be continued for three years after the unit becomes ineligible.

SECTION 8.4.(d) Definitions. – As used in this section, the following definitions apply:

(1) "Average daily membership" means within two percent (2%) of the average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual adopted by the State Board of Education.

(2) "County-adjusted property tax base per student" means the total assessed property valuation for each county, adjusted using a weighted average of the three most recent annual sales assessment ratio studies, divided by the total

number of students in average daily membership who reside within the county.

(3) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

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

(5) "State-adjusted property tax base per student" means the sum of all county-adjusted property tax bases divided by the total number of students in average daily membership who reside within the State.

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

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

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

SECTION 8.4.(f) Use of Funds. – Local boards of education are encouraged to use at least twenty percent (20%) of the funds they receive 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 six.

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

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)

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

(1) Provide instructional positions or instructional support positions and/or professional development;

(2) Provide intensive in-school and/or after-school remediation;

(3) Purchase diagnostic software and progress-monitoring tools; and

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

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

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

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

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

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

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

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

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

BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION

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

LITIGATION RESERVE FUNDS

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

UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS

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

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

REVISE NC VIRTUAL PUBLIC SCHOOLS (NCVPS) COST CALCULATION DATE

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

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

CLOSE NC CENTER FOR THE ADVANCEMENT OF TEACHING

SECTION 8.10.(a) G.S. 115C-296.5 is repealed.

SECTION 8.10.(b) G.S. 115C-296.6 is repealed.

SECTION 8.10.(c) G.S. 126-5(c1)(29) is repealed.

SECTION 8.10.(d) The ownership, possession, and control of all property of The North Carolina Center for the Advancement of Teaching located at Cullowhee, including buildings, grounds, personal property, vehicles, and equipment, shall be transferred to Western Carolina University. Notwithstanding Chapters 143 and 146 of the General Statutes, these transfers may be made without gubernatorial or Council of State approval and without consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 8.10.(e) The Department of Administration shall determine the best use for all property of The North Carolina Center for the Advancement of Teaching located at Ocracoke, consistent with the terms of the conveyance of that property to the State. Any transfer or reallocation of that property shall be in accordance with applicable law.

SECTION 8.10.(f) This section becomes effective June 30, 2013.

SCHOOL BUS REPLACEMENT

SECTION 8.11. The State Board of Education shall adopt guidelines that provide for the replacement of school buses at 250,000 miles or, regardless of vehicle mileage, upon 20 years of service.

EDUCATION SERVICES FOR CHILDREN AT CERTAIN JUVENILE FACILITIES

SECTION 8.12. Funds appropriated for education services for children at certain juvenile facilities under this act shall be distributed to Alexander County, Cabarrus County, Chatham County, Cumberland County, Gaston County, Granville County, Lenoir County, New Hanover County, Pitt County, and Wake County on the basis of facility bed capacity at the State's detention centers and youth development centers located within those counties. These funds shall only be used to provide educational services for children who are residents of the facilities.

EVAAS SCHOOL PERFORMANCE GRADES

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

LEA BUDGETARY FLEXIBILITY

SECTION 8.14.(a) G.S. 115C-105.25 reads as rewritten:

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

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

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

~~(1) In accordance with a school improvement plan accepted under G.S. 115C-105.27, State funds allocated for teacher assistants may be transferred only for personnel (i) to serve students only in kindergarten through third grade, or (ii) to serve students primarily in kindergarten through third grade when the personnel are assigned to an elementary school to serve the whole school. Funds allocated for teacher assistants may be transferred to reduce class size or to reduce the student-teacher ratio in kindergarten through third grade so long as the affected teacher assistant positions are not filled when the plan is amended or approved by the building-level staff entitled to vote on the plan or the affected teacher assistant positions are not expected to be filled on the date the plan is to be~~

~~implemented. Any State funds appropriated for teacher assistants that were converted to certificated teachers before July 1, 1995, in accordance with Section 1 of Chapter 986 of the 1991 Session Laws, as rewritten by Chapter 103 of the 1993 Session Laws, may continue to be used for certificated teachers.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) Funds to carry out the elements of the Excellent Public Schools Act, which are contained in Section 7A.1 of S.L. 2012-142, shall not be transferred.

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

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

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

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

SECTION 8.14.(b) G.S. 115C-301 reads as rewritten:

"**§ 115C-301. Allocation of teachers; class size.**

(a) Request for Funds. – The State Board of Education, based upon the reports of local boards of education and such other information as the State Board may require from local boards, shall determine for each local school administrative unit the number of teachers and other instructional personnel to be included in the State budget request.

(b) Allocation of Positions. – The State Board of Education is authorized to adopt rules to allot instructional personnel and teachers, within funds appropriated.

(c) ~~Maximum~~ Class Size. – Local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement. ~~The average class size for each grade span in a local school administrative unit shall at no time exceed the funded allotment ratio of teachers to students. At the end of the second school month and for the remainder of the school year, the size of an individual class shall not exceed the allotment ratio by more than three students. At no time may the General Assembly appropriate funds for higher unit-wide class averages than those for which State funds were provided during the 1984-85 school year.~~

~~(d) Maximum Teaching Load. – Students shall be assigned to classes so that from the 15th day of the school year through the end of the school year the number of students for whom teachers in grades 7 through 12 are assigned teaching responsibilities during the course of the day is no more than 150 students, except as provided in subsection (g) of this section.~~

~~(e) Alternative Maximum Class Sizes. – The State Board of Education, in its discretion, may set higher maximum class sizes and daily teaching loads for classes in music, physical~~

~~education, and other similar subjects, so long as the effectiveness of the instructional programs in those areas is not thereby impaired.~~

(f) Second Month Reports. – At the end of the second month of each school year, each local board of education, through the superintendent, shall file a report for each school within the school unit with the State Board of Education. The report shall be filed in a format prescribed by the State Board of Education and shall include the organization for each school, the duties of each teacher, the size of each class, the teaching load of each teacher, and such other information as the State Board may require. ~~As of February 1 each year, local boards of education, through the superintendent, shall report all exceptions to individual class size and daily teaching load maximums that occur at that time.~~

(g) ~~Waivers and~~ Allotment Adjustments. – Local boards of education ~~shall report exceptions to the State Board of Education as provided in G.S. 115C-47(10), and shall request~~ may request allotment ~~adjustments~~ adjustments, and ~~or waivers from the standards set out above. Within 45 days of receipt of reports,~~ the State Board of Education, within funds available, may allot additional positions.~~positions or grant waivers for the excess class size or daily load.~~

~~(1) If the exception resulted from (i) exceptional circumstances, emergencies, or acts of God, (ii) large changes in student population, (iii) organizational problems caused by remote geographic location, or (iv) classes organized for a solitary curricular area, and~~

~~(2) If the local board cannot organizationally correct the exception.~~

(h) State Board Rules. – The State Board of Education shall adopt rules necessary for the implementation of ~~class size and teaching load provisions.~~this section.

~~(i) Penalty for Noncompliance. – If the State Board of Education determines that a local superintendent has willfully failed to comply with the requirements of this section, no State funds shall be allocated to pay the superintendent's salary for the period of time the superintendent is in noncompliance.~~"

SECTION 8.14.(c) G.S. 115C-47(10) reads as rewritten:

"**§ 115C-47. Powers and duties generally.**

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

...

(10) To Assure Appropriate Class Size. – It shall be the responsibility of local boards of education to assure that the teacher positions allotted by the State are used to maximize student achievement.~~class size and teaching load requirements set forth in G.S. 115C-301 are met. Any teacher who believes that the requirements of G.S. 115C-301 have not been met shall make a report to the principal and superintendent, and the superintendent shall immediately determine whether the requirements have in fact not been met. If the superintendent determines the requirements have not been met, he shall make a report to the next local board of education meeting. The local board of education shall take action to meet the requirements of the statute. If the local board cannot organizationally correct the exception and if any of the conditions set out in G.S. 115C-301(g)(1) exist, it shall immediately apply to the State Board of Education for additional personnel or a waiver of the class size requirements, as provided in G.S. 115C-301(g).~~

~~Upon notification from the State Board of Education that the reported exception does not qualify for an allotment adjustment or a waiver under provisions of G.S. 115C-301, the local board, within 30 days, shall take action necessary to correct the exception.~~

~~At the end of the second month of each school year, the local board of education, through the superintendent, shall file a report with the State Board of Education, in a format prescribed by the State Board of Education, describing the organization of each school, the duties of each teacher, the size of each class, and the teaching load of each teacher. As of February 1 each year, local boards of education, through the superintendent, shall report all exceptions to individual class size and daily teaching load maximums that exist at that time.~~

In ~~addition to assuring that the requirements of G.S. 115C-301 are met,~~addition, each local board of education shall also have the duty to provide an adequate number of ~~classrooms to meet the requirements of that statute.~~classrooms."

SECTION 8.14.(d) G.S. 115C-276(k) reads as rewritten:

"(k) To Submit Organization Reports and Other Information to the State Board. – Each year the superintendent of each local school administrative unit shall submit to the State Board of Education statistical reports, certified by the chairman of the board of education, showing the organization of the schools in his or her unit and any additional information the State Board may require. At the end of the second month of school each year, local boards of education, through the superintendent, shall report school organization, employees' duties, class sizes, and teaching loads to the State Board of ~~Education as provided in G.S. 115C-47(10).~~ Education.~~As of February 1 each year, local boards of education, through the superintendent, shall report all exceptions to individual class size and daily teaching load maximums that occur at that time.~~"

RESIDENTIAL SCHOOLS

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

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

EXCELLENT PUBLIC SCHOOLS ACT/SUMMER READING CAMPS

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

PARTICIPATION IN COMMUNITIES IN SCHOOLS LEARNING INITIATIVE

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

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

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

INSTRUCTIONAL IMPROVEMENT SYSTEM

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

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

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

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

STUDY OF GPA CALCULATIONS

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

REGIONAL SCHOOL BOARDS

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

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

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

(2) Local superintendents. – The local superintendent of the local school administrative unit identified as the finance agent for the regional school shall serve as an ex officio member of the board of directors. One additional superintendent shall be selected from among the superintendents of the participating units by those superintendents. The additional superintendent shall serve an initial term of two years. Subsequent appointees shall serve a term of four years.

(3) ~~Economic development region.~~ Business community. – The ~~Economic Development Regional Partnership for the economic development region~~ board of directors for the chamber of commerce of the county in which the regional school is ~~located~~ located, in consultation with the North Carolina Economic Developers Association, shall appoint at least three members as representatives of the business community. At least fifty percent (50%) of

the members of the board of directors for the regional school shall be representatives of the business community appointed in accordance with this subdivision. At least one of the appointees shall be a resident of the county in which the regional school is located. The appointees shall serve an initial term of two years. Subsequent appointees shall serve a term of four years.

(4) Parent Advisory Council. – The Parent Advisory Council established by G.S. 115C-238.69 shall appoint a member to the board of directors from among the Council membership. The member appointed by the Council shall serve a term of four years or until the child of the parent no longer attends the regional school.

(5) Higher education partners. – Any institution of higher education partner may appoint a representative of the institution of higher education to serve as an ex officio member of the board of directors."

TEACH FOR AMERICA EXPANSION AND NC TEACHER CORPS

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

(1) TFA shall establish a program in the Piedmont Triad region (the area within and surrounding the three major cities of Greensboro, Winston-Salem, and High Point) and expand its current program in the southeast region of the State. TFA shall establish the following goals for the number of teacher candidates accepted to these programs:

a. In the Piedmont Triad region, at least 30 candidates for the 2013-2014 school year and at least 50 candidates for the 2014-2015 school year.

b. In the southeast region of the State, a total of at least 125 to 150 candidates beginning with the 2013-2014 school year.

c. Combined for the southeast and northeast regions of the State, a total of at least 175 candidates beginning with the 2013-2014 school year.

(2) TFA shall develop and establish a new program, Teach Back Home, to increase the recruitment of candidates who are residents of North Carolina.

(3) TFA shall develop and establish two new programs, Teach Beyond Two and Make it Home, to increase the number of candidates who remain working in North Carolina public schools beyond their initial two-year TFA commitment by developing innovative strategies to work with both TFA participants and local school administrators and board of education members to extend the service commitment of TFA participants.

(4) TFA shall increase targeted recruitment efforts of candidates who are (i) working in areas related to STEM education, (ii) mid-career level and lateral entry industry professionals, and (iii) veterans of the United States Armed Forces.

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

(1) The total number of applications received nationally from candidates seeking participation in the program.

(2) The total number of applications received from candidates who are residents of North Carolina and information on the source of these candidates, including the number of (i) recent college graduates and the higher institution the candidates attended, (ii) mid-career level and lateral entry industry professionals, and (iii) veterans of the United States Armed Forces.

(3) The total number of North Carolina candidates accepted by TFA.

(4) The total number of accepted candidates placed in North Carolina, including the number of accepted candidates who are residents of North Carolina.

(5) The regions in which accepted candidates have been placed, the number of candidates in each region, and the number of students impacted by placement in those regions.

(6) Success of recruitment efforts, including the Teach Back Home program and targeting of candidates who are (i) working in areas related to STEM education, (ii) mid-career level and lateral entry industry professionals, and (iii) veterans of the United States Armed Forces.

(7) Success of retention efforts, including the Teach Beyond Two and Make it Home programs, and the percentage of accepted candidates working in their placement communities beyond the initial TFA two-year commitment period and the number of years those candidates teach beyond the initial commitment.

(8) A financial accounting of how the State funds appropriated to TFA were expended in the previous year, including at least the following information:

a. Funds expended by region of the State.

b. Details on program costs, including at least the following:

1. Recruitment, candidate selection, and placement.

2. Preservice training and preparation costs.

3. Operational and administrative costs, including development and fundraising, alumni support, management costs, and marketing and outreach.

c. Funds received through private fundraising, specifically by sources in each region of the State.

SECTION 8.21.(c) Effective July 1, 2014, G.S. 115C-296.7 reads as rewritten:

"**§ 115C-296.7. North Carolina Teacher Corps.**

(a) There is established the North Carolina Teacher Corps (NC Teacher Corps) to recruit and place recent graduates of colleges and universities and mid-career professionals as teachers in high needs public schools.

(b) ~~The State Board of Education,~~Teach for America, Inc., in consultation with the Board of Governors of The University of North Carolina and the North Carolina Independent Colleges and Universities, shall ~~develop and~~ administer the NC Teacher Corps. ~~In the development of the NC Teacher Corps, the State Board of Education shall consider examples of other successful teacher recruitment models used nationally and in other states.~~

(c) Applications shall be received annually for admission to the NC Teacher Corps. ~~The State Board of Education~~ Teach for America, Inc., shall establish application criteria, including, at a minimum, an award of a bachelor's degree from an accredited college or university. ~~The State Board of Education may establish a committee to annually evaluate and select candidates for admission to the NC Teacher Corps.~~

(d) ~~The State Board of Education~~ Teach for America, Inc., shall identify local school administrative units with unmet recruitment needs, especially for career and technical education teachers, and high needs schools and shall coordinate placement of NC Teacher Corps members in those schools.

(e) ~~The State Board of Education,~~ Teach for America, Inc., in coordination with the Board of Governors, shall develop an intensive summer training institute for NC Teacher Corps members to provide coursework and training on essential teaching frameworks, curricula, and lesson-planning skills, as well as identification and education of students with disabilities, positive management of student behavior, effective communication for defusing and deescalating disruptive and dangerous behavior, and safe and appropriate use of seclusion and restraint. The intensive summer training institute also shall address identification of difficulty with reading development and of reading deficiencies and the provision of reading instruction, intervention, and remediation strategies.

(f) ~~The State Board of Education,~~ Teach for America, Inc., in coordination with the Board of Governors, shall provide ongoing support to NC Teaching Corps members through coaching, mentoring, and continued professional development.

(g) NC Teaching Corps members shall be granted lateral entry teaching licenses pursuant to G.S. 115C-296(c).

(h) Teach for America, Inc., a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code, shall comply with the requirements of this section. Teach for America, Inc., shall adopt procedures for its operation of the NC Teacher Corps that are comparable to those of Article 33C of Chapter 143 of the General Statutes, the Open Meetings Law, and Chapter 132 of the General Statutes, the Public Records Law."

SECTION 8.21.(d) Beginning with the 2014-2015 fiscal year, TFA shall use a portion of the funds available to it to administer the NC Teacher Corps program in accordance with G.S. 115C-296.7, as amended by subsection (c) of this section. TFA may also use a portion of the funds available to it for the 2013-2014 fiscal year to recruit a cohort of NC Teacher Corps members for the 2014-2015 school year. TFA shall include information regarding the operation of the NC Teacher Corps in its annual report to the Joint Legislative Education Oversight Committee by January 1, 2015, and annually thereafter, as required under subsection (b) of this section.

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

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

PHASE OUT CERTAIN TEACHER SALARY SUPPLEMENTS

SECTION 8.22. Notwithstanding Section 35.11 of this act, no teachers or instructional support personnel, except for school nurses, shall be paid on the "M" salary schedule or receive a salary supplement for academic preparation at the six-year degree level or at the doctoral degree level for the 2014-2015 school year, unless they were paid on that salary schedule or received that salary supplement prior to the 2014-2015 school year.

PUBLIC-PRIVATE PARTNERSHIPS FOR THE READ TO ACHIEVE PROGRAM

SECTION 8.23. Local school administrative units shall consider the utilization of public-private partnerships in implementing the requirements of the North Carolina Read to Achieve Program. The Department of Public Instruction may recommend nonprofit organizations with expertise in literacy training in low-performing schools and the ability to

leverage private resources to partner with the local school administrative units in implementing the program.

PART IX. THE EXCELLENT PUBLIC SCHOOLS ACT OF 2013

STATE EMPLOYEE LITERACY VOLUNTEER LEAVE TIME

SECTION 9.1. G.S. 126-4 reads as rewritten:

"**§ 126-4. Powers and duties of State Personnel Commission.**

Subject to the approval of the Governor, the State Personnel Commission shall establish policies and rules governing each of the following:

...

(5b) A leave program that allows employees to volunteer in a literacy program in a public school for up to five hours each month.

...."

MAXIMIZE INSTRUCTIONAL TIME

SECTION 9.2.(a) G.S. 115C-174.12(a) reads as rewritten:

"(a) The State Board of Education shall establish policies and guidelines necessary for minimizing the time students spend taking tests administered through State and local testing programs, for minimizing the frequency of field testing at any one school, and for otherwise carrying out the provisions of this Article. These policies and guidelines shall include the following:

(1) Schools shall devote no more than two days of instructional time per year to the taking of practice tests that do not have the primary purpose of assessing current student learning;

(2) Students in a school shall not be subject to field tests or national tests during the two-week period preceding the administration of end-of-grade tests, end-of-course tests, or the school's regularly scheduled final exams; and

(3) No school shall participate in more than two field tests at any one grade level during a school ~~year unless that school volunteers, through a vote of its school improvement team, to participate in an expanded number of field tests.~~year.

(4) All annual assessments of student achievement adopted by the State Board of Education pursuant to G.S. 115C-174.11(c)(1) and (3) and all final exams for courses shall be administered within the final 10 instructional days of the school year for year-long courses and within the final five instructional days of the semester for semester courses. Exceptions shall be permitted to accommodate a student's individualized education program and section 504 (29 U.S.C. § 794) plans and for the administration of final exams for courses with national or international curricula required to be held at designated times.

These policies shall reflect standard testing practices to insure reliability and validity of the sample testing. The results of the field tests shall be used in the final design of each test. The State Board of Education's policies regarding the testing of children with disabilities shall (i) provide broad accommodations and alternate methods of assessment that are consistent with a ~~child's~~ student's individualized education program and section 504 (29 U.S.C. § 794) plans, (ii) prohibit the use of statewide tests as the sole determinant of decisions about a ~~child's~~student's graduation or promotion, and (iii) provide parents with information about the Statewide Testing Program and options for ~~students~~children with disabilities. The State Board shall report its proposed policies and proposed changes in policies to the Joint Legislative Education Oversight Committee prior to adoption.

The State Board of Education may appoint an Advisory Council on Testing to assist in carrying out its responsibilities under this Article."

SECTION 9.2.(b) Notwithstanding the provisions of G.S. 115C-174.11(c), the State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to the purchase and implementation of a new assessment instrument to assess student achievement on the Common Core State Standards, including the Common Core Smarter Balance Consortium Assessments. The State Board shall not purchase such an assessment instrument without the enactment of legislation by the General Assembly authorizing the purchase.

SECTION 9.2.(c) This section applies beginning with the 2013-2014 school year.

STRENGTHEN TEACHER LICENSURE AND MODIFY LICENSURE FEES

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

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

...

(a2) The State Board of Education shall ~~impose the following~~ establish a schedule of fees for teacher licensure and administrative ~~changes:~~changes. The schedule may include fees for any of the following services:

(1) Application for demographic or administrative changes to a ~~license, $30.00.~~license.

(2) Application for a duplicate license or for copies of documents in the licensure ~~files, $30.00.~~files.

(3) Application for a renewal, extension, addition, upgrade, reinstatement, and variation to a ~~license, $55.00.~~license.

(4) Initial application for a New, In-State Approved Program ~~Graduate, $55.00.~~Graduate.

(5) Initial application for an Out-of-State ~~license, $85.00.~~license.

(6) All other ~~applications, $85.00.~~applications.

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

(a3) For the purposes of subsection (a2) of this section, the State Board of Education shall not be subject to Article 2A of Chapter 150B of the General Statutes.

(a4) The State Board of Education shall report to the Joint Legislative Education Oversight Committee by March 15 in any year that the amount of fees in the fee schedule established under subsection (a2) of this section has been modified during the previous 12 months. The report shall include the number of personnel paid from licensure receipts, any change in personnel paid from receipts, other related costs covered by the receipts, and the estimated unexpended receipts as of June 30 of the year reported.

...."

SECTION 9.3.(b) G.S. 115C-296 reads as rewritten:

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

...

(b) It is the policy of the State of North Carolina to maintain the highest quality teacher education programs and school administrator programs in order to enhance the competence of professional personnel licensed in North Carolina. To the end that teacher preparation programs are upgraded to reflect a more rigorous course of study, the State Board of Education, as lead agency in coordination and cooperation with the University Board of Governors, the Board of Community Colleges and such other public and private agencies as are necessary, shall continue to refine the several licensure requirements, standards for approval of institutions of

teacher education, standards for institution-based innovative and experimental programs, standards for implementing consortium-based teacher education, and standards for improved efficiencies in the administration of the approved programs.

(1) Licensure Standards. –

a. The licensure program shall provide for initial licensure after completion of preservice training, continuing licensure after three years of teaching experience, and license renewal every five years thereafter, until the retirement of the teacher. The last license renewal received prior to retirement shall remain in effect for five years after retirement. The licensure program shall also provide for lifetime licensure after 50 years of teaching.

b. The State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall evaluate and develop enhanced requirements for continuing licensure. The new requirements shall reflect more rigorous standards for continuing licensure and shall be aligned with high quality professional development programs that reflect State priorities for improving student achievement. Standards for continuing licensure shall include at least eight continuing education credits with at least three credits required in a teacher's academic subject area.

c. The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall reevaluate and enhance the requirements for renewal of teacher licenses. The State Board shall consider modifications in the license renewal achievement and to make it a mechanism for teachers to renew continually their knowledge and professional skills.

(2) Teacher education programs. –

a. The State Board of Education, as lead agency in coordination with the Board of Governors of The University of North Carolina, the North Carolina Independent Colleges and Universities, and any other public and private agencies as necessary, shall continue to raise standards for entry into teacher education programs.

b. To further ensure that teacher preparation programs remain current and reflect a rigorous course of study that is aligned to State and national standards, the State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall do all of the following to ensure that students ~~preparing~~are prepared to teach in elementary ~~schools~~schools:

1. ~~(i) have~~Provide students with adequate coursework in the teaching of reading and ~~mathematics;~~mathematics.
2. ~~(ii) are assessed~~Assess students prior to ~~certification~~ licensure to determine that they possess the requisite knowledge in scientifically based reading and mathematics instruction that is aligned with the State Board's ~~expectations;~~expectations.
3. ~~(iii) continue to receive~~Continue to provide students with preparation in applying formative and summative assessments within the school and classroom setting through technology-based assessment systems available in North

Carolina schools that measure and predict expected student ~~improvement; and~~improvement.

4. ~~(iv) are prepared~~Prepare students to integrate arts education across the curriculum.

c. The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall evaluate and modify, as necessary, the academic requirements of teacher preparation programs for students preparing to teach science in middle and high schools to ensure that there is adequate preparation in issues related to science laboratory safety.

~~The State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall evaluate and develop enhanced requirements for continuing licensure. The new requirements shall reflect more rigorous standards for continuing licensure and to the extent possible shall be aligned with quality professional development programs that reflect State priorities for improving student achievement.~~

~~The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall reevaluate and enhance the requirements for renewal of teacher licenses. The State Board shall consider modifications in the license renewal achievement and to make it a mechanism for teachers to renew continually their knowledge and professional skills. The State Board shall adopt new standards for the renewal of teacher licenses by May 15, 1998.~~

d. The standards for approval of institutions of teacher education shall require that teacher education programs for all students include demonstrated competencies in (i) the identification and education of children with disabilities and (ii) positive management of student behavior and effective communication techniques for defusing and deescalating disruptive or dangerous behavior.

e. The State Board of Education shall incorporate the criteria developed in accordance with G.S. 116-74.21 for assessing proposals under the School Administrator Training Program into its school administrator program approval standards.

f. All North Carolina institutions of higher education that offer teacher education programs, masters degree programs in education, or masters degree programs in school administration shall provide annual performance reports to the State Board of Education.

~~The performance reports shall follow a common format, shall be submitted according to a plan developed by the State Board, and shall include the information required under the plan developed by the State Board.~~

(b1) The State Board of Education shall ~~develop a plan to provide a focused review of~~require teacher education ~~programs~~programs, masters degree programs in education, and masters degree programs in school administration to submit annual performance reports. The performance reports shall provide the State Board with a focused review of the programs and the current process of accrediting these programs in order to ensure that the programs produce graduates that are well prepared to teach. ~~The plan shall include the development and implementation of a school of education performance report for each teacher education program in North Carolina.~~

(1) Teacher education program performance report. – The performance report for each teacher education program in North Carolina shall follow a common format and include at least the following elements:

a. ~~(i) quality~~Quality of students entering the schools of education, including the average grade point average and average score on

preprofessional skills tests that assess reading, writing, math and other ~~competencies;~~competencies.

b. ~~(ii) graduation rates;~~Graduation rates.

c. ~~(iii) time-to-graduation rates;~~Time-to-graduation rates.

d. ~~(iv) average~~Average scores of graduates on professional and content area examination for the purpose of ~~licensure;~~licensure.

e. ~~(v) percentage~~Percentage of graduates receiving initial ~~licenses;~~licenses.

f. ~~(vi) percentage~~Percentage of graduates hired as ~~teachers;~~teachers.

g. ~~(vii) percentage~~Percentage of graduates remaining in teaching for four ~~years;~~years.

h. ~~(viii) graduate~~Graduate satisfaction based on a common ~~survey; and~~survey.

i. ~~(ix) employer~~Employer satisfaction based on a common survey.

j. Teacher contribution to the academic success of students.

~~The performance reports shall follow a common format. The performance reports shall be submitted annually. The State Board of Education shall develop a plan to be implemented beginning in the 1998-99 school year to reward and sanction approved teacher education programs and masters of education programs and to revoke approval of those programs based on the performance reports and other criteria established by the State Board of Education.~~

(2) Masters degree programs in education and school administration performance report. – The State Board ~~also~~ shall ~~develop and implement a plan for~~ require submission to the State Board of annual performance reports ~~for~~from all masters degree programs in education and school administration in North Carolina. To the extent it is appropriated, the performance report shall include similar indicators to those ~~developed~~required for the performance report for teacher education ~~programs.~~programs as set forth in subdivision (1) of this subsection. The performance reports shall follow a common format.

(3) Educator preparation program report card. – The State Board shall create a higher education educator preparation program report card reflecting the information collected in the annual performance reports for each North Carolina institution offering teacher education programs and master of education programs. The report cards shall, at a minimum, summarize information reported on all of the performance indicators for the performance reports required by subdivision (1) of this subsection.

(4) Submission of annual performance reports. – ~~Both plans for performance~~ Performance reports ~~also~~ shall ~~include a method to provide the annual performance reports~~ be provided annually to the Board of Governors of The University of North Carolina, the State Board of Education, and the boards of trustees of the independent colleges. The State Board of Education shall review the schools of education performance reports and the performance reports for masters degree programs in education and school administration each year the performance reports are submitted. ~~The State Board shall submit the performance report for the 1999-2000 school year to the Joint Legislative Education Oversight Committee by December 15, 2000. Subsequent~~The performance reports and the educator preparation program report cards shall be submitted to the Joint Legislative Education Oversight Committee on an annual basis by October 1.

(5) State Board action based on performance. – The State Board of Education shall reward and sanction approved teacher education programs and master

of education programs and revoke approval of those programs based on the performance reports and other criteria established by the State Board of Education.

(b2) An undergraduate student seeking a degree in teacher education must attain passing scores on a preprofessional skills test prior to admission to an approved teacher education program in a North Carolina college or university. The State Board of Education shall permit students to fulfill this requirement by achieving the prescribed minimum scores set by the State Board of Education for the Praxis I tests or by achieving the appropriate required score, as determined by the State Board of Education, on the verbal and mathematics portions of the ~~SAT.~~SAT or ACT. The minimum combined verbal and mathematics score set by the State Board of Education for the SAT shall be ~~between 900 and 1,200.~~1,100 or greater. The minimum composite score set by the State Board of Education for the ACT shall be 24 or greater.

(c) It is the policy of the State of North Carolina to encourage lateral entry into the profession of teaching by skilled individuals from the private sector. To this end, before the 1985-86 school year begins, the State Board of Education shall develop criteria and procedures to accomplish the employment of such individuals as classroom teachers. Beginning with the 2006-2007 school year, the criteria and procedures shall include preservice training in (i) the identification and education of children with disabilities and (ii) positive management of student behavior, effective communication for defusing and deescalating disruptive or dangerous behavior, and safe and appropriate use of seclusion and restraint. Skilled individuals who choose to enter the profession of teaching laterally may be granted a ~~provisional~~lateral entry teaching license for no more than three years and shall be required to obtain licensure before contracting for a fourth year of service with any local administrative unit in this State.

...."

SECTION 9.3.(c) G.S. 115C-296, as rewritten by subsections (a) and (b) of this section, reads as rewritten:

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

(a) The State Board of Education shall have entire control of licensing all applicants for teaching positions in all public ~~elementary and high~~ schools of North Carolina; and it shall prescribe the rules and regulations for the renewal and extension of all licenses and shall determine and fix the salary for each grade and type of license which it authorizes.

The State Board of Education ~~may~~shall require an applicant for an initial bachelors degree ~~certificate~~license or graduate degree ~~certificate~~license to demonstrate the applicant's academic and professional preparation by achieving a prescribed minimum score on a standard examination appropriate and adequate for that purpose. Elementary Education (K-6) and special education general curriculum teachers shall also achieve a prescribed minimum score on subtests or standard examinations specific to teaching reading and mathematics. The State Board of Education shall permit an applicant to fulfill any such testing requirement before or during the applicant's second year of teaching provided the applicant took the examination at least once during the first year of teaching. The State Board of Education shall make any required standard initial licensure exam ~~sufficiently~~ rigorous and raise the prescribed minimum score as necessary to ensure that each applicant has ~~adequate~~ received high quality academic and professional preparation to ~~teach.~~teach effectively.

(a1) The State Board shall adopt policies that establish the minimum scores for any required standard examinations and other measures necessary to assess the qualifications of professional personnel as required under subsection (a) of this section. For purposes of this subsection, the State Board shall not be subject to Article 2A of Chapter 150B of the General Statutes. At least 30 days prior to changing any policy adopted under this subsection, the State

Board shall provide written notice to all North Carolina schools of education and to all local boards of education. The written notice shall include the proposed revised policy.

(a2) The State Board of Education shall establish a schedule of fees for teacher licensure and administrative changes. The schedule may include fees for any of the following services:

(1) Application for demographic or administrative changes to a license.

(2) Application for a duplicate license or for copies of documents in the licensure files.

(3) Application for a renewal, extension, addition, upgrade, reinstatement, and variation to a license.

(4) Initial application for a New, In-State Approved Program Graduate.

(5) Initial application for an Out-of-State license.

(6) All other applications.

An applicant must pay any nonrefundable service fees at the time an application is submitted.

(a3) For the purposes of subsection (a2) of this section, the State Board of Education shall not be subject to Article 2A of Chapter 150B of the General Statutes.

(a4) The State Board of Education shall report to the Joint Legislative Education Oversight Committee by March 15 in any year that the amount of fees in the fee schedule established under subsection (a2) of this section has been modified during the previous 12 months. The report shall include the number of personnel paid from licensure receipts, any change in personnel paid from receipts, other related costs covered by the receipts, and the estimated unexpended receipts as of June 30 of the year reported.

(b) It is the policy of the State of North Carolina to maintain the highest quality teacher education programs and school administrator programs in order to enhance the competence of professional personnel licensed in North Carolina. To the end that teacher preparation programs are upgraded to reflect a more rigorous course of study, the State Board of Education, as lead agency in coordination and cooperation with the University Board of Governors, the Board of Community Colleges and such other public and private agencies as are necessary, shall continue to refine the several licensure requirements, standards for approval of institutions of teacher education, standards for institution-based innovative and experimental programs, standards for implementing consortium-based teacher education, and standards for improved efficiencies in the administration of the approved programs.

(1) Licensure standards. –

a. The licensure program shall provide for initial licensure after completion of preservice training, continuing licensure after three years of teaching experience, and license renewal every five years thereafter, until the retirement of the teacher. The last license renewal received prior to retirement shall remain in effect for five years after retirement. The licensure program shall also provide for lifetime licensure after 50 years of teaching.

b. The State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall evaluate and develop enhanced requirements for continuing licensure. The new requirements shall reflect more rigorous standards for continuing licensure and shall be aligned with high quality professional development programs that reflect State priorities for improving student achievement. Standards for continuing licensure shall include at least eight continuing education credits, with at least three credits required in the teacher's academic subject areas. Standards for continuing licensure for elementary and middle school teachers shall include at least three continuing education credits related to literacy.

Literacy renewal credits shall include evidence-based assessment, diagnosis, and intervention strategies for students not demonstrating reading proficiency. Oral language, phonemic and phonological awareness, phonics, vocabulary, fluency, and comprehension shall be addressed in literacy-related activities leading to license renewal for elementary school teachers.

c. The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall reevaluate and enhance the requirements for renewal of teacher licenses. The State Board shall consider modifications in the license renewal achievement and to make it a mechanism for teachers to renew continually their knowledge and professional skills.

(2) Teacher education programs. –

a. The State Board of Education, as lead agency in coordination with the Board of Governors of The University of North Carolina, the North Carolina Independent Colleges and Universities, and any other public and private agencies as necessary, shall continue to raise standards for entry into teacher education programs.

b. To further ensure that teacher preparation programs remain current and reflect a rigorous course of study that is aligned to State and national standards, the State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall do all of the following to ensure that students are prepared to teach in elementary schools:

1. Provide students with adequate coursework in the teaching of reading and mathematics.
2. Assess students prior to licensure to determine that they possess the requisite knowledge in scientifically based reading and mathematics instruction that is aligned with the State Board's expectations.
3. Continue to provide students with preparation in applying formative and summative assessments within the school and classroom setting through technology-based assessment systems available in North Carolina schools that measure and predict expected student improvement.
4. Prepare students to integrate arts education across the curriculum.

c. The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall evaluate and modify, as necessary, the academic requirements of teacher preparation programs for students preparing to teach science in middle and high schools to ensure that there is adequate preparation in issues related to science laboratory safety.

d. The standards for approval of institutions of teacher education shall require that teacher education programs for all students include the following demonstrated ~~competencies~~competencies:

1. ~~in~~All teacher education programs. –

I. ~~(i) the~~The identification and education of children with ~~disabilities and~~disabilities.

II. ~~(ii) positive~~Positive management of student behavior and effective communication techniques for defusing and deescalating disruptive or dangerous behavior.

2. Elementary and special education general curriculum teacher education programs. –

I. Teaching of reading, including a substantive understanding of reading as a process involving oral language, phonological and phonemic awareness, phonics, fluency, vocabulary, and comprehension.

II. Evidence-based assessment and diagnosis of specific areas of difficulty with reading development and of reading deficiencies.

III. Appropriate application of instructional supports and services and reading interventions to ensure reading proficiency for all students.

e. The State Board of Education shall incorporate the criteria developed in accordance with G.S. 116-74.21 for assessing proposals under the School Administrator Training Program into its school administrator program approval standards.

f. All North Carolina institutions of higher education that offer teacher education programs, masters degree programs in education, or masters degree programs in school administration shall provide annual performance reports to the State Board of Education.

...."

SECTION 9.3.(d) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

...

(21) The State Board of Education in establishing a schedule of fees for teacher licensure and administrative changes pursuant to G.S. 115C-296(a2)."

SECTION 9.3.(e) The State Board of Education shall develop a plan to require the schools of education to measure performance and provide an annual report on the demonstrated competencies included in their elementary and special education general curriculum teacher education programs on (i) teaching of reading, including a substantive understanding of reading as a process involving oral language, phonological and phonemic awareness, phonics, fluency, vocabulary, and comprehension; (ii) evidence-based assessment and diagnosis of specific areas of difficulty with reading development and of reading deficiencies; and (iii) appropriate application of instructional supports and services and reading interventions to ensure reading proficiency for all students. The plan shall address requiring this information to be included in the annual performance reports to the State Board and the higher education educator preparation program report cards required by G.S. 115C-296, as enacted by this section. The State Board shall report to the Joint Legislative Education Oversight Committee on or before March 15, 2014, on the plan to include this information in the performance reports required for the 2014-2015 school year.

SECTION 9.3.(f) Subsection (b) of this section applies beginning with the 2013-2014 school year. Subsection (c) of this section applies beginning with the 2014-2015 school year.

For teachers who are in their fourth or fifth year of their current five-year license renewal cycle, the changes required by G.S. 115C-296(b)(1)b., as enacted by subsections (b)

and (c) of this section, shall apply beginning with the first year of their next five-year license renewal cycle.

SCHOOL PERFORMANCE GRADES

SECTION 9.4.(a) Section 7A.3(e) of S.L. 2012-142 is repealed.

SECTION 9.4.(b) Article 8 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 1B. School Performance.

"**§ 115C-83.11. School performance scores, grades, including measure of student growth.**

(a) The State Board of Education shall award school performance scores and grades as required by G.S. 115C-12(9)c1., calculated as provided in this section. Eighty percent (80%) of the overall performance score shall be determined by the results of the achievement calculation, and the remaining twenty percent (20%) shall be determined by the results of the student growth calculation. The State Board shall enter all necessary data for each indicator into the Education Value-Added Assessment System (EVAAS) in order to calculate an overall school achievement score and overall school growth score.

(b) Achievement Calculation. – Using EVAAS, the State Board of Education shall calculate the overall achievement score earned by schools. In calculating the overall school achievement score earned by schools, the State Board of Education shall (i) total the sum of points earned by the school; (ii) proportionally weigh the achievement indicators based on the number of students measured by any given achievement indicator; and (iii) proportionally adjust the scale to account for the absence of school achievement indicators for award of scores to a school that does not have a measure of one of the school achievement indicators annually assessed for the grades taught at that school.

(c) Growth Calculation. – Using EVAAS, the State Board shall calculate the overall growth score earned by schools. In calculating the total growth score earned by schools, the State Board of Education shall weight student growth on achievement measures as provided in subsection (b) of this section. The numerical values used to determine whether a school has met, exceeded, or has not met expected growth shall be translated to a 100-point scale. The equivalent number of points shall be added to a school's total sum of points.

(d) Elementary and Middle Schools Achievement Indicators. – For schools serving students in kindergarten through eighth grade, the overall school achievement score shall be calculated based on the sum of the following school achievement indicators that are weighted proportionally by the number of students measured by each indicator. The score shall be calculated as follows:

(1) One point for each percent of students who score at or above proficient on annual assessments for mathematics in grades three through eight.

(2) One point for each percent of students who score at or above proficient on annual assessments for reading in grades three through eight.

(3) One point for each percent of students who score at or above proficient on annual assessments for science in grades five and eight.

(4) One point for each percent of students who score at or above proficient in Algebra I/Integrated Math I, English II, or Biology end-of-course tests.

(e) High Schools Achievement Indicators. – The school achievement score earned by schools serving students in ninth through 12th grade shall reflect academic achievement, career and college readiness, and graduation rate. The school achievement score shall be calculated based on the sum of the following school achievement indicators that are weighted proportionally by the number of students measured by each indicator. The score shall be calculated as follows:

(1) One point for each percent of students who score at or above proficient on annual assessments for mathematics.

(2) One point for each percent of students who score at or above proficient on annual assessments for English.

(3) One point for each percent of students who score at or above proficient on annual assessments for biology.

(4) One point for each percent of students who complete a mathematics class beyond Algebra I/Integrated Math II with a passing grade.

(5) One point for each percent of students who achieve the minimum score required for admission into a constituent institution of The University of North Carolina System on a nationally normed test of college readiness.

(6) One point for each percent of students enrolled in Career and Technical Education courses who meet the standard when scoring at Silver, Gold, or Platinum levels on a nationally normed test of workplace readiness.

(7) One point for each percent of students who graduate within four years of entering high school.

(f) Calculation of School Performance Scores and Grades. – The State Board of Education shall calculate school performance scores by totaling the sum of school achievement points, as provided in subsections (b), (d), (e) of this section, and school growth points, as provided in subsection (c) of this section, earned by the school. School achievement points shall account for eighty percent (80%), and school growth points shall account for twenty percent (20%) of the total sum. The sum of points shall be converted to a 100-point scale. The school performance score shall be used to determine the school performance grade based on the following scale:

(1) At least 90 performance grade points for an overall school performance grade of A.

(2) At least 80 performance grade points for an overall school performance grade of B.

(3) At least 70 performance grade points for an overall school performance grade of C.

(4) At least 60 performance grade points for an overall school performance grade of D.

(5) A school that accumulates fewer than 60 points shall be assigned an overall school performance grade of F.

(g) Elementary and Middle School Reading and Math Scores. – For schools serving students in kindergarten through eighth grade, the school performance scores in reading and mathematics, respectively, shall be reported separately on the annual school report card provided under G.S. 115C-12(9)c1., 115C-238.29F, and 115C-238.66.

(h) Indication of Growth. – In addition to the overall school performance score and grade, the State Board shall include as a part of the annual school report card a separate indicator reflecting a measure of growth for performance on annual assessments for reading, mathematics, and science in grades three through eight and on annual assessments for mathematics, English, and biology in grades nine through 12. Using EVAAS, the State Board shall designate that a school has (i) met, (ii) failed to meet, or (iii) exceeded expected growth. The growth measure shall be clearly displayed in the annual school report card provided under G.S. 115C-12(9)c1., 115C-238.29F, and 115C-238.66."

SECTION 9.4.(c) G.S. 115C-12(9)c1. reads as rewritten:

"c1. To issue an annual "report card" for the State and for each local school administrative unit, assessing each unit's efforts to improve student performance based on the growth in performance of the students in each school and taking into account progress over the previous years' level of performance and the State's performance in comparison with other states. This assessment shall take into account

factors that have been shown to affect student performance and that the State Board considers relevant to assess the State's efforts to improve student performance. As a part of the annual "report card" for each local school administrative unit, the State Board shall ~~award~~award, in accordance with G.S. 115C-83.11, an overall numerical school performance score on a scale of zero to 100 and a corresponding letter grade of A, B, C, D, or F earned by each school within the local school administrative unit. The school performance score and grade shall reflect student performance on annual subject-specific assessments, college and workplace readiness measures, and graduation rates. For schools serving students in any grade from kindergarten to eighth grade, separate performance scores and grades shall also be awarded based on the school performance in reading and mathematics respectively. The annual "report card" for schools serving students in third grade also shall include the number and percentage of third grade students who (i) take and pass the alternative assessment of reading comprehension; (ii) were retained in third grade for not demonstrating reading proficiency as indicated in G.S. 115C-83.7(a); and (iii) were exempt from mandatory third grade retention by category of exemption as listed in G.S. 115C-83.7(b)."

SECTION 9.4.(d) This section applies beginning with the 2012-2013 school year.

PAY FOR EXCELLENCE

SECTION 9.5. When a robust evaluation instrument and process that accurately assesses and evaluates the effectiveness of teachers, especially in the area of student growth, is wholly implemented in North Carolina, it is the intent of the General Assembly that the evaluation instrument and process be utilized in the implementation of a plan of performance pay for teachers in this State.

TEACHER CONTRACTS

SECTION 9.6.(a) G.S. 115C-325 is repealed.

SECTION 9.6.(b) Part 3 of Article 22 of Chapter 115C of the General Statutes is amended by adding new sections to read:

"**§ 115C-325.1. Definitions.**

As used in this Part, the following definitions apply:

(1) "Day" means calendar day. In computing any period of time, Rule 6 of the North Carolina Rules of Civil Procedure shall apply.

(2) "Demote" means to reduce the salary of a person who is classified or paid by the State Board of Education as a classroom teacher or as a school administrator during the time of the contract. The word "demote" does not include (i) a suspension without pay pursuant to G.S. 115C-325.5(a); (ii) the elimination or reduction of bonus payments, including merit-based supplements or a systemwide modification in the amount of any applicable local supplement; (iii) any reduction in salary that results from the elimination of a special duty, such as the duty of an athletic coach or a choral director; or (iv) any reduction of pay as compared to a prior term of contract.

(3) "Disciplinary suspension" means a final decision to suspend a teacher or school administrator without pay for no more than 60 days under G.S. 115C-325.5(b).

(4) "School administrator" means a principal, assistant principal, supervisor, or director whose major function includes the direct or indirect supervision of teaching or any other part of the instructional program, as provided in G.S. 115C-287.1(a)(3).

(5) "Teacher" means a person meeting each of the following requirements:

a. Who holds at least one of the following licenses issued by the State Board of Education:

1. A current standard professional educator's license.

2. A current lateral entry teaching license.

3. A regular, not expired, vocational license.

b. Whose major responsibility is to teach or directly supervise teaching or who is classified by the State Board of Education or is paid either as a classroom teacher or instructional support personnel.

c. Who is employed to fill a full-time, permanent position.

(6) "Year" means a calendar year beginning July 1 and ending June 30.

"**§ 115C-325.2. Personnel files.**

(a) Maintenance of Personnel File. – The superintendent shall maintain in his or her office a personnel file for each teacher that contains any complaint, commendation, or suggestion for correction or improvement about the teacher's professional conduct, except that the superintendent may elect not to place in a teacher's file (i) a letter of complaint that contains invalid, irrelevant, outdated, or false information or (ii) a letter of complaint when there is no documentation of an attempt to resolve the issue. The complaint, commendation, or suggestion shall be signed by the person who makes it and shall be placed in the teacher's file only after five days' notice to the teacher. Any denial or explanation relating to such complaint, commendation, or suggestion that the teacher desires to make shall be placed in the file. Any teacher may petition the local board of education to remove any information from the teacher's personnel file that the teacher deems invalid, irrelevant, or outdated. The board may order the superintendent to remove said information if it finds the information is invalid, irrelevant, or outdated.

(b) Inspection of Personnel Files. – The personnel file shall be open for the teacher's inspection at all reasonable times but shall be open to other persons only in accordance with such rules and regulations as the board adopts. Any preemployment data or other information obtained about a teacher before the teacher's employment by the board may be kept in a file separate from the teacher's personnel file and need not be made available to the teacher. No data placed in the preemployment file may be introduced as evidence at a hearing on the dismissal or demotion of a teacher, except the data may be used to substantiate G.S. 115C-325.4(a)(7) or G.S. 115C-325.4(a)(14) as grounds for dismissal or demotion.

"**§ 115C-325.3. Teacher contracts.**

(a) Length of Contract. – A contract between the local board of education and a teacher who has been employed by the local board of education for less than three years shall be for a term of one school year. A contract or renewal of contract between the local board of education and a teacher who has been employed by the local board of education for three years or more shall be for a term of one, two, three, or four school years.

(b) Superintendent Recommendation to Local Board. – Local boards of education shall employ teachers upon the recommendation of the superintendent. If a superintendent intends to recommend to the local board of education that a teacher be offered a new or renewed contract, the superintendent shall submit the recommendation to the local board for action and shall include in the recommendation the length of the term of contract. A superintendent shall only recommend a teacher for a contract of a term longer than one school year if the teacher has shown effectiveness as demonstrated by proficiency on the evaluation instrument. The local board may approve the superintendent's recommendation, may decide not to offer the teacher a

new or renewed contract, or may decide to offer the teacher a renewed contract for a different term than recommended by the superintendent.

(c) Dismissal During Term of Contract. – A teacher shall not be dismissed or demoted during the term of the contract except for the grounds and by the procedure set forth in G.S. 115C-325.4.

(d) Recommendation on Nonrenewal. – If a superintendent decides not to recommend that the local board of education offer a renewed contract to a teacher, the superintendent shall give the teacher written notice of the decision no later than June 1.

(e) Right to Petition for Hearing. – A teacher shall have the right to petition the local board of education for a hearing no later than 10 days after receiving written notice. The local board may, in its discretion, grant a hearing regarding the superintendent's recommendation for nonrenewal. The local board of education shall notify the teacher making the petition of its decision whether to grant a hearing. If the request for a hearing is granted, the local board shall conduct a hearing pursuant to the provisions of G.S. 115C-45(c) and make a final decision on whether to offer the teacher a renewed contract. The board shall notify a teacher whose contract will not be renewed for the next school year of its decision by June 15; provided, however, if a teacher submits a request for a hearing, the board shall provide the nonrenewal notification within 10 days of the hearing or such later date upon the written consent of the superintendent and teacher. A decision not to offer a teacher a renewed contract shall not be arbitrary, capricious, discriminatory, for personal or political reasons, or on any basis prohibited by State or federal law.

(f) Failure to Offer Contract or Notify on Nonrenewal of Contract. – If a teacher fails to receive a contract offer but does not receive written notification from the superintendent of a recommendation of nonrenewal, and the teacher continues to teach in the local school administrative unit without entering into a contract with the local board, upon discovery of the absence of contract, the board by majority vote shall do one of the following:

(1) Offer the teacher a one–year contract expiring no later than June 30 of the current school year.

(2) Dismiss the teacher and provide the teacher with the equivalent of one additional month's pay. A teacher dismissed as provided in this section shall be considered an at-will employee and shall not be entitled to a hearing or appeal of the dismissal.

(g) Local boards of education and teachers employed by the local board may mutually modify the terms of the contract to permit part-time employment. An individual that mutually modifies a full-time contract to permit part-time employment or enters into a part-time contract is not a teacher as defined in G.S. 115C-325.1(5).

"**§ 115C-325.4. Dismissal or demotion for cause.**

(a) Grounds. – No teacher shall be dismissed, demoted, or reduced to employment on a part-time basis for disciplinary reasons during the term of the contract except for one or more of the following:

(1) Inadequate performance. In determining whether the professional performance of a teacher is adequate, consideration shall be given to regular and special evaluation reports prepared in accordance with the published policy of the employing local school administrative unit and to any published standards of performance which shall have been adopted by the board. Inadequate performance for a teacher shall mean (i) the failure to perform at a proficient level on any standard of the evaluation instrument or (ii) otherwise performing in a manner that is below standard.

(2) Immorality.

(3) Insubordination.

(4) Neglect of duty.

(5) Physical or mental incapacity.
(6) Habitual or excessive use of alcohol or nonmedical use of a controlled substance as defined in Article 5 of Chapter 90 of the General Statutes.
(7) Conviction of a felony or a crime involving moral turpitude.
(8) Advocating the overthrow of the government of the United States or of the State of North Carolina by force, violence, or other unlawful means.
(9) Failure to fulfill the duties and responsibilities imposed upon teachers or school administrators by the General Statutes of this State.
(10) Failure to comply with such reasonable requirements as the board may prescribe.
(11) Any cause which constitutes grounds for the revocation of the teacher's teaching license or the school administrator's administrator license.
(12) Failure to maintain his or her license in a current status.
(13) Failure to repay money owed to the State in accordance with the provisions of Article 60 of Chapter 143 of the General Statutes.
(14) Providing false information or knowingly omitting a material fact on an application for employment or in response to a preemployment inquiry.
(15) A justifiable decrease in the number of positions due to district reorganization, decreased enrollment, or decreased funding.

(b) Dismissal Procedure. – The procedures provided in G.S. 115C-325.6 shall be followed for dismissals, demotions, or reductions to part-time employment for disciplinary reasons for any reason specified in subsection (a) of this section.

"**§ 115C-325.5. Teacher suspension.**

(a) Immediate Suspension Without Pay. – If a superintendent believes that cause exists for dismissing a teacher for any reason specified in G.S. 115C-325.4 and that immediate suspension of the teacher is necessary, the superintendent may suspend the teacher without pay. Before suspending a teacher without pay, the superintendent shall meet with the teacher and give him or her written notice of the charges against the teacher, an explanation of the basis for the charges, and an opportunity to respond. Within five days after a suspension under this subsection, the superintendent shall initiate a dismissal, demotion, or disciplinary suspension without pay as provided in this section. If it is finally determined that no grounds for dismissal, demotion, or disciplinary suspension without pay exist, the teacher shall be reinstated immediately, shall be paid for the period of suspension, and all records of the suspension shall be removed from the teacher's personnel file.

(b) Disciplinary Suspension Without Pay. – A teacher recommended for disciplinary suspension without pay may request a hearing before the board. The hearing shall be conducted as provided in G.S. 115C-325.7. If no request is made within 15 days, the superintendent may file his or her recommendation with the board. If, after considering the recommendation of the superintendent and the evidence adduced at the hearing if one is held, the board concludes that the grounds for the recommendation are true and substantiated by a preponderance of the evidence, the board, if it sees fit, may by resolution order such suspension.

(c) Suspension With Pay. – If a superintendent believes that cause may exist for dismissing or demoting a teacher for any reasons specified in G.S. 115C-325.4 but that additional investigation of the facts is necessary and circumstances are such that the teacher should be removed immediately from the teacher's duties, the superintendent may suspend the teacher with pay for a reasonable period of time, not to exceed 90 days. The superintendent shall notify the board of education within two days of the superintendent's action and shall notify the teacher within two days of the action and the reasons for it. If the superintendent has not initiated dismissal or demotion proceedings against the teacher within the 90-day period, the teacher shall be reinstated to the teacher's duties immediately, and all records of the suspension with pay shall be removed from the teacher's personnel file at the teacher's request.

However, if the superintendent and the teacher agree to extend the 90-day period, the superintendent may initiate dismissal or demotion proceedings against the teacher at any time during the period of the extension.

"**§ 115C-325.6. Procedure for dismissal or demotion of a teacher for cause.**

(a) Recommendation of Dismissal or Demotion. – A teacher may not be dismissed, demoted, or reduced to part-time employment for disciplinary reasons during the term of the contract except upon the superintendent's recommendation based on one or more of the grounds in G.S. 115C-325.4.

(b) Notice of Recommendation. – Before recommending to a board the dismissal or demotion of a teacher, the superintendent shall give written notice to the teacher by certified mail or personal delivery of the superintendent's intention to make such recommendation and shall set forth as part of the superintendent's recommendation the grounds upon which he or she believes such dismissal or demotion is justified. The superintendent also shall meet with the teacher and provide written notice of the charges against the teacher, an explanation of the basis for the charges, and an opportunity to respond if the teacher has not done so under G.S. 115C-325.5(a). The notice shall include a statement to the effect that the teacher, within 14 days after the date of receipt of the notice, may request a hearing before the board on the superintendent's recommendation. A copy of Part 3 of Article 22 of Chapter 115C of the General Statutes shall also be sent to the teacher.

(c) Request for Hearing. – Within 14 days after receipt of the notice of recommendation, the teacher may file with the superintendent a written request for a hearing before the board on the superintendent's recommendation. The superintendent shall submit his or her recommendation to the board. Within five days after receiving the superintendent's recommendation and before taking any formal action, the board shall set a time and place for the hearing and shall notify the teacher by certified mail or personal delivery of the date, time, and place of the hearing. The time specified shall not be less than 10 nor more than 30 days after the board has notified the teacher, unless both parties agree to an extension. The hearing shall be conducted as provided in G.S. 115C-325.7.

(d) No Request for Hearing. – If the teacher does not request a hearing before the board within the 14 days provided, the superintendent may submit his or her recommendation to the board. The board, if it sees fit, may by resolution (i) reject the superintendent's recommendation or (ii) accept or modify the superintendent's recommendation and dismiss, demote, reinstate, or suspend the teacher without pay.

"**§ 115C-325.7. Hearing before board.**

(a) The following procedures shall apply for a board hearing for dismissal, demotion, reduction to part-time employment for disciplinary reasons, or disciplinary suspension without pay:

(1) The hearing shall be private.

(2) The hearing shall be conducted in accordance with reasonable rules adopted by the State Board of Education to govern such hearings.

(3) At the hearing, the teacher and the superintendent shall have the right to be present and to be heard, to be represented by counsel, and to present through witnesses any competent testimony relevant to the issue of whether grounds exist for a dismissal, demotion, reduction to part-time employment for disciplinary reasons, or disciplinary suspension without pay.

(4) Rules of evidence shall not apply to a hearing under this subsection, and the board may give probative effect to evidence that is of a kind commonly relied on by reasonably prudent persons in the conduct of serious affairs.

(5) At least five days before the hearing, the superintendent shall provide to the teacher a list of witnesses the superintendent intends to present, a brief

statement of the nature of the testimony of each witness, and a copy of any documentary evidence the superintendent intends to present.

(6) At least three days before the hearing, the teacher shall provide the superintendent a list of witnesses the teacher intends to present, a brief statement of the nature of the testimony of each witness, and a copy of any documentary evidence the teacher intends to present.

(7) No new evidence may be presented at the hearing except upon a finding by the board that the new evidence is critical to the matter at issue and the party making the request could not, with reasonable diligence, have discovered and produced the evidence according to the schedule provided in this section.

(8) The board may subpoena and swear witnesses and may require them to give testimony and to produce records and documents relevant to the grounds for dismissal, demotion, reduction to part-time employment for disciplinary reasons, or disciplinary suspension without pay.

(9) The board shall decide all procedural issues, including limiting cumulative evidence, necessary for a fair and efficient hearing.

(10) The superintendent shall provide for making a transcript of the hearing. The teacher may request and shall receive at no charge a transcript of the proceedings.

"**§ 115C-325.8. Right of appeal.**

(a) A teacher who (i) has been dismissed, demoted, or reduced to employment on a part-time basis for disciplinary reasons during the term of the contract as provided in G.S. 115C-325.4, or has received a disciplinary suspension without pay as provided in G.S. 115C-325.5, and (ii) requested a hearing before the local board of education, shall have a further right of appeal from the final decision of the local board of education to the superior court of the State on one or more of the following grounds that the decision:

(1) Is in violation of constitutional provisions.

(2) Is in excess of the statutory authority or jurisdiction of the board.

(3) Was made upon unlawful procedure.

(4) Is affected by other error of law.

(5) Is unsupported by substantial evidence in view of the entire record as submitted.

(6) Is arbitrary or capricious.

(b) An appeal pursuant to this section must be filed within 30 days of notification of the final decision of the local board of education and shall be decided on the administrative record. The superior court shall have authority to affirm or reverse the local board's decision or remand the matter to the local board of education. The superior court shall not have authority to award monetary damages or to direct the local board of education to enter into an employment contract of more than one year, ending June 30.

"**§ 115C-325.9. Teacher resignation.**

(a) Teacher Resignation Following Recommendation for Dismissal. – If a teacher has been recommended for dismissal under G.S. 115C-325.4 and the teacher chooses to resign without the written agreement of the superintendent, then:

(1) The superintendent shall report the matter to the State Board of Education.

(2) The teacher shall be deemed to have consented to (i) the placement in the teacher's personnel file of the written notice of the superintendent's intention to recommend dismissal and (ii) the release of the fact that the superintendent has reported this teacher to the State Board of Education to prospective employers, upon request. The provisions of G.S. 115C-321 shall not apply to the release of this particular information.

(3) The teacher shall be deemed to have voluntarily surrendered his or her license pending an investigation by the State Board of Education in a determination whether or not to seek action against the teacher's license. This license surrender shall not exceed 45 days from the date of resignation. Provided further that the cessation of the license surrender shall not prevent the State Board of Education from taking any further action it deems appropriate. The State Board of Education shall initiate investigation within five working days of the written notice from the superintendent and shall make a final decision as to whether to revoke or suspend the teacher's license within 45 days from the date of resignation.

(b) Thirty Days' Notice Resignation Requirement. – A teacher who is not recommended for dismissal should not resign during the term of the contract without the consent of the superintendent unless he or she has given at least 30 days' notice. If a teacher who is not recommended for dismissal does resign during the term of the contract without giving at least 30 days' notice, the board may request that the State Board of Education revoke the teacher's license for the remainder of that school year. A copy of the request shall be placed in the teacher's personnel file.

"**§ 115C-325.10. Application to certain institutions.**

Notwithstanding any law or regulation to the contrary, this Part shall apply to all persons employed in teaching and related educational classes in the schools and institutions of the Departments of Health and Human Services, Public Instruction, and the Divisions of Juvenile Justice and Adult Correction of the Department of Public Safety, regardless of the age of the students.

"**§ 115C-325.11. Dismissal of school administrators and teachers employed in low-performing residential schools.**

(a) Notwithstanding any other provision of this section or any other law, this section shall govern the dismissal by the State Board of Education of teachers, principals, assistant principals, directors, supervisors, and other licensed personnel assigned to a residential school that the State Board has identified as low-performing and to which the State Board has assigned an assistance team. The State Board shall dismiss a teacher, principal, assistant principal, director, supervisor, or other licensed personnel when the State Board receives two consecutive evaluations that include written findings and recommendations regarding that person's inadequate performance from the assistance team. These findings and recommendations shall be substantial evidence of the inadequate performance of the teacher or school administrator.

(b) The State Board may dismiss a teacher, principal, assistant principal, director, supervisor, or other licensed personnel when:

(1) The State Board determines that the school has failed to make satisfactory improvement after the State Board assigned an assistance team to that school.

(2) That assistance team makes the recommendation to dismiss the teacher, principal, assistant principal, director, supervisor, or other licensed personnel for one or more grounds established in G.S. 115C-325.4 for dismissal or demotion of a teacher.

Within 30 days of any dismissal under this subsection, a teacher, principal, assistant principal, director, supervisor, or other licensed personnel may request a hearing before a panel of three members designated by the State Board. The State Board shall adopt procedures to ensure that due process rights are afforded to persons recommended for dismissal under this subsection. Decisions of the panel may be appealed on the record to the State Board.

(c) Notwithstanding any other provision of this section or any other law, this subsection shall govern the dismissal by the State Board of licensed staff members who have engaged in a remediation plan under G.S. 115C-105.38A(c) but who, after one retest, fail to meet the general

knowledge standard set by the State Board. The failure to meet the general knowledge standard after one retest shall be substantial evidence of the inadequate performance of the licensed staff member.

Within 30 days of any dismissal under this subsection, a licensed staff member may request a hearing before a panel of three members designated by the State Board. The State Board shall adopt procedures to ensure that due process rights are afforded to licensed staff members recommended for dismissal under this subsection. Decisions of the panel may be appealed on the record to the State Board.

(d) The State Board or the superintendent of a residential school may terminate the contract of a school administrator dismissed under this section. Nothing in this section shall prevent the State Board from refusing to renew the contract of any person employed in a school identified as low-performing.

(e) Neither party to a school administrator or teacher contract is entitled to damages under this section.

(f) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this section.

"**§ 115C-325.12. Procedure for dismissal of principals employed in low-performing schools.**

(a) Dismissal of Principals Assigned to Low-Performing Schools With Assistance Teams. – Notwithstanding any other provision of this Part or any other law, this section governs the State Board's dismissal of principals assigned to low-performing schools to which the State Board has assigned an assistance team.

(b) Authority of State Board to Dismiss Principal. – The State Board through its designee may, at any time, recommend the dismissal of any principal who is assigned to a low-performing school to which an assistance team has been assigned. The State Board through its designee shall recommend the dismissal of any principal when the State Board receives from the assistance team assigned to that principal's school two consecutive evaluations that include written findings and recommendations regarding the principal's inadequate performance.

(c) Procedures for Dismissal of Principal. –

(1) If the State Board through its designee recommends the dismissal of a principal under this section, the principal shall be suspended with pay pending a hearing before a panel of three members of the State Board. The purpose of this hearing, which shall be held within 60 days after the principal is suspended, is to determine whether the principal shall be dismissed.

(2) The panel shall order the dismissal of the principal if it determines from available information, including the findings of the assistance team, that the low performance of the school is due to the principal's inadequate performance.

(3) The panel may order the dismissal of the principal if (i) it determines that the school has not made satisfactory improvement after the State Board assigned an assistance team to that school and (ii) the assistance team makes the recommendation to dismiss the principal for one or more grounds established in G.S. 115C-325.4 for dismissal or demotion of a teacher.

(4) If the State Board or its designee recommends the dismissal of a principal before the assistance team assigned to the principal's school has evaluated that principal, the panel may order the dismissal of the principal if the panel determines from other available information that the low performance of the school is due to the principal's inadequate performance.

(5) In all hearings under this section, the burden of proof is on the principal to establish that the factors leading to the school's low performance were not

due to the principal's inadequate performance. In all hearings under this section, the burden of proof is on the State Board to establish that the school failed to make satisfactory improvement after an assistance team was assigned to the school and to establish one or more of the grounds established for dismissal or demotion of a teacher under G.S. 115C-325.4.

(6) In all hearings under this section, two consecutive evaluations that include written findings and recommendations regarding that principal's inadequate performance from the assistance team are substantial evidence of the inadequate performance of the principal.

(7) The State Board shall adopt procedures to ensure that due process rights are afforded to principals under this section. Decisions of the panel may be appealed on the record to the State Board.

(d) The State Board of Education or a local board may terminate the contract of a principal dismissed under this section.

(e) Neither party to a school administrator contract is entitled to damages under this section.

(f) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this section.

"**§ 115C-325.13. Procedure for dismissal of teachers employed in low-performing schools.**

(a) Notwithstanding any other provision of this Part or any other law, this section shall govern the State Board's dismissal of teachers, assistant principals, directors, and supervisors assigned to schools that the State Board has identified as low-performing and to which the State Board has assigned an assistance team under Article 8B of this Chapter. The State Board shall dismiss a teacher, assistant principal, director, or supervisor when the State Board receives two consecutive evaluations that include written findings and recommendations regarding that person's inadequate performance from the assistance team. These findings and recommendations shall be substantial evidence of the inadequate performance of the teacher, assistant principal, director, or supervisor.

(b) The State Board may dismiss a teacher, assistant principal, director, or supervisor when:

(1) The State Board determines that the school has failed to make satisfactory improvement after the State Board assigned an assistance team to that school under G.S. 115C-105.38; and

(2) That assistance team makes the recommendation to dismiss the teacher, assistant principal, director, or supervisor for one or more grounds established in G.S. 115C-325.4 for dismissal or demotion for cause.

A teacher, assistant principal, director, or supervisor may request a hearing before a panel of three members of the State Board within 30 days of any dismissal under this section. The State Board shall adopt procedures to ensure that due process rights are afforded to persons recommended for dismissal under this section. Decisions of the panel may be appealed on the record to the State Board.

(c) Notwithstanding any other provision of this Part or any other law, this section shall govern the State Board's dismissal of licensed staff members who have engaged in a remediation plan under G.S. 115C-105.38A(c) but who, after one retest, fail to meet the general knowledge standard set by the State Board. The failure to meet the general knowledge standard after one retest shall be substantial evidence of the inadequate performance of the licensed staff member.

(d) A licensed staff member may request a hearing before a panel of three members of the State Board within 30 days of any dismissal under this section. The State Board shall adopt procedures to ensure that due process rights are afforded to licensed staff members

recommended for dismissal under this section. Decisions of the panel may be appealed on the record to the State Board.

(e) The State Board of Education or a local board may terminate the contract of a teacher, assistant principal, director, or supervisor dismissed under this section.

(f) Neither party to a school administrator or teacher contract is entitled to damages under this section.

(g) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this section."

SECTION 9.6.(c) G.S. 115C-45(c) reads as rewritten:

"(c) Appeals to Board of Education and to Superior Court. – An appeal shall lie to the local board of education from any final administrative decision in the following matters:

(1) The discipline of a student under G.S. 115C-390.7, 115C-390.10, or 115C-390.11;

(2) An alleged violation of a specified federal law, State law, State Board of Education policy, State rule, or local board policy, including policies regarding grade retention of students;

(3) The terms or conditions of employment or employment status of a school employee; and

(4) Any other decision that by statute specifically provides for a right of appeal to the local board of education and for which there is no other statutory appeal procedure.

As used in this subsection, the term "final administrative decision" means a decision of a school employee from which no further appeal to a school administrator is available.

Any person aggrieved by a decision not covered under subdivisions (1) through (4) of this subsection shall have the right to appeal to the superintendent and thereafter shall have the right to petition the local board of education for a hearing, and the local board may grant a hearing regarding any final decision of school personnel within the local school administrative unit. The local board of education shall notify the person making the petition of its decision whether to grant a hearing.

In all appeals to the board it is the duty of the board of education to see that a proper notice is given to all parties concerned and that a record of the hearing is properly entered in the records of the board conducting the hearing.

The board of education may designate hearing panels composed of not less than two members of the board to hear and act upon such appeals in the name and on behalf of the board of education.

An appeal of right brought before a local board of education under subdivision (1), (2), ~~(3),~~ or (4) of this subsection may be further appealed to the superior court of the State on the grounds that the local board's decision is in violation of constitutional provisions, is in excess of the statutory authority or jurisdiction of the board, is made upon unlawful procedure, is affected by other error of law, is unsupported by substantial evidence in view of the entire record as submitted, or is arbitrary or capricious. ~~However, the right of a noncertified employee to appeal decisions of a local board under subdivision (3) of this subsection shall only apply to decisions concerning the dismissal, demotion, or suspension without pay of the noncertified employee. A noncertified employee may request and shall be entitled to receive written notice as to the reasons for the employee's dismissal, demotion, or suspension without pay. The notice shall be provided to the employee prior to any local board of education hearing on the issue. This subsection shall not alter the employment status of a noncertified employee.~~"

SECTION 9.6.(d) G.S. 115C-287.1 reads as rewritten:

"**§ 115C-287.1. Method of employment of principals, assistant principals, supervisors, and directors.**

(a) (1) ~~Beginning July 1, 1995, all~~All persons employed as school administrators shall be employed pursuant to this section.

~~(2) Notwithstanding G.S. 115C-287.1(a)(1), the following school administrators shall be employed pursuant to G.S. 115C-325:~~

~~a. School administrators who, as of July 1, 1995, are serving in a principal or supervisor position with career status in that position; and~~

~~b. School administrators who, as of July 1, 1995, are serving in a principal or supervisor position and who are eligible to achieve career status on or before June 30, 1997.~~

~~A school administrator shall cease to be employed pursuant to G.S. 115C-325 if the school administrator: (i) voluntarily relinquishes career status or the opportunity to achieve career status through promotion, resignation, or otherwise; or (ii) is dismissed or demoted or whose contract is not renewed pursuant to G.S. 115C-325.~~

(3) For purposes of this section, school administrator means a:

a. Principal;

b. Assistant principal;

c. Supervisor; or

d. Director,

whose major function includes the direct or indirect supervision of teaching or of any other part of the instructional program.

~~(4) Nothing in this section shall be construed to confer career status on any assistant principal or director, or to make an assistant principal eligible for career status as an assistant principal or a director eligible for career status as a director.~~

(b) Local boards of education shall employ school administrators ~~who are ineligible for career status as provided in G.S. 115C-325(e)(3),~~ upon the recommendation of the superintendent. The initial contract between a school administrator and a local board of education shall be for two to four years, ending on June 30 of the final 12 months of the contract. In the case of a subsequent contract between a principal or assistant principal and a local board of education, the contract ~~shall be for~~ may be for up to a term of four years. In the case of an initial contract between a school administrator and a local board of education, the first year of the contract may be for a period of less than 12 months provided the contract becomes effective on or before September 1. A local board of education may, with the written consent of the school administrator, extend, renew, or offer a new school administrator's contract at any time after the first 12 months of the contract so long as the term of the new, renewed, or extended contract does not exceed four years. Rolling annual contract renewals are not allowed. Nothing in this section shall be construed to prohibit the filling of an administrative position on an interim or temporary basis.

(c) The term of employment shall be stated in a written contract that shall be entered into between the local board of education and the school administrator. The school administrator shall not be dismissed or demoted during the term of the contract except for the grounds and by the procedure by which a ~~career~~ teacher may be dismissed or demoted for cause as set forth in ~~G.S. 115C-325.~~G.S. 115C-325.4.

(d) If a superintendent intends to recommend to the local board of education that the school administrator be offered a new, renewed, or extended contract, the superintendent shall submit the recommendation to the local board for action. The local board may approve the superintendent's recommendation or decide not to offer the school administrator a new, renewed, or extended school administrator's contract.

If a superintendent decides not to recommend that the local board of education offer a new, renewed, or extended school administrator's contract to the school administrator, the superintendent shall give the school administrator written notice of his or her decision ~~and the reasons for his or her decision~~ no later than May 1 of the final year of the contract. The superintendent's reasons may not be arbitrary, capricious, discriminatory, personal, ~~or political.~~political, or prohibited by State or federal law. No action by the local board or further notice to the school administrator shall be necessary unless the school administrator files with the superintendent a written request, within 10 days of receipt of the superintendent's decision, for a hearing before the local board. ~~Failure to file a timely request for a hearing shall result in a waiver of the right to appeal the superintendent's decision.~~ If a school administrator files a timely request for a hearing, the local board shall conduct a hearing pursuant to the provisions of G.S. 115C-45(c) and make a final decision on whether to offer the school administrator a new, renewed, or extended school administrator's contract.

If the local board decides not to offer the school administrator a new, renewed, or extended school administrator's contract, the local board shall notify the school administrator of its decision by June 1 of the final year of the contract. A decision not to offer the school administrator a new, renewed, or extended contract may be for any cause that is not arbitrary, capricious, discriminatory, personal, ~~or political.~~political, or prohibited by State or federal law. ~~The local board's decision not to offer the school administrator a new, renewed, or extended school administrator's contract is subject to judicial review in accordance with Article 4 of Chapter 150B of the General Statutes.~~

(e) Repealed by Session Laws 1995, c. 369, s. 1.

(f) If the superintendent or the local board of education fails to notify a school administrator by June 1 of the final year of the contract that the school administrator will not be offered a new school administrator's contract, the school administrator shall be entitled to 30 days of additional employment or severance pay beyond the date the school administrator receives written notice that a new contract will not be offered.

~~(g) If, prior to appointment as a school administrator, the school administrator held career status as a teacher in the local school administrative unit in which he or she is employed as a school administrator, a school administrator shall retain career status as a teacher if the school administrator is not offered a new, renewed, or extended contract by the local board of education, unless the school administrator voluntarily relinquished that right or is dismissed or demoted pursuant to G.S. 115C-325.~~

(h) An individual who holds a provisional assistant principal's ~~certificate~~license and who is employed as an assistant principal under G.S. 115C-284(c) shall be considered a school administrator for purposes of this section. Notwithstanding subsection (b) of this section, a local board may enter into one-year contracts with a school administrator who holds a provisional assistant principal's ~~certificate.~~license. ~~If the school administrator held career status as a teacher in the local school administrative unit prior to being employed as an assistant principal and the State Board for any reason does not extend the school administrator's provisional assistant principal's certificate, the school administrator shall retain career status as a teacher unless the school administrator voluntarily relinquished that right or is dismissed or demoted under G.S. 115C-325.~~ Nothing in this subsection or G.S. 115C-284(c) shall be construed to require a local board to extend or renew the contract of a school administrator who holds a provisional assistant principal's ~~certificate.~~license."

SECTION 9.6.(e) The State Board of Education shall develop by rule as provided in Article 2A of Chapter 150B a model contract for use by local boards of education in awarding teacher contracts. The State Board may adopt a temporary rule for a model contract as provided in G.S. 150B-21.1 to provide a contract to local boards of education no later than January 1, 2014, but shall replace the temporary rule with a permanent rule as soon as practicable.

SECTION 9.6.(f) G.S. 115C-325(c)(1) is repealed effective May 1, 2013. Individuals who have not received career status prior to the 2012-2013 school year shall not be granted career status during the 2012-2013 school year. All teachers who have not been granted career status prior to the 2012-2013 school year shall be offered only one-year contracts, except for qualifying teachers offered a four-year contract as provided in subsection (g) of this section, until the 2018-2019 school year.

SECTION 9.6.(g) From July 1, 2013, to June 30, 2014, all superintendents shall review the performance and evaluations of all teachers who have been employed by the local board for at least three consecutive years. Based on these reviews, the superintendent shall identify and recommend to the local board twenty-five percent (25%) of those teachers employed by the local board for at least three consecutive years to be awarded four-year contracts beginning with the 2014-2015 school year. The superintendent shall not recommend to the local board any teacher for a four-year contract unless that teacher has shown effectiveness as demonstrated by proficiency on the teacher evaluation instrument. The local board of education shall review the superintendent's recommendation and may approve that recommendation or may select other teachers as part of the twenty-five percent (25%) to offer four-year contracts, but the local board shall not offer any teacher a four-year contract unless that teacher has shown effectiveness as demonstrated by proficiency on the teacher evaluation instrument. Contract offers shall be made and accepted no later than June 30, 2014. A teacher shall cease to be employed pursuant to G.S. 115C-325 and voluntarily relinquishes career status or any claim of career status by acceptance of a four-year contract as provided in this section.

SECTION 9.6.(h) Teachers employed by a local board of education on a four-year contract beginning with the 2014-2015 school year shall receive a five hundred dollar ($500.00) annual pay raise for each year of the four-year contract.

SECTION 9.6.(i) Subsection (a) of this section becomes effective June 30, 2018, and no teacher employed by a local board of education on or after that date shall have career status. G.S. 115C-325 applies only to teachers with career status after June 30, 2014.

SECTION 9.6.(j) Subsection (b) of this section becomes effective July 1, 2014. G.S. 115C-325.1 through G.S. 115C-325.13, as enacted by this section, shall apply to all teachers on one- or four-year contracts beginning July 1, 2014. G.S. 115C-325.1 through G.S. 115C-325.13, as enacted by this section, shall apply to all teachers employed by local boards of education or the State on or after July 1, 2018.

SECTION 9.6.(k) Subsections (c) and (d) of this section become effective July 1, 2014, and apply to all employees employed on or after that date.

SECTION 9.6.(l) Except as otherwise provided in this section, this section is effective when this act becomes law.

TEACHER CONTRACT CONFORMING CHANGES

SECTION 9.7.(a) G.S. 115C-105.26(b)(2) reads as rewritten:

"(2) State rules and policies, except those pertaining to public school State salary schedules and employee benefits for school employees, the instructional program that must be offered under the Basic Education Program, the system of employment for public school teachers and administrators set out in G.S. 115C-287.1 and ~~G.S. 115C-325,~~in Part 3 of Article 22 of this Chapter, health and safety codes, compulsory attendance, the minimum lengths of the school day and year, and the Uniform Education Reporting System."

SECTION 9.7.(b) G.S. 115C-105.37B(a)(2) reads as rewritten:

"(2) Restart model, in which the State Board of Education would authorize the local board of education to operate the school with the same exemptions from statutes and rules as a charter school authorized under Part 6A of Article 16 of this Chapter, or under the management of an educational

management organization that has been selected through a rigorous review process. A school operated under this subdivision remains under the control of the local board of education, and employees assigned to the school are employees of the local school administrative unit with the protections provided by ~~G.S. 115C-325.~~Part 3 of Article 22 of this Chapter."

SECTION 9.7.(c) G.S. 115C-105.38A reads as rewritten:

"**§ 115C-105.38A. Teacher competency assurance.**

...

(d) Retesting; Dismissal. – Upon completion of the remediation plan required under subsection (c) of this section, the ~~certified~~licensed staff member shall take the general knowledge test a second time. If the ~~certified~~licensed staff member fails to acquire a passing score on the second test, the State Board shall begin a dismissal proceeding under ~~G.S. 115C-325(q)(2a).~~G.S. 115C-325(q)(2a) or G.S. 115C-325.13.

...

(f) Other Actions Not Precluded. – Nothing in this section shall be construed to restrict or postpone the following actions:

(1) The dismissal of a principal under ~~G.S. 115C-325(q)(1);~~G.S. 115C-325.12.

(2) The dismissal of a teacher, assistant principal, director, or supervisor under ~~G.S. 115C-325(q)(2);~~G.S. 115C-325(q)(2) or G.S. 115C-325.13.

(3) The dismissal or demotion of ~~a career~~ an employee for any of the grounds listed under ~~G.S. 115C-325(e);~~G.S. 115C-325(e) or G.S. 115C-325.4.

(4) The nonrenewal of a school administrator's or ~~probationary~~ teacher's contract of ~~employment; or~~employment.

~~(5) The decision to grant career status.~~

...."

SECTION 9.7.(d) G.S. 115C-105.39 reads as rewritten:

"**§ 115C-105.39. Dismissal or removal of personnel; appointment of interim superintendent.**

(a) Within 30 days of the initial identification of a school as low-performing, whether by the local school administrative unit under G.S. 115C-105.37(a1) or by the State Board under G.S. 115C-105.37(a), the superintendent shall take one of the following actions concerning the school's principal: (i) recommend to the local board that the principal be retained in the same position, (ii) recommend to the local board that the principal be retained in the same position and a plan of remediation should be developed, (iii) recommend to the local board that the principal be transferred, or (iv) proceed under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal. The principal may be retained in the same position without a plan for remediation only if the principal was in that position for no more than two years before the school is identified as low-performing. The principal shall not be transferred to another principal position unless (i) it is in a school classification in which the principal previously demonstrated at least 2 years of success, (ii) there is a plan to evaluate and provide remediation to the principal for at least one year following the transfer to assure the principal does not impede student performance at the school to which the principal is being transferred; and (iii) the parents of the students at the school to which the principal is being transferred are notified. The principal shall not be transferred to another low-performing school in the local school administrative unit. If the superintendent intends to recommend demotion or dismissal, the superintendent shall notify the local board. Within 15 days of (i) receiving notification that the superintendent intends to proceed under ~~G.S. 115C-325,~~G.S. 115C-325.4 or (ii) its decision concerning the superintendent's recommendation, but no later than September 30, the local board shall submit to the State Board a written notice of the action taken and the basis for that action. If the State Board does not assign an assistance team to that school or if the State Board assigns an assistance team to that school and the superintendent proceeds under

~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall take no further action. If the State Board assigns an assistance team to the school and the superintendent is not proceeding under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall vote to accept, reject, or modify the local board's recommendations. The State Board shall notify the local board of its action within five days. If the State Board rejects or modifies the local board's recommendations and does not recommend dismissal of the principal, the State Board's notification shall include recommended action concerning the principal's assignment or terms of employment. Upon receipt of the State Board's notification, the local board shall implement the State Board's recommended action concerning the principal's assignment or terms of employment unless the local board asks the State Board to reconsider that recommendation. The State Board shall provide an opportunity for the local board to be heard before the State Board acts on the local board's request for a reconsideration. The State Board shall vote to affirm or modify its original recommended action and shall notify the local board of its action within five days. Upon receipt of the State Board's notification, the local board shall implement the State Board's final recommended action concerning the principal's assignment or terms of employment. If the State Board rejects or modifies the local board's action and recommends dismissal of the principal, the State Board shall proceed under ~~G.S. 115C-325(q)(1).~~G.S. 115C-325.12.

(b) The State Board shall proceed under G.S. 115C-325(q)(2) or G.S. 115C-325.13 for the dismissal of teachers, assistant principals, directors, and supervisors assigned to a school identified as low-performing in accordance with ~~G.S. 115C-325(q)(2).~~G.S. 115C-325(q)(2) or G.S. 115C-325.13.

...."

SECTION 9.7.(e) G.S. 115C-238.68(3) reads as rewritten:

"(3) ~~Career status.~~Leave of absence from local school administrative unit. – ~~Employees of the board of directors shall not be eligible for career status.~~ If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at the regional school, the local school administrative unit shall grant the leave for one year. For the initial year of the regional school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of the regional school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has career status under G.S. 115C-325 prior to receiving a leave of absence to teach at the regional school may return to a public school in the local school administrative unit with career status at the end of the leave of absence or upon the end of employment at the regional school if an appropriate position is available. If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers in accordance with G.S. 115C-325(e)(2)."

SECTION 9.7.(f) G.S. 115C-276(l) reads as rewritten:

"(l) To Maintain Personnel Files and to Participate in Firing and Demoting of Staff. – The superintendent shall maintain in his or her office a personnel file for each teacher that contains complaints, commendations, or suggestions for correction or improvement about the teacher and shall participate in the firing and demoting of staff, as provided in ~~G.S. 115C-325.~~Part 3 of Article 22 of this Chapter."

SECTION 9.7.(g) G.S. 115C-285(a)(7) reads as rewritten:

"(7) All persons employed as principals in the schools and institutions listed in ~~subsection (p) of G.S. 115C-325~~ G.S. 115C-325.10 shall be compensated at the same rate as are teachers in the public schools in accordance with the salary schedule adopted by the State Board of Education."

SECTION 9.7.(h) G.S. 115C-304 is repealed.

SECTION 9.7.(i) G.S. 115C-333 reads as rewritten:

"**§ 115C-333. Evaluation of licensed employees including certain superintendents; mandatory improvement plans; State board notification upon dismissal of employees.**

(a) Annual Evaluations; Low-Performing Schools. – Local school administrative units shall evaluate at least once each year all licensed employees assigned to a school that has been identified as low-performing. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of a mandatory improvement plan if one is recommended under subsection (b) of this section. If the employee is a teacher with career status as defined under G.S. 115C-325(a)(6), or a teacher as defined under G.S. 115C-325.1(5), either the principal, the assistant principal who supervises the teacher, or an assistance team assigned under G.S. 115C-105.38 shall conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), either the superintendent or the superintendent's designee shall conduct the evaluation.

All teachers in low-performing schools who have ~~not attained career status~~been employed for less than three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school under G.S. 115C-105.38.

A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board.

(b) Mandatory Improvement Plans. –

...

(2a) If a licensed employee in a low-performing school receives a rating on any standard on an evaluation that is below proficient or otherwise represents unsatisfactory or below standard performance in an area that the licensed employee was expected to demonstrate, the individual or team that conducted the evaluation shall recommend to the superintendent that (i) the employee receive a mandatory improvement plan designed to improve the employee's ~~performance or~~ performance, (ii) the superintendent recommend to the local board that if the employee is a career status teacher the employee be dismissed or demoted and if the employee is a teacher on contract the teacher's contract not be recommended for renewal, or (iii) if the employee engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment that a proceeding for immediate dismissal or demotion be instituted. If the individual or team that conducted the evaluation elects not to make ~~either~~ any of the above recommendations, the said individual or team shall notify the superintendent of this decision. The superintendent shall determine whether to develop a mandatory improvement ~~plan~~plan, to not recommend renewal of the employee's contract, or to recommend a dismissal proceeding.

...

(c) Reassessment of Employee in a Low-Performing School. – After the expiration of the time period for the mandatory improvement plan under subdivision (2a) of subsection (b) of this section, the superintendent, the superintendent's designee, or the assistance team shall assess the performance of the employee of the low-performing school a second time. If the superintendent, superintendent's designee, or assistance team determines that the employee has failed to become proficient in any of the performance standards articulated in the mandatory improvement plan or demonstrate sufficient improvement toward such standards, the superintendent shall recommend that if the employee is a teacher with career status the teacher be dismissed or demoted under G.S. 115C-325, or if the employee is a teacher on contract ~~the employee~~ the employee's contract not be renewed or if the employee has engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the employee be immediately dismissed or demoted under ~~G.S. 115C-325.~~G.S. 115C-325.4. The results of the second assessment shall constitute substantial evidence of the employee's inadequate performance.

(d) State Board Notification. – If a local board dismisses an employee of a low-performing school who is a teacher with career status for any reason except a reduction in force under G.S. 115C-325(e)(1)l., or dismisses an employee who is a teacher on contract for cause or elects to not renew an employee's contract as a result of a superintendent's recommendation under subsection (b) or (c) of this section, it shall notify the State Board of the action, and the State Board annually shall provide to all local boards the names of those individuals. If a local board hires one of these individuals, within 60 days the superintendent or the superintendent's designee shall observe the employee, develop a mandatory improvement plan to assist the employee, and submit the plan to the State Board. The State Board shall review the mandatory improvement plan and may provide comments and suggestions to the superintendent. If on the next evaluation the employee receives a rating on any standard that was identified as an area of concern on the mandatory improvement plan that is again below proficient or otherwise represents unsatisfactory or below standard performance, the local board shall notify the State Board and the State Board shall initiate a proceeding to revoke the employee's license under G.S. 115C-296(d). If on this next evaluation the employee receives at least a proficient rating on all of the performance standards that were identified as areas of concern on the mandatory improvement plan, the local board shall notify the State Board that the employee is in good standing and the State Board shall not continue to provide the individual's name to local boards under this subsection unless the employee is a teacher with career status and is subsequently dismissed under G.S. 115C-325 except for a reduction in ~~force.~~force, or the employee is a teacher on contract subsequently dismissed under G.S. 115C-325.4.

...."

SECTION 9.7.(j) G.S. 115C-333.1 reads as rewritten:

"**§ 115C-333.1. Evaluation of teachers in schools not identified as low-performing; mandatory improvement plans; State Board notification upon dismissal of teachers.**

(a) Annual Evaluations. – All teachers who are assigned to schools that are not designated as low-performing and who have not ~~attained career status~~been employed for at least three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. All teachers with career status or on a four-year contract who are assigned to schools that are not designated as low-performing shall be evaluated annually unless a local board adopts rules that allow teachers with career status or on a four-year contract to be evaluated more or less frequently, provided that such rules are not inconsistent with State or federal requirements. Local boards also may adopt rules requiring the annual

evaluation of nonlicensed employees. A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board.

...

(d) Reassessment of the Teacher. – Upon completion of a mandatory improvement plan under subsection (b) of this section, the principal shall assess the performance of the teacher a second time. The principal shall also review and consider any report provided by the qualified observer under subsection (c) of this section if one has been submitted before the end of the mandatory improvement plan period. If, after the second assessment of the teacher and consideration of any report from the qualified observer, the superintendent or superintendent's designee determines that the teacher has failed to become proficient in any of the performance standards identified as deficient in the mandatory improvement plan or demonstrate sufficient improvement toward such standards, the superintendent may recommend that a teacher with career status be dismissed or demoted under G.S. 115C-325, or if the teacher is on contract that the teacher's contract not be renewed or if the teacher has engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the teacher be immediately dismissed or demoted under ~~G.S. 115C-325.~~G.S. 115C-325.4. The results of the second assessment produced pursuant to the terms of this subsection shall constitute substantial evidence of the teacher's inadequate performance.

(e) Dismissal Proceedings Without a Mandatory Improvement Plan. – The absence of a mandatory improvement plan as described in this section shall not prohibit a superintendent from initiating a dismissal proceeding against a teacher under the provisions of ~~G.S. 115C-325.~~ G.S. 115C-325 or G.S. 115C-325.4. However, the superintendent shall not be entitled to the substantial evidence provision in subsection (d) of this section if such mandatory improvement plan is not utilized.

(f) State Board Notification. – If a local board dismisses a teacher with career status for any reason except a reduction in force under G.S. 115C-325(e)(1)l., or dismisses a teacher on contract for cause or elects to not renew a teacher's contract as a result of a superintendent's recommendation under subsection (d) of this section, it shall notify the State Board of the action, and the State Board annually shall provide to all local boards the names of those teachers. If a local board hires one of these teachers, within 60 days the superintendent or the superintendent's designee shall observe the teacher, develop a mandatory improvement plan to assist the teacher, and submit the plan to the State Board. The State Board shall review the mandatory improvement plan and may provide comments and suggestions to the superintendent. If on the next evaluation the teacher receives a rating on any standard that was an area of concern on the mandatory improvement plan that is again below proficient or a rating that otherwise represents unsatisfactory or below standard performance, the local board shall notify the State Board, and the State Board shall initiate a proceeding to revoke the teacher's license under G.S. 115C-296(d). If on the next evaluation the teacher receives at least a proficient rating on all of the overall performance standards that were areas of concern on the mandatory improvement plan, the local board shall notify the State Board that the teacher is in good standing, and the State Board shall not continue to provide the teacher's name to local boards under this subsection unless the teacher has career status and is subsequently dismissed under G.S. 115C-325 except for a reduction in ~~force.~~force or is a teacher on contract who is subsequently dismissed under G.S. 115C-325.4. If, however, on this next evaluation the teacher receives a developing rating on any standards that were areas of concern on the mandatory improvement plan, the teacher shall have one more year to bring the rating to ~~proficient. If,~~proficient if the local board elects to renew the teacher's contract. If by the end of this second ~~year,~~year the teacher is not proficient in all standards that were areas of concern on the

mandatory improvement plan, the local board shall notify the State Board, and the State Board shall initiate a proceeding to revoke the teacher's license under G.S. 115C-296(d).

...."

SECTION 9.7.(k) G.S. 115C-335(b) reads as rewritten:

"(b) Training. – The State Board, in collaboration with the Board of Governors of The University of North Carolina, shall develop programs designed to train principals and superintendents in the proper administration of the employee evaluations developed by the State Board. The Board of Governors shall use the professional development programs for public school employees that are under its authority to make this training available to all principals and superintendents at locations that are geographically convenient to local school administrative units. The programs shall include methods to determine whether an employee's performance has improved student learning, the development and implementation of appropriate professional growth and mandatory improvement plans, the process for contract nonrenewal, and the dismissal process under ~~G.S. 115C-325.~~Part 3 of Article 22 of this Chapter. The Board of Governors shall ensure that the subject matter of the training programs is incorporated into the masters in school administration programs offered by the constituent institutions. The State Board, in collaboration with the Board of Governors, also shall develop in-service programs for licensed public school employees that may be included in a mandatory improvement plan created under G.S. 115C-333(b) or G.S. 115C-333.1(b). The Board of Governors shall use the professional development programs for public school employees that are under its authority to make this training available at locations that are geographically convenient to local school administrative units."

SECTION 9.7.(l) G.S. 115C-404(b) reads as rewritten:

"(b) Documents received under this section shall be used only to protect the safety of or to improve the education opportunities for the student or others. Information gained in accordance with G.S. 7B-3100 shall not be the sole basis for a decision to suspend or expel a student. Upon receipt of each document, the principal shall share the document with those individuals who have (i) direct guidance, teaching, or supervisory responsibility for the student, and (ii) a specific need to know in order to protect the safety of the student or others. Those individuals shall indicate in writing that they have read the document and that they agree to maintain its confidentiality. Failure to maintain the confidentiality of these documents as required by this section is grounds for the dismissal of an employee who is not employed on contract, grounds for dismissal of an employee on contract ~~not a career employee~~in accordance with G.S. 115C-325.4(a)(9), and ~~is~~ grounds for dismissal of an employee who is a career ~~employee,~~teacher in accordance with G.S. 115C-325(e)(1)i."

SECTION 9.7.(m) G.S. 143B-146.7(b) reads as rewritten:

"(b) At any time after the State Board identifies a school as low-performing under this Part, the ~~Secretary~~ State Board shall proceed under G.S. 115C-325(p1) or G.S. 115C-325.11 for the dismissal of ~~certificated~~licensed instructional personnel assigned to that school."

SECTION 9.7.(n) G.S. 143B-146.8 reads as rewritten:

"**§ 143B-146.8. Evaluation of ~~certificated~~ licensed personnel and principals; action plans; State Board notification.**

(a) Annual Evaluations; Low-Performing Schools. – The principal shall evaluate at least once each year all ~~certificated~~ licensed personnel assigned to a participating school that has been identified as low-performing but has not received an assistance team. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of an action plan if one is recommended under subsection (b) of this section. If the employee is a teacher as defined under ~~G.S. 115C-325(a)(6),~~ G.S. 115C-325(a)(6) with career status or a teacher as defined in G.S. 115C-325.1(5) on contract, either the principal or an assessment team assigned under G.S. 143B-146.9 shall

conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), the Superintendent shall conduct the evaluation.

Notwithstanding this subsection or any other law, the principal shall observe at least three times annually, a teacher shall observe at least once annually, and the principal shall evaluate at least once annually, all teachers who have ~~not attained career status.~~been employed for less than three consecutive years. All other employees defined as teachers under G.S. 115C-325(a)(6) with career status or teachers as defined in G.S. 115C-325.1(5) on a four-year contract who are assigned to participating schools that are not designated as low-performing shall be evaluated annually unless the ~~Secretary~~ State Board adopts rules that allow specified categories of teachers with career status or on four-year contracts to be evaluated more or less frequently. The ~~Secretary~~ State Board also may adopt rules requiring the annual evaluation of ~~noncertificated~~ nonlicensed personnel. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school.

~~The Secretary shall use the State Board's performance standards and criteria unless the Secretary develops an alternative evaluation that is properly validated and that includes standards and criteria similar to those adopted by the State Board. All other provisions of this section shall apply if an evaluation is used other than one adopted by the State Board.~~

(b) Action Plans. – If a ~~certificated~~ licensed employee in a participating school that has been identified as low-performing receives an unsatisfactory or below standard rating on any function of the evaluation that is related to the employee's instructional duties, the individual or team that conducted the evaluation shall recommend to the principal that: (i) the employee receive an action plan designed to improve the employee's performance; or (ii) the principal recommend ~~to the Secretary~~ that the employee who is a career teacher be dismissed or demoted as provided in G.S. 115C-325 or the employee who is a teacher on contract not be recommended for renewal; or (iii) if the employee who is a teacher on contract engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment that a proceeding for immediate dismissal or demotion under G.S. 115C-325.4 be instituted. The principal shall determine whether to develop an action ~~plan~~plan, to not recommend renewal of the employee's contract, or to recommend a dismissal proceeding. The person who evaluated the employee or the employee's supervisor shall develop the action plan unless an assistance team or assessment team conducted the evaluation. If an assistance team or assessment team conducted the evaluation, that team shall develop the action plan in collaboration with the employee's supervisor. Action plans shall be designed to be completed within 90 instructional days or before the beginning of the next school year. The State ~~Board, in consultation with the Secretary,~~Board shall develop guidelines that include strategies to assist in evaluating ~~certificated~~ licensed personnel and developing effective action plans within the time allotted under this section. The ~~Secretary~~ State Board may adopt policies for the development and implementation of action plans or professional development plans for personnel who do not require action plans under this section.

(c) Reevaluation. – Upon completion of an action plan under subsection (b) of this section, the principal or the assessment team shall evaluate the employee a second time. If on the second evaluation the employee receives one unsatisfactory or more than one below standard rating on any function that is related to the employee's instructional duties, the principal shall recommend that the employee with career status be dismissed or demoted under G.S. 115C-325, or that an employee's contract not be renewed or if the employee engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the employee be dismissed or demoted under ~~G.S. 115C-325.~~G.S. 115C-325.4. The results of the second evaluation shall constitute substantial evidence of the employee's inadequate performance.

(d) State Board Notification. – If ~~the Secretary dismisses~~ an employee is dismissed for ~~any reason except a reduction in force under G.S. 115C-325(e)(1)l.,~~cause or an employee's contract is not renewed as a result of a superintendent's recommendation under subsection (b) or (c) of this section, the ~~Secretary shall notify the~~ State Board shall be notified of the action, and the State Board annually shall provide to all local boards of education the names of those individuals. If a local board hires one of these individuals, that local board shall proceed under G.S. 115C-333(d).

...."

SECTION 9.7.(o) G.S. 115C-105.38A, as amended by subsection (c) of this section, reads as rewritten:

"**§ 115C-105.38A. Teacher competency assurance.**

...

(d) Retesting; Dismissal. – Upon completion of the remediation plan required under subsection (c) of this section, the licensed staff member shall take the general knowledge test a second time. If the licensed staff member fails to acquire a passing score on the second test, the State Board shall begin a dismissal proceeding under ~~G.S. 115C-325(q)(2a) or~~ G.S. 115C-325.13.

...

(f) Other Actions Not Precluded. – Nothing in this section shall be construed to restrict or postpone the following actions:

(1) The dismissal of a principal under G.S. 115C-325.12.

(2) The dismissal of a teacher, assistant principal, director, or supervisor under ~~G.S. 115C-325(q)(2) or~~ G.S. 115C-325.13.

(3) The dismissal or demotion of an employee for any of the grounds listed under ~~G.S. 115C-325(e) or~~ G.S. 115C-325.4.

(4) The nonrenewal of a school administrator's or teacher's contract of employment.

...."

SECTION 9.7.(p) G.S. 115C-105.39(b), as amended by subsection (d) of this section, reads as rewritten:

"(b) The State Board shall proceed under ~~G.S. 115C-325(q)(2) or~~ G.S. 115C-325.13 for the dismissal of teachers, assistant principals, directors, and supervisors assigned to a school identified as low-performing in accordance with ~~G.S. 115C-325(q)(2) or~~ G.S. 115C-325.13.

...."

SECTION 9.7.(q) G.S. 115C-238.29F(e)(3) reads as rewritten:

"(3) If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at a charter school, the local school administrative unit shall grant the leave for one year. For the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has ~~career status under G.S. 115C-325 prior to receiving~~received a leave of absence to teach at a charter school may return to a public school in the local school administrative unit ~~with career status~~ at the end of the leave of absence or upon the end of employment at the charter school if an

appropriate position is available. ~~If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers and that teacher shall have priority on all positions for which that teacher is qualified in accordance with G.S. 115C-325(e)(2).~~"

SECTION 9.7.(r) G.S. 115C-238.68(3), as amended by subsection (e) of this section, reads as rewritten:

"(3) Leave of absence from local school administrative unit. – If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at the regional school, the local school administrative unit shall grant the leave for one year. For the initial year of the regional school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of the regional school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has ~~career status under G.S. 115C-325 prior to receiving~~ received a leave of absence to teach at the regional school may return to a public school in the local school administrative unit ~~with career status~~ at the end of the leave of absence or upon the end of employment at the regional school if an appropriate position is available. ~~If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers in accordance with G.S. 115C-325(e)(2).~~"

SECTION 9.7.(s) G.S. 115C-333, as amended by subsection (i) of this section, reads as rewritten:

"**§ 115C-333. Evaluation of licensed employees including certain superintendents; mandatory improvement plans; State board notification upon dismissal of employees.**

(a) Annual Evaluations; Low-Performing Schools. – Local school administrative units shall evaluate at least once each year all licensed employees assigned to a school that has been identified as low-performing. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of a mandatory improvement plan if one is recommended under subsection (b) of this section. If the employee is a teacher ~~with career status as defined under G.S. 115C-325(a)(6), or a teacher~~ as defined under G.S. 115C-325.1(5), either the principal, the assistant principal who supervises the teacher, or an assistance team assigned under G.S. 115C-105.38 shall conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), either the superintendent or the superintendent's designee shall conduct the evaluation.

All teachers in low-performing schools who have been employed for less than three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school under G.S. 115C-105.38.

A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board.

(b) Mandatory Improvement Plans. –

...

(2a) If a licensed employee in a low-performing school receives a rating on any standard on an evaluation that is below proficient or otherwise represents unsatisfactory or below standard performance in an area that the licensed employee was expected to demonstrate, the individual or team that conducted the evaluation shall recommend to the superintendent that (i) the employee receive a mandatory improvement plan designed to improve the employee's performance, (ii) the superintendent recommend to the local board that ~~if the employee is a career status teacher the employee be dismissed or demoted and if the employee is a teacher on contract the teacher's~~ employee's contract not be recommended for renewal, or (iii) if the employee engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment that a proceeding for immediate dismissal or demotion be instituted. If the individual or team that conducted the evaluation elects not to make any of the above recommendations, the said individual or team shall notify the superintendent of this decision. The superintendent shall determine whether to develop a mandatory improvement plan, to not recommend renewal of the employee's contract, or to recommend a dismissal proceeding.

...

(c) Reassessment of Employee in a Low-Performing School. – After the expiration of the time period for the mandatory improvement plan under subdivision (2a) of subsection (b) of this section, the superintendent, the superintendent's designee, or the assistance team shall assess the performance of the employee of the low-performing school a second time. If the superintendent, superintendent's designee, or assistance team determines that the employee has failed to become proficient in any of the performance standards articulated in the mandatory improvement plan or demonstrate sufficient improvement toward such standards, the superintendent shall recommend that ~~if the employee is a teacher with career status the teacher be dismissed or demoted under G.S. 115C-325, or if the employee is a teacher on contract~~ the employee's contract not be renewed or if the employee has engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the employee be immediately dismissed or demoted under G.S. 115C-325.4. The results of the second assessment shall constitute substantial evidence of the employee's inadequate performance.

(d) State Board Notification. – If a local board dismisses an employee of a low-performing school ~~who is a teacher with career status for any reason except a reduction in force under G.S. 115C-325(e)(1)l., or dismisses an employee who is a teacher on contract~~ for cause or elects to not renew an employee's contract as a result of a superintendent's recommendation under subsection (b) or (c) of this section, it shall notify the State Board of the action, and the State Board annually shall provide to all local boards the names of those individuals. If a local board hires one of these individuals, within 60 days the superintendent or the superintendent's designee shall observe the employee, develop a mandatory improvement plan to assist the employee, and submit the plan to the State Board. The State Board shall review the mandatory improvement plan and may provide comments and suggestions to the superintendent. If on the next evaluation the employee receives a rating on any standard that was identified as an area of concern on the mandatory improvement plan that is again below proficient or otherwise represents unsatisfactory or below standard performance, the local board shall notify the State Board and the State Board shall initiate a proceeding to revoke the employee's license under G.S. 115C-296(d). If on this next evaluation the employee receives at least a proficient rating on all of the performance standards that were identified as areas of concern on the mandatory improvement plan, the local board shall notify the State Board that

the employee is in good standing and the State Board shall not continue to provide the individual's name to local boards under this subsection unless the employee is ~~a teacher with career status and is subsequently dismissed under G.S. 115C-325 except for a reduction in force, or the employee is a teacher on contract~~ subsequently dismissed under G.S. 115C-325.4.

...."

SECTION 9.7.(t) G.S. 115C-333.1, as amended by subsection (j) of this section, reads as rewritten:

"**§ 115C-333.1. Evaluation of teachers in schools not identified as low-performing; mandatory improvement plans; State Board notification upon dismissal of teachers.**

(a) Annual Evaluations. – All teachers who are assigned to schools that are not designated as low-performing and who have not been employed for at least three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. All teachers ~~with career status or on a four-year contract~~who have been employed for three or more years who are assigned to schools that are not designated as low-performing shall be evaluated annually unless a local board adopts rules that allow teachers ~~with career status or on a four-year contract~~employed for three or more years to be evaluated more or less frequently, provided that such rules are not inconsistent with State or federal requirements. Local boards also may adopt rules requiring the annual evaluation of nonlicensed employees. A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board.

...

(d) Reassessment of the Teacher. – Upon completion of a mandatory improvement plan under subsection (b) of this section, the principal shall assess the performance of the teacher a second time. The principal shall also review and consider any report provided by the qualified observer under subsection (c) of this section if one has been submitted before the end of the mandatory improvement plan period. If, after the second assessment of the teacher and consideration of any report from the qualified observer, the superintendent or superintendent's designee determines that the teacher has failed to become proficient in any of the performance standards identified as deficient in the mandatory improvement plan or demonstrate sufficient improvement toward such standards, the superintendent may recommend that ~~a teacher with career status be dismissed or demoted under G.S. 115C-325, or if the teacher is on contract that~~ the teacher's contract not be ~~renewed~~ renewed, or if the teacher has engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the teacher be immediately dismissed or demoted under G.S. 115C-325.4. The results of the second assessment produced pursuant to the terms of this subsection shall constitute substantial evidence of the teacher's inadequate performance.

(e) Dismissal Proceedings Without a Mandatory Improvement Plan. – The absence of a mandatory improvement plan as described in this section shall not prohibit a superintendent from initiating a dismissal proceeding against a teacher under the provisions of ~~G.S. 115C-325 or~~ G.S. 115C-325.4. However, the superintendent shall not be entitled to the substantial evidence provision in subsection (d) of this section if such mandatory improvement plan is not utilized.

(f) State Board Notification. – If a local board dismisses a teacher~~with career status for any reason except a reduction in force under G.S. 115C-325(e)(1)l., or dismisses a teacher on contract~~ for cause or elects to not renew a teacher's contract as a result of a superintendent's recommendation under subsection (d) of this section, it shall notify the State Board of the action, and the State Board annually shall provide to all local boards the names of those

teachers. If a local board hires one of these teachers, within 60 days the superintendent or the superintendent's designee shall observe the teacher, develop a mandatory improvement plan to assist the teacher, and submit the plan to the State Board. The State Board shall review the mandatory improvement plan and may provide comments and suggestions to the superintendent. If on the next evaluation the teacher receives a rating on any standard that was an area of concern on the mandatory improvement plan that is again below proficient or a rating that otherwise represents unsatisfactory or below standard performance, the local board shall notify the State Board, and the State Board shall initiate a proceeding to revoke the teacher's license under G.S. 115C-296(d). If on the next evaluation the teacher receives at least a proficient rating on all of the overall performance standards that were areas of concern on the mandatory improvement plan, the local board shall notify the State Board that the teacher is in good standing, and the State Board shall not continue to provide the teacher's name to local boards under this subsection unless the teacher has career status and is subsequently dismissed ~~under G.S. 115C-325 except for a reduction in force or is a teacher on contract who is subsequently dismissed~~ under G.S. 115C-325.4. If, however, on this next evaluation the teacher receives a developing rating on any standards that were areas of concern on the mandatory improvement plan, ~~the teacher shall have one more year to bring the rating to proficient~~ if the local board elects to renew the teacher's contract. If by the end of this second year the teacher is not proficient in all standards that were areas of concern on the mandatory improvement plan, the local board shall notify the State Board, and the State Board shall initiate a proceeding to revoke the teacher's license under G.S. 115C-296(d).

...."

SECTION 9.7.(u) Article 23 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-344. Employment benefits for exchange teachers.**

An exchange teacher is a nonimmigrant alien teacher participating in an exchange visitor program designated by the United States Department of State pursuant to 22 C.F.R. Part 62 or by the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q). For purposes of determining eligibility to receive employment benefits under this Chapter, including personal leave, annual vacation leave, and sick leave, an exchange teacher shall be considered a permanent teacher if employed with the expectation of at least six full consecutive monthly pay periods of employment and if employed at least 20 hours per week. An exchange teacher is not a teacher for purposes of the Teachers' and State Employees' Retirement System of North Carolina as provided in G.S. 135-1(25)."

SECTION 9.7.(v) G.S. 115C-404(b), as amended by subsection (n) of this section, reads as rewritten:

"(b) Documents received under this section shall be used only to protect the safety of or to improve the education opportunities for the student or others. Information gained in accordance with G.S. 7B-3100 shall not be the sole basis for a decision to suspend or expel a student. Upon receipt of each document, the principal shall share the document with those individuals who have (i) direct guidance, teaching, or supervisory responsibility for the student, and (ii) a specific need to know in order to protect the safety of the student or others. Those individuals shall indicate in writing that they have read the document and that they agree to maintain its confidentiality. Failure to maintain the confidentiality of these documents as required by this section is grounds for the dismissal of an employee who is not employed on ~~contract,~~contract and grounds for dismissal of an employee on contract in accordance with G.S. 115C-325.4(a)(9).~~G.S. 115C-325.4(a)(9), and grounds for dismissal of an employee who is a career teacher in accordance with G.S. 115C-325(e)(1)i.~~"

SECTION 9.7.(w) G.S. 143B-146.7(b), as amended by subsection (m) of this section, reads as rewritten:

"(b) At any time after the State Board identifies a school as low-performing under this Part, the State Board shall proceed under ~~G.S. 115C-325(p1) or~~ G.S. 115C-325.11 for the dismissal of licensed instructional personnel assigned to that school."

SECTION 9.7.(x) G.S. 143B-146.8, as amended by subsection (n) of this section, reads as rewritten:

"**§ 143B-146.8. Evaluation of licensed personnel and principals; action plans; State Board notification.**

(a) Annual Evaluations; Low-Performing Schools. – The principal shall evaluate at least once each year all licensed personnel assigned to a participating school that has been identified as low-performing but has not received an assistance team. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of an action plan if one is recommended under subsection (b) of this section. If the employee is a ~~teacher as defined under G.S. 115C-325(a)(6) with career status or a~~ teacher as defined in ~~G.S. 115C-325.1(5) on contract,~~G.S. 115C-325.1(5), either the principal or an assessment team assigned under G.S. 143B-146.9 shall conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), the Superintendent shall conduct the evaluation.

Notwithstanding this subsection or any other law, the principal shall observe at least three times annually, a teacher shall observe at least once annually, and the principal shall evaluate at least once annually, all teachers who have been employed for less than three consecutive years. All other employees who have been employed for three or more years and are defined as teachers under ~~G.S. 115C-325(a)(6) with career status or teachers as defined in~~ G.S. 115C-325.1(5) ~~on a four-year contract~~ who are assigned to participating schools that are not designated as low-performing shall be evaluated annually unless the State Board adopts rules that allow specified categories of teachers with ~~career status or on four-year contracts~~three or more years employment to be evaluated more or less frequently. The State Board also may adopt rules requiring the annual evaluation of nonlicensed personnel. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school.

(b) Action Plans. – If a licensed employee in a participating school that has been identified as low-performing receives an unsatisfactory or below standard rating on any function of the evaluation that is related to the employee's instructional duties, the individual or team that conducted the evaluation shall recommend to the principal that: (i) the employee receive an action plan designed to improve the employee's performance; or (ii) ~~the principal recommend that the employee who is a career teacher be dismissed or demoted as provided in G.S. 115C-325 or the employee who is a teacher on contract~~the employee's contract not be recommended for renewal; or (iii) if the employee who is a teacher on contract engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment that a proceeding for immediate dismissal or demotion under G.S. 115C-325.4 be instituted. The principal shall determine whether to develop an action plan, to not recommend renewal of the employee's contract, or to recommend a dismissal proceeding. The person who evaluated the employee or the employee's supervisor shall develop the action plan unless an assistance team or assessment team conducted the evaluation. If an assistance team or assessment team conducted the evaluation, that team shall develop the action plan in collaboration with the employee's supervisor. Action plans shall be designed to be completed within 90 instructional days or before the beginning of the next school year. The State Board shall develop guidelines that include strategies to assist in evaluating licensed personnel and developing effective action plans within the time allotted under this section. The State Board may adopt policies for the development and implementation of action plans or professional development plans for personnel who do not require action plans under this section.

(c) Reevaluation. – Upon completion of an action plan under subsection (b) of this section, the principal or the assessment team shall evaluate the employee a second time. If on the second evaluation the employee receives one unsatisfactory or more than one below standard rating on any function that is related to the employee's instructional duties, the principal shall recommend that the ~~employee with career status be dismissed or demoted under G.S. 115C-325, or that an employee on~~employee's contract not be ~~renewed~~ renewed, or if the employee engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the employee be dismissed or demoted under G.S. 115C-325.4. The results of the second evaluation shall constitute substantial evidence of the employee's inadequate performance.

...."

SECTION 9.7.(y) Subsections (a) through (n) of this section become effective July 1, 2014. Subsections (o) through (x) become effective June 30, 2018.

PART X. COMMUNITY COLLEGES

REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

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

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

CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

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

BASIC SKILLS PLUS

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

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

ENROLLMENT FUNDING

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

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

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

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

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

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

PERFORMANCE FUNDING

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

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

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

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

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

(1) Progress of basic skills students.

(2) ~~Passing rate for~~Attainment of General Educational Development (GED) ~~diploma examinations.~~diplomas by students.

(3) Performance of students who transfer to a four-year institution.

(4) Success ~~rates~~ of developmental students in subsequent college-level English courses.

(5) Success ~~rates~~ of developmental students in subsequent college-level math courses.

(5a) Progress of first-year curriculum students.

(6) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.

(7) Curriculum student retention and graduation.

(8) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.

(9) ~~Passing rate for~~Attainment of licensure and ~~certification examinations.~~certifications by students.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 10.5.(f) Beginning with the 2014-2015 fiscal year, the State Board of Community Colleges shall allocate three million three hundred thirty-three thousand three hundred thirty-three dollars ($3,333,333) of the Basic Skills block grant in accordance with G.S. 115D-31.3(g), as amended by this section.

REPEAL OF SENIOR CITIZEN TUITION WAIVER

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

STUDY OF THE APPROVAL PROCESS FOR MULTICAMPUS CENTERS

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

COOPERATION BY THE MANUFACTURING SOLUTIONS CENTER AND THE TEXTILE TECHNOLOGY CENTER

SECTION 10.8.(a) The General Assembly finds that the missions of both the Manufacturing Solutions Center at Catawba Valley Community College and the Textile Technology Center at Gaston College are to help North Carolina manufacturers create and maintain jobs and increase sales.

The Manufacturing Solutions Center accomplishes this mission by (i) enhancing and improving products through research and development; (ii) creating prototypes for new products; (iii) analyzing new materials to enhance structure; (iv) testing products for reliability and quality; (v) training personnel in Lean Manufacturing and Supply Chain strategies; (vi) providing a forum for rollout of new technologies; (vii) providing hands-on assistance to companies in the areas of international sales and government procurement; and (viii) advocating for industry.

The Textile Technology Center accomplishes this mission by (i) developing a world-class workforce for the textile industry in North Carolina; (ii) identifying and solving problems confronting the textile industry; and (iii) serving as a statewide center of excellence that serves all components of the textile industry.

SECTION 10.8.(b) The General Assembly further finds that the strategies of the Manufacturing Solutions Center and the Textile Technology Center are complementary and that cooperation by the Centers is in the best interest of the State; therefore, the General Assembly directs the Centers to work cooperatively whenever possible to maximize the State's ability to help North Carolina manufacturers create and maintain jobs and increase sales.

EXPAND INDUSTRIAL AND ENGINEERING TECHNOLOGIES EDUCATION TO FRESHMEN AND SOPHOMORE HIGH SCHOOL STUDENTS

SECTION 10.9.(a) G.S. 115D-20(4)a.2. reads as rewritten:

"**§ 115D-20. Powers and duties of trustees.**

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

...

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

a. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer courses through the following programs:

...

2. Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate or ~~diploma.~~ diploma and academic transition pathways for qualified freshmen and sophomore high school students that lead to a career technical education certificate or diploma in industrial and engineering technologies."

SECTION 10.9.(b) The Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee by October 1, 2014, and October 1, 2015, on freshmen and sophomore students served under G.S. 115D-20(4)a.2., as amended by subsection (a) of this section. The report shall include the number of and budget FTE for freshmen students and the number of and budget FTE for sophomore students.

STATE BOARD OF COMMUNITY COLLEGES MEETINGS

SECTION 10.10. G.S. 115D-2.1(g) reads as rewritten:

"(g) The State Board of Community Colleges shall meet at stated times established by the State Board, but not less frequently than ~~10~~eight times a year. The State Board of Community Colleges shall also meet with the State Board of Education and the Board of Governors of The University of North Carolina at least once a year to discuss educational matters of mutual interest and to recommend to the General Assembly such policies as are appropriate to encourage the improvement of public education at every level in this State; these joint meetings shall be hosted by the three Boards according to the schedule set out in G.S. 115C-11(b1). Special meetings of the State Board may be set at any regular meeting or may be called by the chairman. A majority of the qualified members of the State Board shall constitute a quorum for the transaction of business."

ACQUISITION BY COMMUNITY COLLEGES OF REAL PROPERTY BY LEASE PURCHASE

SECTION 10.11.(a) G.S. 115D-58.15 reads as rewritten:

"**§ 115D-58.15. Lease purchase and installment purchase contracts for ~~equipment.~~equipment and real property.**

(a) Authority. – ~~The~~ Notwithstanding any other provision of law to the contrary, the board of trustees of a community college may use lease purchase or installment purchase contracts to purchase or finance the purchase of equipment or real property as provided in this

section. A college shall not have more than five State-funded contracts in effect at any one time.

(b) Contract Approval. – Contracts for more than one hundred thousand dollars ($100,000) or for a term of more than three years shall be subject to review and approval as provided in this subsection. If the source of funds for payment of the obligation by the community college is intended to be local funds, the contract must be approved by resolution of the tax-levying authority, and the authority must acknowledge in writing its understanding that the community college may require appropriations from the tax-levying authority in order to meet the college's obligations under the contract. The tax-levying authority may in each fiscal year appropriate sufficient funds to meet the amounts to be paid during the fiscal year under the contract. The source of funds for lease purchase or installment purchase contracts for real property shall be local funds. If the source of funds for payment of the obligation by the community college is intended to be State funds, the contract must be approved by resolution of the State Board of Community Colleges. The State Board may in each fiscal year allocate sufficient funds to meet the amounts to be paid during the fiscal year under the contract.

(c) Local Government Commission. – A contract that is subject to approval by the tax-levying authority also shall be subject to approval by the Local Government Commission as provided in Article 8 of Chapter 159 of the General Statutes if the contract:

(1) Extends for five or more years from the date of the contract;

(2) Obligates the board of trustees to pay sums of money to another, regardless of whether the payee is a party to the contract; and

(3) Obligates the board of trustees to pay five hundred thousand dollars ($500,000) or more over the full term of the contract.

(d) Application of Section. – When determining whether a contract is subject to approval under this section the total cost of exercising an option to upgrade property shall be taken into consideration. The term of a contract shall include periods that may be added to the original term through the exercise of an option to renew or extend.

(e) Nonsubstitution Clause. – No contract entered into under this section may contain a nonsubstitution clause that restricts the right of a board of trustees to:

(1) Continue to provide a service or activity; or

(2) Replace or provide a substitute for any property financed or purchased by the contract.

(f) Nonappropriations Clause. – No deficiency judgment may be rendered against any board of trustees, any tax-levying authority, the State Board of Community Colleges, or the State of North Carolina in any action for breach of a contractual obligation authorized by this section. The taxing power of a tax-levying authority and the State is not and may not be pledged directly or indirectly to secure any moneys due under a contract authorized by this section."

SECTION 10.11.(b) G.S. 115D-20(11) reads as rewritten:

"(11) To enter into lease purchase and installment purchase contracts for equipment and real property under G.S. 115D-58.15."

CLARIFY EMPLOYEE ACADEMIC ASSISTANCE

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

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

REVISE TARGETED ASSISTANCE CRITERIA

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

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

(1) Students who ~~do not qualify for need-based assistance but who~~ enroll in low-enrollment programs that prepare students for high-demand ~~occupations, and~~occupations.

(2) Students with disabilities who have been referred by the Department of Health and Human Services, Division of Vocational ~~Rehabilitation~~ Rehabilitation, and are enrolled in a community college."

REPURPOSE OF FUNDS

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

SECTION 10.14.(b) The State Treasurer shall transfer all funds in Budget Codes 40520 and 40620 that are unencumbered as of July 1, 2013, except those funds to be transferred in accordance with subsection (a) of this section, to Budget Code 16800. Of the funds transferred to Budget Code 16800 under this subsection, the State Board of Community Colleges shall allocate those funds to community colleges under the equipment allocation formula for the 2013-2014 fiscal year in accordance with G.S. 115D-31(d).

PART XI. UNIVERSITIES

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 11.1.(a) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of sixty-four million two hundred eighty-seven thousand two hundred forty-two dollars ($64,287,242) for the 2013-2014 fiscal year and the sum of thirty-seven million two hundred eighty-seven thousand two hundred forty-two dollars ($37,287,242) for the 2014-2015 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program.

SECTION 11.1.(b) There is appropriated from the Escheat Fund income to the State Board of Community Colleges the sum of fifteen million two hundred forty-six thousand three hundred seventy-three dollars ($15,246,373) for the 2013-2014 fiscal year and the sum of sixteen million three hundred thirty-five thousand dollars ($16,335,000) for the 2014-2015 fiscal year to be used for community college grants.

SECTION 11.1.(c) There is appropriated from the Escheat Fund income to the Department of Administration, Division of Veterans Affairs, the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for the 2013-2014 fiscal

year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for the 2014-2015 fiscal year to be used for need-based student financial aid.

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

SECTION 11.1.(e) The State Education Assistance Authority shall perform all of the administrative functions necessary to implement this program of financial aid. The SEAA shall conduct periodic evaluations of expenditures of the scholarship programs to determine if allocations are utilized to ensure access to institutions of higher learning and to meet the goals of the respective programs. SEAA may make recommendations for redistribution of funds to The University of North Carolina, Department of Administration, and the President of the Community College System regarding their respective scholarship programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

SECTION 11.1.(f) G.S. 116B-7(a) reads as rewritten:

"(a) The income derived from the investment or deposit of the Escheat Fund shall be distributed annually on or before ~~July 15~~ August 15 to the State Education Assistance Authority for grants and loans to aid worthy and needy students who are residents of this State and are enrolled in public institutions of higher education in this State. Such grants and loans shall be made upon terms, consistent with the provisions of this Chapter, pursuant to which the State Education Assistance Authority makes grants and loans to other students under G.S. 116-201 to 116-209.23, Article 23 of Chapter 116 of the General Statutes, policies of the Board of Governors of The University of North Carolina regarding need-based grants for students of The University of North Carolina, and policies of the State Board of Community Colleges regarding need-based grants for students of the community colleges."

UNC NEED-BASED FINANCIAL AID FORWARD FUNDING RESERVE/PROVIDE FUNDS FOR UNC NEED-BASED GRANTS

SECTION 11.2.(a) It is the intent of the General Assembly to move the UNC Need-Based Financial Aid Program grant funding into a reserve in the North Carolina Student Loan Fund designated for that purpose so that funds appropriated for grants in a fiscal year are awarded to students for the following academic year. This change will provide additional program stability.

SECTION 11.2.(b) The UNC Need-Based Financial Aid Forward Funding Reserve is established as a reserve in the North Carolina Student Loan Fund. The funds in the UNC Need-Based Financial Aid Forward Funding Reserve shall be held in reserve for the 2013-2014 fiscal year and, beginning with the 2014-2015 fiscal year, shall be used to fund grants from the UNC Need-Based Financial Aid Program for the 2014-2015 program year and each subsequent program year.

SECTION 11.2.(c) Section 6.11(e) of this act appropriates funds from the Education Lottery Fund in the amount of fifty-five million one hundred twenty-eight thousand six hundred twenty dollars ($55,128,620) for the 2013-2014 fiscal year to the UNC Need-Based Financial Aid Forward Funding Reserve. The following funds shall also be transferred to the UNC Need-Based Financial Aid Forward Funding Reserve (Reserve):

(1) The sum of fifty-nine million eight hundred fifty-nine thousand five hundred sixty-two dollars ($59,859,562) shall be transferred from the North Carolina Student Loan Fund to the Reserve.

(2) Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2013-2015 fiscal biennium, the sum of three million four hundred seventy-five thousand five hundred thirty-eight dollars ($3,475,538) for the 2013-2014 fiscal year and the sum of three million four hundred fifty-four thousand six hundred fifty-six dollars ($3,454,656) for the 2014-2015 fiscal year shall be transferred to the Reserve.

(3) Notwithstanding G.S. 115C-269.2, the sum of three million five hundred twenty-five thousand dollars ($3,525,000) shall be transferred from the fund balance of the National Board Certification Loan program to the Reserve.

(4) The sum of five hundred thousand dollars ($500,000) shall be transferred from the John B. McLendon Scholarship Fund established in G.S. 116-209.40 to the Reserve.

SECTION 11.2.(d) There is appropriated from the Escheat Fund for the 2013-2014 fiscal year to the UNC Need-Based Financial Aid Forward Funding Reserve the sum of one million eighty-eight thousand six hundred twenty-seven dollars ($1,088,627).

SECTION 11.2.(e) G.S. 116-209.40 is repealed.

COORDINATED RESIDENCY DETERMINATION PROCESS

SECTION 11.3.(a) The General Assembly finds that it is in the best interest of the State for the University System, the Community College System, and the State Education Assistance Authority to apply the criteria in G.S. 116-143.1 to determine residency for tuition purposes in a coordinated and similar manner. Therefore, The University of North Carolina, the North Carolina Community College System, and the State Education Assistance Authority shall jointly develop and implement a coordinated and centralized process to be used by those three entities when determining the residency for tuition purposes of students who apply for admission and are admitted to a constituent institution of The University of North Carolina or a community college under the jurisdiction of the State Board of Community Colleges and for private college students receiving State-funded financial aid. In developing a centralized residency determination process, The University of North Carolina General Administration, the North Carolina Community College System, and the State Education Assistance Authority shall consult with the North Carolina Independent Colleges and Universities.

SECTION 11.3.(b) No later than January 1, 2014, The University of North Carolina, the North Carolina Community College System, and the State Education Assistance Authority shall report to the Joint Legislative Education Oversight Committee regarding the progress in developing and implementing a coordinated and centralized process and any necessary statutory changes.

IMPLEMENT TUITION SURCHARGE STUDY RECOMMENDATIONS

SECTION 11.4.(a) G.S. 116-143.7 reads as rewritten:

"**§ 116-143.7. Tuition surcharge.**

(a) The Board of Governors of The University of North Carolina shall impose a fifty percent (50%) tuition surcharge on students who take more than 140 degree credit hours to complete a baccalaureate degree in a four-year program or more than one hundred ten percent (110%) of the credit hours necessary to complete a baccalaureate degree in any program officially designated by the Board of Governors as a five-year program. ~~Courses and credit hours taken include those taken at that constituent institution or accepted for transfer.~~ Courses and credit hours that count toward the surcharge include those taken at that constituent

institution and those taken at either another constituent institution or a community college established pursuant to G.S. 115D-4 and accepted for transfer. In calculating the number of degree credit hours taken:

(1) Included are courses that a student:
  a. Fails.
  b. Does not complete unless the course was officially dropped by the student pursuant to the academic policy of the appropriate constituent institution.

(2) Excluded are credit hours earned through:
  a. The College Board's Advanced Placement Program, CLEP examinations, or similar programs.
  b. Institutional advanced placement, course validation, or any similar procedure for awarding course credit.
  c. Summer term or extension programs.
  d. Courses and credit hours transferred and accepted for credit from an institution of higher education that is not a constituent institution or a community college established pursuant to G.S. 115D-4.

(b) No surcharge shall be imposed on any student who exceeds the degree credit hour limits within the equivalent of four academic years of regular term enrollment or within five academic years of regular term enrollment in a degree program officially designated by the Board of Governors as a five-year program.

(c) Upon application by a student, the tuition surcharge shall be waived if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship. The Board of Governors shall establish the appropriate procedures to implement the waiver provided by this subsection.

(d) Each constituent institution shall implement procedures to notify students regarding the tuition surcharge and to provide appropriate advance notice to a student when the student is approaching the credit hour limit regarding the tuition surcharge. The procedures shall comply with the tuition surcharge notification principles established by the Board of Governors."

SECTION 11.4.(b) G.S. 116-11 is amended by adding a new subdivision to read:

"(7a) The Board of Governors shall develop a uniform core set of notification principles regarding the tuition surcharge, including a process for each campus to notify students at orientation and through each semester's tuition statements and a process to provide appropriate advance notification to a student when the student is approaching the credit hour limit regarding the tuition surcharge. The Board of Governors shall direct each constituent institution to implement these procedures."

SECTION 11.4.(c) This section applies to the 2013 fall academic semester and each subsequent academic semester.

UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 11.5.(a) The management flexibility reduction for The University of North Carolina shall not be allocated by the Board of Governors to the constituent institutions and affiliated entities using an across-the-board method but in a manner that recognizes the importance of the academic missions and differences among The University of North Carolina entities.

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

(1) Reducing State funding for centers and institutes, speaker series, and other nonacademic activities.

(2) Faculty workload adjustments.
(3) Restructuring of research activities.
(4) Implementing cost-saving span of control measures.
(5) Reducing the number of senior and middle management positions.
(6) Eliminating low-performing, redundant, or low-enrollment programs.
(7) Using alternative funding sources.
(8) Protecting direct classroom services.

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

SECTION 11.5.(b) In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2013-2015 biennium to any of the following:

(1) UNC Need-Based Financial Aid.
(2) North Carolina Need-Based Scholarship.
(3) Any special responsibility constituent institution which has been granted a basic type designation of "Special Focus Institution" under the Carnegie Classification of Institutions of Higher Education.
(4) Any special responsibility constituent institution which has been granted a basic type designation of "Baccalaureate Colleges–Arts & Sciences" under the Carnegie Classification of Institutions of Higher Education.
(5) Any constituent high school of The University of North Carolina.

SECTION 11.5.(c) The University of North Carolina shall report on the implementation of the management flexibility reduction in subsection (a) of this section to the Office of State Budget and Management and the Fiscal Research Division no later than October 1, 2013. This report shall identify both of the following by campus:

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

UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS

SECTION 11.6.(a) G.S. 116-11 is amended by adding a new subdivision to read:

"(9a) The Board of Governors shall report to the Joint Legislative Education Oversight Committee and the Office of State Budget and Management by March 1 of each year regarding the sum of facilities and administrative fees and overhead receipts for The University of North Carolina that are collected and expended by each constituent institution. The report shall include all of the following information:

a. The collection of facilities and administrative fees and overhead receipts by line item and by grant or program.
b. The use of facilities and administrative fees and overhead receipts showing line item expenditures by grant or program.
c. The sum of facilities and administrative fees and overhead receipts collected or expended by each constituent institution for maintenance and operation of facilities that were constructed with or at any time operated by funds from the General Fund."

SECTION 11.6.(b) Section 31.14 of S.L. 2001-424 is repealed.

STUDENT CHARGES AT THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATH

SECTION 11.7.(a) G.S. 116-40.22 reads as rewritten:

"**§ 116-40.22. Management flexibility.**

...

(c) Tuition and Fees. – Notwithstanding any provision in Chapter 116 of the General Statutes to the contrary, in addition to any tuition and fees set by the Board of Governors pursuant to G.S. 116-11(7), the Board of Trustees of the institution may recommend to the Board of Governors tuition and fees for program-specific and institution-specific needs at that institution without regard to whether an emergency situation exists and not inconsistent with the actions of the General Assembly. Any tuition and fees set pursuant to this subsection are appropriated for use by the institution. Notwithstanding this subsection, neither the Board of Governors of The University of North Carolina nor its Board of Trustees shall impose any tuition or mandatory fee at the North Carolina School of Science and Mathematics without the approval of the General ~~Assembly.~~Assembly, except as provided in subsection (e) of this section.

...

(e) The Board of Governors of The University of North Carolina may approve, upon the recommendation of the Board of Trustees of the North Carolina School of Science and Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for distance education services provided by the North Carolina School of Science and Mathematics to nonresidents and for students participating in extracurricular enrichment programs sponsored by the School."

SECTION 11.7.(b) G.S. 116-143 reads as rewritten:

"**§ 116-143. State-supported institutions of higher education required to charge tuition and fees.**

...

(b) In the event that said students are unable to pay the cost of tuition and required academic fees as the same may become due, in cash, the said several boards of trustees are hereby authorized and empowered, in their discretion, to accept the obligation of the student or students together with such collateral or security as they may deem necessary and proper, it being the purpose of this Article that all students in State institutions of higher learning shall be required to pay tuition, and that free tuition is hereby abolished. Notwithstanding this section, neither the Board of Governors of The University of North Carolina nor its Board of Trustees shall impose any tuition or mandatory fee at the North Carolina School of Science and Mathematics without the approval of the General ~~Assembly.~~Assembly, except as provided in subsection (e) of this section.

...

(e) The Board of Governors of The University of North Carolina may approve, upon the recommendation of the Board of Trustees of the North Carolina School of Science and Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for distance education services provided by the North Carolina School of Science and Mathematics to nonresidents and for students participating in extracurricular enrichment programs sponsored by the School."

SECTION 11.7.(c) This section applies to the 2013-2014 spring academic semester and each subsequent academic semester.

STUDENT CHARGES AT THE UNC SCHOOL OF THE ARTS

SECTION 11.8.(a) Article 4 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-68.1. Fees.**

The Board of Governors of The University of North Carolina may set fees, not inconsistent with the actions of the General Assembly, to be paid by in-State high school students enrolled at the University of North Carolina School of the Arts to assist with expenses of the institution. The Board of Trustees may recommend to the Board of Governors of The University of North Carolina that fees be set, not inconsistent with actions of the General Assembly, to be paid by in-State high school students enrolled at the University of North Carolina School of the Arts to assist with expenses of the institution. The University of North Carolina School of the Arts may charge and collect fees established as provided by this section from in-State high school students enrolled at the University of North Carolina School of the Arts."

SECTION 11.8.(b) This section applies to the 2014-2015 academic year and each subsequent academic year.

AUTHORIZE STATE EDUCATION ASSISTANCE AUTHORITY TO CONTINUE TO COLLECT NORTH CAROLINA TEACHING FELLOWS REPAYMENTS

SECTION 11.9. Subsection (b) of Section 1.38 of S.L. 2011-266 is repealed.

UNC DISPOSITION AND ACQUISITION OF REAL PROPERTY

SECTION 11.10.(a) G.S. 116-198.34(5) reads as rewritten:

"(5) To acquire, hold, lease, and dispose of real and personal property in the exercise of its powers and the performance of its duties hereunder and to lease all or any part of any project or projects and any existing facilities upon such terms and conditions as the Board determines, subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes.

Notwithstanding G.S. 143-341 and Chapter 146 of the General Statutes, an acquisition or a disposition by easement, lease, or rental agreement of real property or space in any building on the Centennial Campus, on the Horace Williams Campus, on a Millennial Campus, or on a Kannapolis Research Campus made for a period of ~~10~~ 25 years or less shall not require the approval of the Governor and the Council of State. All other acquisitions and dispositions made under this subdivision for a period in excess of ~~10~~ 25 years are subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes."

SECTION 11.10.(b) This section becomes effective July 1, 2013, and expires June 30, 2015.

UNC CAMPUS HOUSING

SECTION 11.11.(a) Part 3 of Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-40.11. Prohibit assignment of members of the opposite sex to same dormitory room, suite, or campus apartment.**

Notwithstanding any other provision of law, The University of North Carolina shall prohibit the assignment of members of the opposite sex to the same dormitory room, dormitory suite, or campus apartment unless the students are siblings, they are parent and child, or they are legally married and there is a valid marriage license on file at the campus housing office that documents the marriage."

SECTION 11.11.(b) This section applies to housing assignments for the 2013 fall semester and each subsequent semester.

UNC/WAKE FOREST INSTITUTE FOR REGENERATIVE MEDICINE/PROFIT SHARING WITH STATE

SECTION 11.12.(a) Of the funds appropriated by this act for the 2013-2015 fiscal biennium to the Board of Governors of The University of North Carolina the sum of seven million dollars ($7,000,000) for the 2013-2014 fiscal year and the sum of seven million dollars ($7,000,000) for the 2014-2015 fiscal year shall be allocated to Wake Forest University Health Sciences (hereinafter "Wake Forest") in support of the Wake Forest Institute for Regenerative Medicine (hereinafter "Institute") and its Department of Defense Armed Forces Institute for Regenerative Medicine and current good manufacturing practices (cGMP) facility.

SECTION 11.12.(b) Wake Forest shall reimburse the State for State funds appropriated for the Institute under subsection (a) of this section and in prior fiscal years by returning to the State five percent (5%) of the royalty revenue received by the Institute from commercialized projects arising under those research projects supported by the State funds, either through direct research support or through substantial utilization of the cGMP facility not reimbursed through other funds ("Subject Projects"). Royalty revenue reimbursed to the State shall be subject to all of the following:

(1) The total amount to be reimbursed to the State shall be limited to the aggregate amount of State funds allocated to Wake Forest for the Institute plus simple interest at the rate of four percent (4%) annually from the time of disbursement until reimbursement commences.

(2) Wake Forest shall be entitled to deduct the expenses reasonably incurred in prosecuting, defending, and enforcing patent rights for the Subject Projects, except to the extent the expenses are recovered from a third party, before calculating the amount to be paid to the State.

(3) Calculation of the payments to the State shall be based upon the formula provided in subsection (c) of this section.

(4) Payments shall be made to the State and used by the State in a manner consistent with federal law.

SECTION 11.12.(c) Wake Forest on behalf of the Institute shall annually calculate and remit reimbursement payments to the State based upon the following formula:

(1) Payments to the State shall be based on that share of royalty revenue proportional to the State funds used for the Subject Project, which shall be calculated as the ratio of State funds to total funds used to support the Subject Project, based on budgets developed consistent with federal research funding accounting guidelines and including the fair market value of unreimbursed cGMP facility utilization.

(2) Wake Forest shall calculate net royalty revenue on a Subject Project-by-Subject-Project basis by deducting any expenses authorized under subsection (b)(2) of this section from the total royalty revenue received from the Subject Project.

(3) Wake Forest shall multiply net royalty revenue by the support ratio calculated in subsection (c)(1) of this section and then multiply the product by five percent (5%) to determine the State royalty share ("State Royalty Share").

(4) The State Royalty Share shall be remitted to the State unless the cumulative State Royalty Share payments have satisfied the total aggregate amount to be reimbursed as provided in subsection (b)(1) of this section.

SECTION 11.12.(d) Wake Forest on behalf of the Institute shall comply with the following reporting requirements:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Board of Governors of The University of North Carolina on prior State fiscal year program activities, objectives, and

accomplishments and prior State fiscal year itemized expenditures and fund sources. The annual report shall include a report of royalty revenues generated from the Subject Projects.

(2) Provide to the Fiscal Research Division a copy of the Institute's annual audited financial statement within 30 days of issuance of the statement.

SECTION 11.12.(e) Remaining allotments after September 1 shall not be released to the Institute if the reporting requirements provided in subsection (d) of this section are not satisfied.

SECTION 11.12.(f) No more than one hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one employee of the Institute. For purposes of this subsection, the term "State funds" means funds appropriated by the State to the Institute and interest earned on those funds.

SECTION 11.12.(g) No State funds shall be used by the Institute (i) to hire or facilitate the hiring of a lobbyist or any person performing the duties or activities of a lobbyist, without regard to the person's title; or (ii) to facilitate any lobbying efforts.

UNC/STRATEGIC PLAN FUNDS

SECTION 11.13. Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2013-2015 fiscal biennium, the Board of Governors may spend a sum of up to fifteen million dollars ($15,000,000) for the 2013-2014 fiscal year and a sum of up to fifteen million dollars ($15,000,000) for the 2014-2015 fiscal year to implement provisions of The University of North Carolina Strategic Plan as set out in the report "Our Time, Our Future: The University of North Carolina Compact with North Carolina."

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

DEPARTMENT FLEXIBILITY TO ACHIEVE DEPARTMENTAL PRIORITIES AND ENHANCE FISCAL OVERSIGHT AND ACCOUNTABILITY.

SECTION 12A.1.(a) Notwithstanding any other provision of law and consistent with the intent of G.S. 143B-10, the Secretary of the Department of Health and Human Services may reorganize positions and related operational costs within the Department (i) upon a demonstration by the Department of cost-effectiveness and (ii) after approval by the Office of State Budget and Management (OSBM) of a written proposal submitted by the Department to OSBM. Proposals submitted to OSBM under this section shall, at a minimum, identify the positions involved and the strategies to be implemented in order to achieve efficiencies.

SECTION 12A.1.(b) Notwithstanding G.S. 143C-6-4 and in order to enhance fiscal oversight and accountability, the Secretary of the Department of Health and Human Services may realign existing resources to expand its internal audit capacity. The Secretary may, with the approval of OSBM, identify up to 32 existing positions for this purpose. The expanded Office of Internal Audit shall provide the Department's management personnel with independent reviews and analyses of various functions and services within the Department, including operational audits, performance audits, compliance audits, financial audits, and other special reviews. Any realignment of resources and positions pursuant to this subsection is subject to the prior approval of OSBM.

SECTION 12A.1.(c) By no later than June 30, 2014, the Department shall report any actions undertaken pursuant to this section to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report shall, at a minimum, identify the positions involved and the strategies implemented to achieve efficiencies, to expand internal audit capacity, or both.

COMPETITIVE GRANTS PROCESS FOR NONPROFIT FUNDING

SECTION 12A.2.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Office of the Secretary, the sum of nine million five hundred twenty-nine thousand one hundred thirty-four dollars ($9,529,134) for the 2013-2014 fiscal year and the sum of five million two hundred seventy-three thousand eight hundred thirty-five dollars ($5,273,835) appropriated in Section 12J.1 of this act for the 2013-2014 fiscal year shall be used to implement a request for application (RFA) process to allow non-State entities to apply for and receive State funds on a competitive basis.

SECTION 12A.2.(b) The Office of the Secretary shall administer grants awarded to non-State entities pursuant to this section and shall require non-State entities to match ten percent (10%) of the total amount of the grant. The Office of the Secretary shall prioritize grant awards to those non-State entities that are able to leverage non-State funds in addition to the grant award.

SECTION 12A.2.(c) Grants shall be awarded to non-State entities dedicated to providing services statewide and supporting any of the following State health and wellness initiatives:

(1) A program targeting advocacy, support, education, or residential services for persons diagnosed with autism.
(2) A comprehensive program of education, advocacy, and support related to brain injury and those affected by brain injury.
(3) A system of residential supports for those afflicted with substance abuse addiction.
(4) A program of advocacy and supports for individuals with intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly.
(5) Supports and services to children and adults with developmental disabilities or mental health diagnoses.
(6) A food distribution system for needy individuals.
(7) The provision and coordination of services for the homeless.
(8) The provision of maternity and high-risk pregnancy services.
(9) The provision of services for individuals aging out of foster care.
(10) Programs promoting wellness, physical activity, and health education programming for North Carolinians.
(11) A program focused on enhancing vision screening through the State's public school system.
(12) Provision for the delivery of after-school services for at-risk youth.
(13) The provision of direct services for amyotrophic lateral sclerosis (ALS) and those diagnosed with the disease.

SECTION 12A.2.(d) The Department shall submit a written report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the use of these funds no later than April 1, 2014. The report shall include at least all of the following:

(1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.
(2) The amount of funding awarded to each grantee.
(3) The number of persons served by each grantee, broken down by program or initiative.

SECTION 12A.2.(e) Funds received by the Department of Health and Human Services pursuant to this section shall supplement and not supplant existing funds for health and wellness programs and initiatives.

HEALTH INFORMATION TECHNOLOGY

SECTION 12A.3.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer, shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The Department's goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities does so within the area of its greatest expertise and technical capability and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

(1) Ensuring that patient health information is secure and protected, in accordance with applicable law.

(2) Improving health care quality, reducing medical errors, reducing health disparities, and advancing the delivery of patient-centered medical care.

(3) Providing appropriate information to guide medical decisions at the time and place of care.

(4) Ensuring meaningful public input into HIT infrastructure development.

(5) Improving the coordination of information among hospitals, laboratories, physicians' offices, and other entities through an effective infrastructure for the secure and authorized exchange of health care information.

(6) Improving public health services and facilitating early identification and rapid response to public health threats and emergencies, including bioterrorist events and infectious disease outbreaks.

(7) Facilitating health and clinical research.

(8) Promoting early detection, prevention, and management of chronic diseases.

SECTION 12A.3.(b) The Department of Health and Human Services shall establish and direct an HIT management structure that is efficient and transparent and that is compatible with the Office of the National Health Coordinator for Information Technology (National Coordinator) governance mechanism. The HIT management structure shall be responsible for all of the following:

(1) Developing a State plan for implementing and ensuring compliance with national HIT standards and for the most efficient, effective, and widespread adoption of HIT.

(2) Ensuring that (i) specific populations are effectively integrated into the State plan, including aging populations, populations requiring mental health services, and populations utilizing the public health system, and (ii) unserved and underserved populations receive priority consideration for HIT support.

(3) Identifying all HIT stakeholders and soliciting feedback and participation from each stakeholder in the development of the State plan.

(4) Ensuring that existing HIT capabilities are considered and incorporated into the State plan.

(5) Identifying and eliminating conflicting HIT efforts where necessary.

(6) Identifying available resources for the implementation, operation, and maintenance of health information technology, including identifying resources and available opportunities for North Carolina institutions of higher education.

(7) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.

(8) Monitoring HIT efforts and initiatives in other states and replicating successful efforts and initiatives in North Carolina.

(9) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.

(10) Monitoring the progress and recommendations of the HIT Policy and Standards Committee and ensuring that all stakeholders remain informed of the Committee's recommendations.

(11) Monitoring all studies and reports provided to the United States Congress and reporting to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the impact of report recommendations on State efforts to implement coordinated HIT.

SECTION 12A.3.(c) Section 10.24(c) of S.L. 2011-145 reads as rewritten:

"**SECTION 10.24.(c)** ~~Beginning October 1, 2011, the Department of Health and Human Services shall provide quarterly written reports~~By no later than January 15, 2015, the Department of Health and Human Services shall provide a written report on the status of HIT efforts to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The ~~reports due each January 1 and July 1 shall consist of updates to substantial initiatives or challenges that have occurred since the most recent comprehensive report. The reports due each October 1 and April 1~~report shall be comprehensive and shall include all of the following:

(1) Current status of federal HIT initiatives.

(2) Current status of State HIT efforts and initiatives among both public and private entities.

(3) A breakdown of current public and private funding sources and dollar amounts for State HIT initiatives.

(4) Department efforts to coordinate HIT initiatives within the State and any obstacles or impediments to coordination.

(5) HIT research efforts being conducted within the State and sources of funding for research efforts.

(6) Opportunities for stakeholders to participate in HIT funding and other efforts and initiatives during the next quarter.

(7) Issues associated with the implementation of HIT in North Carolina and recommended solutions to these issues."

FUNDS FOR REPLACEMENT MEDICAID MANAGEMENT INFORMATION SYSTEM/IMPLEMENTATION OF REPLACEMENT MMIS

SECTION 12A.4.(a) The Secretary of the Department of Health and Human Services may utilize prior year earned revenue received for the replacement MMIS in the amount of nine million six hundred fifty-eight thousand one hundred fifty-two dollars ($9,658,152) for the 2013-2014 fiscal year and in the amount of one million six hundred sixty-six thousand six hundred twenty-five dollars ($1,666,625) for the 2014-2015 fiscal year. In the event the Department does not receive prior year earned revenues in the amounts authorized by this section, or funds are insufficient to advance the project, the Department may, with prior approval from the Office of State Budget and Management (OSBM), utilize overrealized receipts and funds appropriated to the Department to achieve the level of funding specified in this section for the replacement MMIS.

SECTION 12A.4.(b) The Department shall make full development of the replacement MMIS a top priority. During development and implementation of the replacement MMIS, the Department shall develop plans to ensure the timely and effective implementation of enhancements to the system to provide the following capabilities:

(1) Receiving and tracking premiums or other payments required by law.

(2) Compatibility with the Health Information System.

SECTION 12A.4.(c) The Department shall make every effort to expedite the implementation of the enhancements. The replacement MMIS shall have the capability to fully implement the administration of NC Health Choice, Ticket to Work, CAP Children's Program, all relevant Medicaid waivers, and the Medicare 646 waiver as it applies to Medicaid eligibles.

SECTION 12A.4.(d) The Office of the State Chief Information Officer (SCIO) and the Office of Information Technology Services (ITS) shall work in cooperation with the Department to ensure the timely and effective implementation of the replacement MMIS and any enhancements. The SCIO shall ensure that the replacement MMIS meets all State requirements for project management and shall immediately report any failure to meet these requirements to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. The SCIO shall also immediately report if any replacement MMIS project, or portion of a project, is listed as red in the project portfolio management tool.

SECTION 12A.4.(e) Notwithstanding G.S. 114-2.3, the Department shall consult with the Office of the SCIO concerning the retention of private counsel for the replacement MMIS, and as directed by the Office of the SCIO, retain private counsel with expertise in pertinent information technology and computer law to negotiate and review contract amendments associated with the replacement MMIS. The private counsel engaged by the Department shall review the replacement MMIS contract amendments between the Department and the vendors to ensure that the requirements of subsection (c) of this section are met in their entirety and that the terms of the contract amendments are in the State's best interest.

SECTION 12A.4.(f) The Department shall immediately report any changes to the replacement MMIS implementation schedules to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management, with a full explanation of the reason for the change and any associated costs.

SECTION 12A.4.(g) The Department shall provide the following reports on the replacement MMIS by the dates specified in this subsection to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management:

(1) By no later than August 1, 2013, a progress report on full implementation of the replacement MMIS, which shall include at least all of the following:

a. An updated estimate of the costs associated with operating and maintaining the system during the 2013-2014 fiscal year and during the 2014-2015 fiscal year, with an explanation for any changes from previous submissions.

b. Any issues encountered following the "go-live" date of July 1, 2013, how each issue was resolved, any cost associated with the resolution of each issue, and the source of funding for the associated cost.

c. Any system requirements for manual workarounds, any cost associated with these system requirements, the source of funding used to pay for the associated cost, the time line for implementing an automated solution for each manual workaround, the cost associated with transitioning to each automated solution, and the source of funding for each identified cost.

d. A comparison of timeliness and accuracy of payments for legacy system and replacement system transactions, using the same criteria for both.

e. Required capabilities that are not available in the replacement MMIS on the "go-live" date of July 1, 2013, with a date for the implementation of each, as well as any cost associated with implementation.

(2) By no later than September 1, 2013, a plan for the elimination of the Office of Medicaid Management Information System Services (OMMISS) and the transfer of its remaining operations to other Divisions within the Department of Health and Human Services. This plan shall include at least all of the following:

a. The specific operations to be transferred to other Divisions within the Department, the specific Division to which each operation will be transferred, the State personnel that will be impacted by each transfer, costs associated with each transfer, and sources of funding to enable the identified Divisions to assume these transferred operations.

b. Any State personnel costs that will result from the dissolution of OMMISS, including the costs of any severance payments and any compensatory time earned during the course of the project, broken down by employee; and any identified sources of funding to pay for these personnel costs.

c. A plan for transitioning out of the space currently leased by the State for OMMISS, costs associated with this transition, and any savings that will result from the transition.

(3) By no later than October 1, 2013, a preliminary report on the Department's plan for achieving system certification, which shall include at least all of the following:

a. A description of the process.

b. A detailed time line.

c. Any issues that could impact the timing of system certification and plans to mitigate identified issues.

d. Any costs associated with system certification.

e. Any identified funding sources to pay for costs associated with system certification.

SECTION 12A.4.(h) The Department shall complete the Reporting and Analytics Project solution simultaneously with the implementation of the replacement MMIS.

SECTION 12A.4.(i) Notwithstanding any other provision of law and to the extent permitted by federal law, the Department shall not approve any overtime or compensatory time related to the replacement MMIS after the replacement MMIS "go-live" date of July 1, 2013, without the prior written approval of the Office of State Personnel for each specific instance of overtime or compensatory time.

SECTION 12A.4.(j) Beginning when the replacement MMIS is fully implemented, the Department shall require all Medicaid claim adjudication to be performed by the replacement MMIS, including all Medicaid claim adjudication performed by entities under contract with the Department. The Department may charge entities under contract with the Department a fee not to exceed the amount necessary to cover the full operating cost of Medicaid claim adjudication performed by the replacement MMIS.

FRAUD DETECTION THROUGH NORTH CAROLINA ACCOUNTABILITY AND COMPLIANCE TECHNOLOGY SYSTEM

SECTION 12A.5. The Department of Health and Human Services shall integrate with and leverage the State's enterprise-level fraud detection system operated by the North

Carolina Financial Accountability and Compliance Technology System (NC FACTS) in an effort to detect and prevent potential fraud, waste, and improper payments. Integration shall involve the following information technology systems:

(1) Medicaid Management Information System (MMIS).
(2) North Carolina Child Treatment Program (NC CTP) State-funded secure database.
(3) North Carolina Families Accessing Services through Technology (NC FAST).

FUNDING FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST); REPORT ON ELIGIBILITY DETERMINATIONS FOR THE EXCHANGE

SECTION 12A.6.(a) Funds appropriated in this act in the amount of eight hundred sixty-four thousand six hundred fifty-five dollars ($864,655) for State fiscal year 2014-2015 along with the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families Accessing Services through Technology (NC FAST) project shall be used to match federal funds in fiscal years 2013-2014 and 2014-2015 to expedite the development and implementation of the Eligibility Information System (EIS), Child Care, Low Income Energy Assistance, and Crisis Intervention Programs, and Child Service components of the NC FAST project.

SECTION 12A.6.(b) The Department of Health and Human Services shall report on NC FAST's performance in providing eligibility determinations for Medicaid applicants on the federally facilitated Health Benefit Exchange, a required function of NC FAST directed by Section 2 of S.L. 2013-5. The report shall contain a description of the following:

(1) Funding sources, funding amounts, and expenditures for the project beginning in fiscal year 2012-2013 through the time of the report.
(2) Any challenges with the eligibility determination project and how NC FAST solved those challenges.
(3) The number of eligibility determinations performed for applicants on the federally facilitated Health Benefit Exchange, including an analysis of on what days and for how many persons eligibility determinations were performed as well as how many applicants were determined to be eligible.

The Department shall submit a report to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Oversight Committee on Information Technology three months after open enrollment begins for the federally facilitated Health Benefit Exchange.

LIABILITY INSURANCE

SECTION 12A.7. Article 31 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"**§ 58-31-26. Medical liability insurance for certain physicians and dentists.**

(a) The Secretary of the Department of Health and Human Services and the Secretary of the Department of Public Safety may provide medical liability insurance not to exceed one million dollars ($1,000,000) per incident on behalf of employees of these Departments who are licensed to practice medicine or dentistry; on behalf of all licensed physicians who are faculty members of The University of North Carolina who perform work on a contractual basis for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs; and on behalf of physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. This coverage may include commercial insurance or self-insurance and shall cover these individuals for their acts or omissions only

while they are engaged in providing medical and dental services pursuant to their State employment or training.

(b) The coverage provided pursuant to this section shall not cover any individual for any act or omission that the individual knows or reasonably should know constitutes a violation of the applicable criminal laws of any state or the United States, or that arises out of any sexual, fraudulent, criminal, or malicious act or out of any act amounting to willful or wanton negligence.

(c) The coverage provided pursuant to this section shall not require any additional appropriations and, except as provided in subsection (a) of this section, shall not apply to any individual providing contractual service to the Department of Health and Human Services or the Department of Public Safety."

ELIMINATE UNNECESSARY AND REDUNDANT REPORTS

SECTION 12A.8.(a) Eliminate Outcomes Evaluation Study on the Effectiveness of Substance Abuse Services Provided to Person Convicted of DWI. – G.S. 122C-142.1(j) is repealed.

SECTION 12A.8.(b) Eliminate Evaluation of Efficiency and Effectiveness of Family Resource Center Grant Program. – G.S. 143B-152.15(b) is repealed.

SECTION 12A.8.(c) Eliminate Annual Report on Progress of MH/DD/SAS State Plan. – G.S. 122C-102(c) is repealed.

SECTION 12A.8.(d) Eliminate Annual Report on North Carolina State Plan on Healthcare Associated Infections. – G.S. 130A-150(e) is repealed.

SECTION 12A.8.(e) Eliminate Annual Report on The Health Insurance Program for Children. – G.S. 108A-70.27(b) is repealed.

SECTION 12A.8.(f) Eliminate Annual Report by State Child Fatality Review Team. – G.S. 143B-150.20(h) is repealed.

SECTION 12A.8.(g) Forgiveness of Late Reports. – Notwithstanding any other provision of law, unless otherwise required in this act, the Department of Health and Human Services is not required to submit any report due on or before January 6, 2013, to the General Assembly; to any committee, commission, subcommittee, task force, or division of the General Assembly; or to any other department, unit, or subdivision of State government, if the Department has not already submitted the report prior to July 1, 2013. This subsection shall not be construed to eliminate any reports due from the Department after January 6, 2013, except as otherwise provided by law.

CANCER COORDINATION REPORTING

SECTION 12A.9. G.S. 130A-33.51(b) reads as rewritten:

"(b) The Committee shall submit a written report not later than May 1, 1994, and not later than October 1 of each subsequent year, to ~~the Governor and to the Joint Legislative Commission on Governmental Operations.~~ the Secretary. The report shall address the progress in implementation of a cancer control program. The report shall include an accounting of funds expended and anticipated funding needs for full implementation of recommended programs."

MEETINGS OF CANCER COORDINATION COMMITTEE

SECTION 12A.10. G.S. 130A-33.50(b) reads as rewritten:

"(b) The Committee shall have up to 34 members, including the Secretary of the Department or the Secretary's designee. The members of the Committee shall elect a chair and vice-chair from among the Committee membership. The Committee shall meet not more than twice a year at the call of the chair. Six of the members shall be legislators, three of whom shall be appointed by the Speaker of the House of Representatives, and three of whom shall be appointed by the President Pro Tempore of the Senate. Four of the members shall be cancer

survivors, two of whom shall be appointed by the Speaker of the House of Representatives, and two of whom shall be appointed by the President Pro Tempore of the Senate. The remainder of the members shall be appointed by the Governor as follows:

(1) One member from the Department of Environment and Natural Resources;
(2) Three members, one from each of the following: the Department, the Department of Public Instruction, and the North Carolina Community College System;
(3) Four members representing the cancer control programs at North Carolina medical schools, one from each of the following: the University of North Carolina at Chapel Hill School of Medicine, the Bowman Gray School of Medicine, the Duke University School of Medicine, and the East Carolina University School of Medicine;
(4) One member who is an oncology nurse representing the North Carolina Nurses Association;
(5) One member representing the Cancer Committee of the North Carolina Medical Society;
(6) One member representing the Old North State Medical Society;
(7) One member representing the American Cancer Society, North Carolina Division, Inc.;
(8) One member representing the North Carolina Hospital Association;
(9) One member representing the North Carolina Association of Local Health Directors;
(10) One member who is a primary care physician licensed to practice medicine in North Carolina;
(11) One member representing the American College of Surgeons;
(12) One member representing the North Carolina Oncology Society;
(13) One member representing the Association of North Carolina Cancer Registrars;
(14) One member representing the Medical Directors of the North Carolina Association of Health Plans; and
(15) Up to four additional members at large.

Except for the Secretary, the members shall be appointed for staggered four-year terms and until their successors are appointed and qualify. The Governor may remove any member of the Committee from office in accordance with the provisions of G.S. 143B-13. Members may succeed themselves for one term and may be appointed again after being off the Committee for one term."

LAPSED SALARY FUNDS REPORT

SECTION 12A.11. Section 10.20 of S.L. 2012-142 is repealed.

PRISON REPORT

SECTION 12A.12. G.S. 148-19(d) reads as rewritten:

"(d) The Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services shall adopt standards for the delivery of mental health and mental retardation services to inmates in the custody of the Division of Adult Correction of the Department of Public Safety. The Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services shall give the Secretary of Public Safety an opportunity to review and comment on proposed standards prior to promulgation of such standards; however, final authority to determine such standards remains with the Commission. The Secretary of the Department of Health and Human Services shall designate an agency or agencies within the Department of Health and Human Services to monitor the implementation by the Division of Adult Correction

of the Department of Public Safety of these standards and of substance abuse standards adopted by the Division of Adult Correction of the Department of Public Safety. ~~The Secretary of Health and Human Services shall send a written report on the progress which the Division of Adult Correction of the Department of Public Safety has made on the implementation of such standards to the Governor, the Lieutenant Governor, and the Speaker of the House. Such reports shall be made on an annual basis beginning January 1, 1978.~~"

MODIFICATIONS TO JUSTUS-WARREN TASK FORCE

SECTION 12A.13. G.S. 143B-216.60 reads as rewritten:

"**§ 143B-216.60. The Justus-Warren Heart Disease and Stroke Prevention Task Force.**

...

(e) The Task Force shall meet ~~at least quarterly or more frequently~~ not more than twice annually at the call of the Chair.

~~(f) The Task Force Chair may establish committees for the purpose of making special studies pursuant to its duties, and may appoint non-Task Force members to serve on each committee as resource persons. Resource persons shall be voting members of the committees and shall receive subsistence and travel expenses in accordance with G.S. 138-5 and G.S. 138-6. Committees may meet with the frequency needed to accomplish the purposes of this section.~~

...."

MODIFICATIONS TO COMMISSION FOR THE BLIND

SECTION 12A.14.(a) Eliminate Professional Advisory Committee. – Part 8 of Article 3 of Chapter 143B of the General Statutes is repealed.

SECTION 12A.14.(b) 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 ~~13~~19 members as follows:

(1) One representative of the Statewide Independent Living Council.

(2) One representative of a parent training and information center established pursuant to section 631(c) of the Individuals with Disabilities Education Act, 20 U.S.C. § 1431(c).

(3) One representative of the State's Client Assistance Program.

(4) One vocational rehabilitation counselor who has knowledge of and experience in vocational rehabilitation services for the blind. A vocational rehabilitation counselor appointed pursuant to this subdivision shall serve as a nonvoting member of the Commission if the counselor is an employee of the Department of Health and Human Services.

(5) One representative of community rehabilitation program services providers.

(6) One current or former applicant for, or recipient of, vocational rehabilitation services.

(7) One representative of a disability advocacy group representing individuals who are blind.

(8) One parent, family member, guardian, advocate, or authorized representative of an individual who is blind, has multiple disabilities, and either has difficulty representing himself or herself or who is unable, due to disabilities, to represent himself or herself.

(9) One representative of business, industry, and labor.

(10) One representative of the directors of projects carried out under section 121 of the Rehabilitation Act of 1973, 29 U.S.C. § 741, as amended, if there are any of these projects in the State.

(11) One representative of the Department of Public Instruction.
(12) One representative of the Commission on Workforce Development.
(12a) Two licensed physicians nominated by the North Carolina Medical Society whose practice is limited to ophthalmology.
(12b) Two optometrists nominated by the North Carolina State Optometric Society.
(12c) Two opticians nominated by the North Carolina Opticians Association.
(13) The Director of the Division of Services for the Blind shall serve as an ex officio, nonvoting member.

(b) The members of the Commission for the Blind shall be appointed by the Governor. The Governor shall appoint members after soliciting recommendations from representatives of organizations representing a broad range of individuals who have disabilities and organizations interested in those individuals. In making appointments to the Commission, the Governor shall consider, to the greatest extent practicable, the extent to which minority populations are represented on the Commission.

(c) ~~A~~ Except for individuals appointed to the Commission under subdivisions (12a), (12b), and (12c) of subsection (a) of this section, a majority of Commission members shall be persons who are blind, as defined in ~~G.S. 111-11. A majority of Commission members shall be persons who are~~ G.S. 111-11 and who are not employed by the Division of Services for the Blind.

(d) The Commission for the Blind shall select a Chairperson from among its members.

(e) The term of office of members of the Commission is three years. The term of members appointed under subdivisions (1), (2), (3), ~~and (4)~~ (4), and (12a) of subsection (a) of this section shall expire on June 30 of years evenly divisible by three. The term of members appointed under subdivisions (5), (6), (7), ~~and (8)~~ (8), and (12b) of subsection (a) of this section shall expire on June 30 of years that follow by one year those years that are evenly divisible by three. The term of members appointed under subdivisions (9), (10), (11), ~~and (12)~~ (12), and (12c) of subsection (a) of this section shall expire on June 30 of years that precede by one year those years that are evenly divisible by three.

(f) No individual may be appointed to more than two consecutive three-year terms. Upon the expiration of a term, a member shall continue to serve until a successor is appointed, as provided by G.S. 128-7. An appointment to fill a vacancy shall be for the unexpired balance of the term.

(g) A member of the Commission shall not vote on any issue before the Commission that would have a significant and predictable effect on the member's financial interest. The Governor shall have the power to remove any member of the Commission from office for misfeasance, malfeasance, or nonfeasance in accordance with the provisions of G.S. 143B-13 of the Executive Organization Act of 1973.

(h) The members of the Commission shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5.

(i) A majority of the Commission shall constitute a quorum for the transaction of business.

(j) All clerical and other services required by the Commission shall be supplied by the Secretary of Health and Human Services."

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K

SECTION 12B.1.(a) Eligibility. – The Department of Health and Human Services, Division of Child Development and Early Education, shall continue implementing the prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four

years of age on or before August 31 of the program year. In determining eligibility, the Division shall establish income eligibility requirements for the program not to exceed seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have family incomes in excess of seventy-five percent (75%) of median income if those children have other designated risk factors. Furthermore, any age-eligible child who is a child of either of the following shall be eligible for the program: (i) an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months or (ii) a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was injured or killed while serving on active duty. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

Other than developmental disabilities or other chronic health issues, the Division shall not consider the health of a child as a factor in determining eligibility for participation in the NC Pre-K program.

SECTION 12B.1.(b) Multiyear Contracts. – The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for licensed private child care centers providing NC Pre-K classrooms.

SECTION 12B.1.(c) Programmatic Standards. – All entities operating prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements.

SECTION 12B.1.(d) NC Pre-K Committees. – The Division of Child Development and Early Education shall establish a standard decision-making process to be used by local NC Pre-K committees in awarding prekindergarten classroom slots and student selection.

SECTION 12B.1.(e) SEEK. – All prekindergarten classrooms shall be required to participate in the Subsidized Early Education for Kids (SEEK) accounting system to streamline the payment function for these classrooms with a goal of eliminating duplicative systems and streamlining the accounting and payment processes among the subsidy reimbursement systems. Prekindergarten funds transferred may be used to add these programs to SEEK.

SECTION 12B.1.(f) Pilot Program. – The Division of Child Development and Early Education shall create a pilot program that provides funding for NC Pre-K classrooms on a per classroom basis. The pilot program shall include three different NC Pre-K contractual regions that are geographically diverse. The local NC Pre-K administrator shall contract with the provider for operation of a classroom established pursuant to the pilot program. The Division shall provide a report on the status of the pilot program to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than January 31, 2014. The report shall include the following:

(1) The number of students served.
(2) The amount of funds paid for each classroom.
(3) The amount of funds paid per student.
(4) The attendance information on students in the pilot program as compared to those students in a classroom having a traditional funding structure.
(5) Information on the number of students and students' families using the Subsidized Early Education for Kids (SEEK) system.
(6) A cost comparison of the classroom pilots to the average cost per student through the per student funding methodology.

SECTION 12B.1.(g) Reporting. – The Division of Child Development and Early Education shall submit an annual report no later than March 15 of each year to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Health and Human Services, the Office of State Budget and Management, and the Fiscal Research Division. The report shall include the following:

(1) The number of children participating in the NC Pre-K program by county.

(2) The number of children participating in the NC Pre-K program who have never been served in other early education programs such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.

(3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.

(4) The results of an annual evaluation of the NC Pre-K program.

COUNTY DEPARTMENTS OF SOCIAL SERVICES TO ADMINISTER CHILD CARE SUBSIDY

SECTION 12B.2.(a) It is the intent of the General Assembly to streamline services at the local level. To that end, only a county department of social services shall administer child care subsidy funds. Any child care subsidy funds previously administered by a local North Carolina Partnership for Children, Inc., partnership shall be administered by the county department of social services. Expenditures for child care subsidy, including North Carolina Partnership for Children, Inc., child care subsidy funds, for fiscal years 2013-2014 and 2014-2015 shall not be less than the expenditures for child care subsidy for the 2012-2013 fiscal year. Any administrative savings the Department of Health and Human Services, Division of Child Development and Early Education, can identify based on the administration of child care subsidy by county departments of social services shall be allocated to child care subsidy.

SECTION 12B.2.(b) The Department of Health and Human Services, Division of Child Development and Early Education, shall report on the implementation of the requirements of subsection (a) of this section to the Joint Legislative Committee on Health and Human Services and the Fiscal Research Division no later than April 1, 2014.

CHILD CARE SUBSIDY RATES

SECTION 12B.3.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

SECTION 12B.3.(b) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%

SECTION 12B.3.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

(1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying

parents, whichever is lower, unless prohibited by subsection (f) of this section.

(2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.

(3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(4) No payments shall be made for transportation services or registration fees charged by child care facilities.

(5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment.

(6) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

SECTION 12B.3.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

(1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

SECTION 12B.3.(e) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to parents for each age group of enrollees within the county. The Division of Child Development and Early Education shall also calculate a statewide rate and regional market rate for each rated license level for each age category.

SECTION 12B.3.(f) The Division of Child Development and Early Education shall continue implementing policies that improve the quality of child care for subsidized children, including a policy in which child care subsidies are paid, to the extent possible, for child care in the higher quality centers and homes only. The Division shall define higher quality, and subsidy funds shall not be paid for one- or two-star rated facilities. For those counties with an inadequate number of four- and five-star rated facilities, the Division shall continue a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The Division may allow exemptions in counties where there is an inadequate number of four- and five-star rated facilities for nonstar rated programs, such as religious programs.

SECTION 12B.3.(g) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. Except as authorized by subsection (f) of this section, no separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 12B.3.(h) Payment for subsidized child care services provided with Work First Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 12B.3.(i) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

SECTION 12B.3.(j) Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

CHILD CARE ALLOCATION FORMULA

SECTION 12B.4.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State median income.

(2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

(3) For fiscal years 2013-2014 and 2014-2015, the Division of Child Development and Early Education shall base the formula identified in subdivision (1) of this subsection on the same data source used for the 2012-2013 fiscal year.

(4) The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2013-2014 and 2014-2015 fiscal years.

SECTION 12B.4.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county.

CHILD CARE FUNDS MATCHING REQUIREMENTS

SECTION 12B.5. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of

child care funds appropriated by this act unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars ($25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-19.3(6).

CHILD CARE REVOLVING LOAN

SECTION 12B.6. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION

SECTION 12B.7.(a) The Department of Health and Human Services, Division of Child Development and Early Education, shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan or eighty thousand dollars ($80,000), whichever is greater.

SECTION 12B.7.(b) Each county department of social services may use up to two percent (2%) of child care subsidy funds allocated to the county for fraud detection and investigation initiatives.

STUDY USE OF UNIQUE STUDENT IDENTIFIER/CHILD CARE SUBSIDY

SECTION 12B.8.(a) In coordination with the Department of Public Instruction (DPI), the Department of Health and Human Services, Division of Child Development and Early Education (DCDEE), shall study assigning a unique student identifier to monitor, throughout their education, the performance levels of children receiving child care subsidies. The study shall be designed to provide data on the efficacy of child care facilities participating in the child care subsidy program or the North Carolina Partnership for Children, Inc. The study shall define the requirements for the following:

(1) Establishing the unique identifier.
(2) Collecting, maintaining, and analyzing data.
(3) Recommending a solution that will allow for the cost-effective acquisition and maintenance of data from child care facilities.
(4) Recommending an interface with DPI applications that monitors and analyzes student performance.
(5) Estimating the cost for developing an interface and implementing the requirements identified in the study.

SECTION 12B.8.(b) DCDEE shall report the results of the study to the Joint Legislative Committee on Health and Human Services, the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division no later than April 1, 2014.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT ADJUSTMENTS

SECTION 12B.9.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall establish policies that focus the North Carolina Partnership for Children, Inc.'s mission on improving child care quality in North Carolina for children from birth to five

years of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting child care facilities with (i) improving quality, including helping one-, two-, and three-star rated facilities increase their star ratings and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

(1) Increase children's literacy.
(2) Increase the parents' ability to raise healthy, successful children.
(3) Improve children's health.
(4) Assist four- and five-star rated facilities in improving and maintaining quality.

SECTION 12B.9.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall develop a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships shall be required to participate in the contract management system and shall be directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 12B.9.(c) Salaries. – The salary schedule developed and implemented by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

(1) The population of the area serviced by a local partnership.
(2) The amount of State funds administered.
(3) The amount of total funds administered.
(4) The professional experience of the individual to be compensated.
(5) Any other relevant factors pertaining to salary, as determined by the North Carolina Partnership for Children, Inc.

The salary schedule shall be used only to determine the maximum amount of State funds that may be used for compensation. Nothing in this subsection shall be construed to prohibit a local partnership from using non-State funds to supplement an individual's salary in excess of the amount set by the salary schedule established under this subsection.

SECTION 12B.9.(d) Match Requirements. – It is the intent of the General Assembly to continue to increase the percentage of the match of cash and in-kind contributions required of the North Carolina Partnership for Children, Inc., and the local partnerships. The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall be equal to at least eleven percent (11%), and in-kind donated resources shall be equal to no more than three percent (3%) for a total match requirement of fourteen percent (14%) for the 2013-2014 fiscal year; and contributions of cash shall be equal to at least eleven percent (11%), and in-kind donated resources shall be equal to no more than four percent (4%) for a total match requirement of fifteen percent (15%) for the 2014-2015 fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only

in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

(1) Be verifiable from the contractor's records.

(2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.

(3) Not include expenses funded by State funds.

(4) Be supplemental to and not supplant preexisting resources for related program activities.

(5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.

(6) Be otherwise allowable under federal or State law.

(7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.

(8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a fourteen percent (14%) match by June 30 of the 2013-2014 fiscal year and a fifteen percent (15%) match by June 30 of the 2014-2015 fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Commission on Governmental Operations in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 12B.9.(e) Bidding. – The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy to be developed by the Board of Directors of the North Carolina Partnership for Children, Inc.

(2) For amounts greater than five thousand dollars ($5,000), but less than fifteen thousand dollars ($15,000), three written quotes.

(3) For amounts of fifteen thousand dollars ($15,000) or more, but less than forty thousand dollars ($40,000), a request for proposal process.

(4) For amounts of forty thousand dollars ($40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 12B.9.(f) Allocations. – The North Carolina Partnership for Children, Inc., shall not reduce the allocation for counties with less than 35,000 in population below the 2012-2013 funding level.

SECTION 12B.9.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 12B.9.(h) Expenditure Restrictions. – The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for State fiscal years 2013-2014 and 2014-2015 shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for fiscal years 2013-2014 and 2014-2015. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).

(2) Expenditures of State funds for advertising and promotional activities are prohibited for fiscal years 2013-2014 and 2014-2015.

For fiscal years 2013-2014 and 2014-2015, local partnerships shall not spend any State funds on marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

SUBPART XII-C. DIVISION OF SOCIAL SERVICES

REVISE DATES/TANF BENEFIT IMPLEMENTATION

SECTION 12C.1.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan 2012-2015," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2012, through September 30, 2015. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section and as amended by this act or any other act of the 2013 General Assembly, to the United States Department of Health and Human Services.

SECTION 12C.1.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan 2012-2015, as approved by this section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 12C.1.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for years 2012 through 2015 pursuant to G.S. 108A-27(e) shall operate under the Electing County budget requirements effective July 1, 2012. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2015.

SECTION 12C.1.(d) For the 2013-2014 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2012-2013 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

SECTION 12C.1.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2013-2014 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 12C.2.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be developed and implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 12C.2.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of IFPS shall provide information and data that allows for the following:

(1) An established follow-up system with a minimum of six months of follow-up services.

(2) Detailed information on the specific interventions applied, including utilization indicators and performance measurement.

(3) Cost-benefit data.

(4) Data on long-term benefits associated with IFPS. This data shall be obtained by tracking families through the intervention process.

(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.

(6) The number and percentage, by race, of children who received IFPS compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 12C.2.(c) The Department shall establish a performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

CHILD CARING INSTITUTIONS

SECTION 12C.3. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM

SECTION 12C.4. Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. The Division of Social Services shall design the Guardianship Assistance Program (GAP) in such a manner that no additional expenses are incurred beyond the funds budgeted for foster care. The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1. The Social Services Board shall adopt rules establishing a Guardianship Assistance Program to implement this section, including defining the phrase "legal guardian" as used in this section.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 12C.5.(a) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of five hundred forty-seven thousand two hundred forty-five dollars ($547,245) for the 2013-2014 fiscal year and six hundred ten thousand eight hundred seventeen dollars ($610,817) for the 2014-2015 fiscal year shall be used to expand support for the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 108711. These funds shall be allocated by the State Education Assistance Authority.

SECTION 12C.5.(b) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of fifty thousand dollars ($50,000) for the 2013-2014 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2014-2015 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 12C.5.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2013-2014 fiscal year and the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2014-2015 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 12C.5.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

REQUIRE DRUG TESTING/WORK FIRST PROGRAM ASSISTANCE

SECTION 12C.6.(a) G.S. 108A-29.1 reads as rewritten:

"**§ 108A-29.1. ~~Substance abuse treatment required; drug~~ Drug testing required for Work First Program applicants and recipients.**

(a) ~~Each applicant or current recipient of Work First Program benefits, determined by a Qualified Professional in Substance Abuse (QPSA) or by a physician certified by the American Society of Addiction Medicine (ASAM) to be addicted to alcohol or drugs and to be in need of professional substance abuse treatment services shall be required, as part of the person's MRA and as a condition to receiving Work First Program benefits, to participate satisfactorily in an individualized plan of treatment in an appropriate treatment program. As a mandatory program component of participation in an addiction treatment program, each applicant or current recipient shall be required to submit to an approved, reliable, and professionally administered regimen of testing for presence of alcohol or drugs, without advance notice, during and after participation, in accordance with the addiction treatment program's individualized plan of treatment, follow-up, and continuing care services for the applicant or current recipient.~~The Department shall require a drug test to screen each applicant for or recipient of Work First Program assistance. The cost of the drug testing is the responsibility of the individual tested. The Department shall provide notice of drug testing to each applicant or recipient. The notice shall advise the applicant or recipient that drug testing will be conducted as a condition of receiving Work First Program assistance, and that the results of the drug tests will remain confidential and will not be released to law enforcement. The applicant or recipient shall be advised that the required drug testing may be avoided if the applicant or recipient does not apply for Work First Program assistance. Dependent children under the age of 18 are exempt from the requirements of this section. The Department shall require the following:

(1) That for two-parent households, both parents comply with the drug testing requirement.

(2) That any teen parent who is emancipated pursuant to Article 35 of Chapter 7B of the General Statutes comply with the drug testing requirement.

(3) That each applicant or recipient be advised before testing that he or she may inform the agent administering the test of any prescription or over-the-counter medication he or she is taking.

(4) That each applicant or recipient being tested sign a written acknowledgement that he or she has received and understood the notice and advice provided under this subsection.

(5) That each applicant or recipient who fails a drug test understands that he or she has the right to take one or more additional tests.

(b) ~~An applicant or current recipient who fails to comply with any requirement imposed pursuant to this section shall not be eligible for benefits or shall be subject to the termination of benefits, but shall be considered to be receiving benefits for purposes of determining eligibility for medical assistance.~~For an applicant or current recipient who tests negative for controlled substances, the Department shall increase the amount of the initial Work First Program assistance by the amount paid by the applicant or recipient for the drug testing. An applicant or recipient who tests positive for controlled substances as a result of a drug test required under this section is ineligible to receive Work First Program assistance for one year from the date of the positive drug test, except as provided in subsection (b1) of this section. The individual may reapply after one year. However, if the individual has any subsequent positive drug tests, the individual shall be ineligible for benefits for three years from the date of the subsequent positive drug test unless the individual reapplies pursuant to subsection (b1) of this section.

(b1) An applicant or recipient deemed ineligible may reapply for Work First Program assistance if the individual can document the successful completion of a substance abuse treatment program offered by a provider under subsection (e) of this section and licensed by the Department. The applicant or recipient who reapplies for Work First Program assistance after completion of a substance abuse program shall pass a drug test. The cost of any drug testing and substance abuse program provided under this subsection shall be the responsibility of the applicant or recipient being tested and receiving treatment. An applicant or recipient who reapplies for Work First Program assistance pursuant to this subsection may reapply one time only.

(c) The children of any applicant or current recipient shall remain eligible for benefits, and these benefits shall be paid to a protective payee pursuant to G.S. 108A-38.

(d) ~~An applicant or current recipient shall not be regarded as failing to comply with the requirements of this section if an appropriate drug or alcohol treatment program is unavailable.~~The Social Services Commission shall adopt rules pertaining to the testing of applicants and recipients under this section.

(e) Area mental health authorities organized pursuant to Article 4 of Chapter 122C of the General Statutes shall be responsible for administering the provisions of this section.

~~(f) The requirements of this section may be waived or modified as necessary in the case of individual applicants or recipients to the degree necessary to comply with Medicaid eligibility provisions.~~"

SECTION 12C.6.(b) The Department of Health and Human Services, Division of Social Services, shall report to the Joint Legislative Committee on Health and Human Services and the Fiscal Research Division no later than April 1, 2014, on the implementation of this section.

SECTION 12C.6.(c) This section becomes effective November 1, 2013.

DSS STUDY/PROCEDURES FOR REPORTING CHILD ABUSE

SECTION 12C.7.(a) The Department of Health and Human Services, Division of Social Services, shall study the policies and procedures in place for reporting child abuse. In conducting the study, the Division shall review the following:

(1) Reports of child abuse in child care facilities.
(2) How reports of child abuse are received.
(3) The number of inaccurate reports of child abuse the Division receives annually.
(4) The number of children the Division has placed in child protective services pursuant to a report of child abuse.
(5) The reasons a child is placed in child protective services pursuant to a report of child abuse.
(6) The procedures the Division follows after determining child abuse has occurred as well as the procedures the Division follows after determining child abuse has not occurred.
(7) The number of reports the Division has determined to be false and a summary of actions taken in response to false reports.
(8) Procedures and actions the Division follows in removing or redacting reports or other information made available to the public regarding an individual accused of child abuse or a child care facility where the alleged abuse occurred when there is a determination that no abuse has occurred.
(9) Any recommendations the Division has for improving the process for reporting instances of child abuse.

SECTION 12C.7.(b) The Division of Social Services shall report the results of the study and any recommendations to the Joint Legislative Committee on Health and Human Services and the Fiscal Research Division no later than April 1, 2014.

CODIFY WORK FIRST FAMILY ASSISTANCE ELIGIBILITY AND PAYMENT LEVELS

SECTION 12C.8. Part 2 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read as follows:

"**§ 108A-27A. Income eligibility and payment level for Work First Family Assistance.**

The maximum net family annual income eligibility standards for Work First Family Assistance are the same standards of need for eligibility for the categorically needy under the Medicaid Program, as provided in the eligibility table found in G.S. 108-54.6(a). The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need."

SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES

STATEWIDE IMPLEMENTATION OF PROJECT C.A.R.E.

SECTION 12D.1.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Aging & Adult Services, for the 2013-2015 fiscal biennium for the Caregiver Alternatives to Running On Empty project (Project C.A.R.E.) shall be used to support Alzheimer's-related activities consistent with the goals of Project C.A.R.E. in all 100 counties. By no later than December 31, 2013, the Department shall submit a report on the progress of statewide implementation of Project C.A.R.E. to the Joint Legislative Oversight Committee on Health and Human Services, the Fiscal Research Division, and the Governor's Advisory Council on Aging.

SECTION 12D.1.(b) Section 10.35B of S.L. 2010-31 is repealed.

TIERED STATE-COUNTY SPECIAL ASSISTANCE PILOT

SECTION 12D.2.(a) It is the intent of the General Assembly to create a State-County Special Assistance program that allows counties greater flexibility in serving individual needs within their communities and greater control over how county funds are used to support this program in light of the fact that counties are required to pay for fifty percent (50%) of the costs of this program. To that end, the General Assembly directs the Department of Health and Human Services to establish a pilot program in accordance with subsection (b) of this section.

SECTION 12D.2.(b) The Department of Health and Human Services, Division of Aging and Adult Services, shall establish a pilot program to implement a tiered rate structure within the State-County Special Assistance program for individuals residing in group homes, in-home living arrangements, and assisted living residences as defined in G.S. 131D-2.1. The purposes of the pilot program are to (i) determine the best way to implement a block grant for this program statewide and (ii) test the feasibility and effectiveness of implementing a tiered rate structure to address program participants' intensity of need, including medication management. The Department shall select a minimum of four and a maximum of six counties to participate in the pilot program, at least two of which shall be rural counties and at least two of which shall be urban counties. The pilot program shall be implemented during the 2013-2014 fiscal year for at least a 12-month period.

SECTION 12D.2.(c) The Department shall implement the pilot program in collaboration with the local departments of social services in the counties selected for participation. As part of the pilot program, the selected counties shall receive a State General Fund allocation as a block grant to be equally matched with county general funds. The General Fund allocation provided to each county participating in the pilot program shall be calculated based upon the average annual Special Assistance expenditures for that county during the 2011-2013 fiscal biennium, adjusted for the amount of projected annual growth in the number of Special Assistance recipients in that county during the 2013-2015 fiscal biennium. These funds may be used to pay for room, board, and personal care services, including medication management, for individuals eligible to receive State-County Special Assistance, subject to the following limitations and requirements:

(1) These funds shall not be used to cover any portion of the cost of providing services for which an individual receives Medicaid coverage.

(2) The pilot program shall comply with all federal and State requirements governing the existing State-County Special Assistance program.

(3) The tiered rate structure shall be based upon intensity of need, and an individual's placement within a tier shall be based upon an independent assessment of the individual's need for room, board, and assistance with activities of daily living, including medication management.

SECTION 12D.2.(d) By no later than February 1, 2014, the Department shall submit a progress report on the implementation and operation of the pilot program, including any obstacles to implementation; and by no later than February 1, 2015, the Department shall submit a final report on the results of the pilot program, along with any recommendations based on these results, to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report due by February 1, 2015, shall include information from all participating counties on at least all of the following:

(1) The amount of the tiered rates implemented as part of the pilot program.

(2) The cost methodology for determining these tiered rates.

(3) The number of individuals participating in the pilot program while residing in a group home.

(4) The number of individuals participating in the pilot program while residing in an in-home living arrangement.

(5) The number of individuals participating in the pilot program while residing in an assisted living residence as defined by G.S. 131D-2.1, broken down by facility type.

(6) A comparison of the number of recipients of State-County Special Assistance prior to and during the pilot program, broken down by county and living arrangement.

(7) Any other information the Department deems relevant for determining the best way to implement a block grant statewide for the State-County Special Assistance program.

SECTION 12D.2(e). As used in this section, the term "group home" means any facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised living facility under 10A NCAC 27G .5601, and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability but may also have other diagnoses.

SUBPART XII-E. DIVISION OF PUBLIC HEALTH

INCREASE PERMIT FEES FOR CERTAIN FOOD AND LODGING ESTABLISHMENTS

SECTION 12E.1.(a) G.S. 130A-247 is amended by adding a new subdivision to read:

"(8) "Temporary food establishment" means an establishment not otherwise exempted from this part pursuant to G.S. 130A-250 that (i) prepares or serves food, (ii) operates for a period of time not to exceed 21 days in one location, and (iii) is affiliated with and endorsed by a transitory fair, carnival, circus, festival, or public exhibition."

SECTION 12E.1.(b) G.S. 130A-248(d) reads as rewritten:

"(d) The Department shall charge each establishment subject to this section, except nutrition programs for the elderly administered by the Division of Aging and Adult Services of the Department of Health and Human Services, establishments that prepare and sell meat food products or poultry products, temporary food establishments, limited food services establishments, and public school cafeterias, a fee of ~~seventy-five~~one hundred twenty dollars ~~($75.00)~~($120.00) for each permit issued. This fee shall be reassessed annually for permits that do not expire. The Commission shall adopt rules to implement this subsection. Fees collected under this subsection shall be used for State and local food, lodging, and institution sanitation programs and activities. No more than ~~thirty-three and one-third percent (33 1/3%) of the fees~~fifty dollars ($50.00) of each fee collected under this subsection may be used to support State health programs and activities."

SECTION 12E.1.(c) G.S. 130A-248(d1) reads as rewritten:

"(d1) The Department shall charge a twenty-five dollar ($25.00) late payment fee to any establishment subject to this section, except nutrition programs for the elderly administered by the Division of Aging of the Department of Health and Human Services, establishments that prepare and sell meat food products or poultry products, temporary food establishments, limited food services establishments, and public school cafeterias, that fails to pay the fee required by subsection (d) of this section within 45 days after billing by the Department. The Department may, in accordance with G.S. 130A-23, suspend the permit of an establishment that fails to pay the required fee within 60 days after billing by the Department. The Department shall charge a reinstatement fee of one hundred fifty dollars ($150.00) to any establishment that requests reinstatement of its permit after the permit has been suspended. The Commission shall adopt rules to implement this subsection.

The clear proceeds of civil penalties collected pursuant to this subsection shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2."

SECTION 12E.1.(d) G.S. 130A-248 is amended by adding a new subsection to read:

"(d2) A local health department shall charge each temporary food establishment and each limited food services establishment a fee of seventy-five dollars ($75.00) for each permit issued. A local health department shall use all fees collected under this subsection for local food, lodging, and institution sanitation programs and activities."

SECTION 12E.1.(e) Subsections (a) through (d) of this section become effective on July 1, 2013, and apply to food and lodging permits effective or reassessed on or after July 1, 2013.

SECTION 12E.1.(f) Section 31.11A of S.L. 2011-145, as amended by Section 61A of S.L. 2011-391 and Section 10.15 of S.L. 2012-142, is repealed.

MODIFICATIONS TO ORAL HEALTH STRATEGY

SECTION 12E.2.(a) It is the intent of the General Assembly to redirect the resources of the Oral Health Section within the Department of Health and Human Services, Division of Public Health, to provide direct clinical care in dental clinics operated or sponsored by local health departments.

SECTION 12E.2.(b) Effective October 1, 2013, the Secretary of Health and Human Services shall eliminate 39 full-time equivalent dental hygienist positions, two full-time equivalent dental equipment technician positions, and seven full-time equivalent administrative positions within the Oral Health Section of the Division of Public Health. The Secretary shall reallocate the funds that become available as a result of eliminating the 39 full-time equivalent dental hygienist positions and the two full-time equivalent dental equipment technician positions in the form of grants-in-aid to local health departments that operate or sponsor dental clinics. The local health departments shall use these grants-in-aid for the sole purpose of hiring dental hygienists or dental assistants to provide direct clinical care in the dental clinics operated or sponsored by the local health departments.

SECTION 12E.2.(c) By no later than February 1, 2014, the Department shall submit a revised statewide oral health strategic plan to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The plan shall include at least all of the following:

(1) Recommendations for reorganizing the Department's Oral Health Section.
(2) Strategies for reducing oral diseases through prevention, education, and health promotion services.
(3) Strategies for monitoring public oral health.
(4) Strategies for increasing access to dental care.

FUNDS FOR SCHOOL NURSES

SECTION 12E.3.(a) All funds appropriated in this act for the School Nurse Funding Initiative shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

(1) School nurse-to-student ratio.
(2) Percentage of students eligible for free or reduced meals.
(3) Percentage of children in poverty.
(4) Per capita income.
(5) Eligibility as a low-wealth county.

(6) Mortality rates for children between one and 19 years of age.
(7) Percentage of students with chronic illnesses.
(8) Percentage of county population consisting of minority persons.

SECTION 12E.3.(b) The Division of Public Health shall ensure that school nurses funded with State funds (i) do not assist in any instructional or administrative duties associated with a school's curriculum and (ii) perform all of the following with respect to school health programs:

(1) Serve as the coordinator of the health services program and provide nursing care.
(2) Provide health education to students, staff, and parents.
(3) Identify health and safety concerns in the school environment and promote a nurturing school environment.
(4) Support healthy food services programs.
(5) Promote healthy physical education, sports policies, and practices.
(6) Provide health counseling, assess mental health needs, provide interventions, and refer students to appropriate school staff or community agencies.
(7) Promote community involvement in assuring a healthy school and serve as school liaison to a health advisory committee.
(8) Provide health education and counseling and promote healthy activities and a healthy environment for school staff.
(9) Be available to assist the county health department during a public health emergency.

SECTION 12E.3.(c) Section 6.9(b) of S.L. 2011-145, as amended by Section 6.2 of S.L. 2012-142, is repealed.

CHILDREN'S DEVELOPMENTAL SERVICE AGENCIES

SECTION 12E.4. In order to reduce the amount of State funds appropriated for the Children's Developmental Service Agencies (CDSAs) program, the Department of Health and Human Services, Division of Public Health, shall close four CDSAs, effective July 1, 2014. The Department shall retain the CDSAs with the highest caseloads of children residing in rural and medically underserved areas. By no later than March 1, 2014, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division identifying the four CDSAs selected for closure in accordance with this section.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 12E.5.(a) The Department of Health and Human Services shall work with the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for the treatment of individuals in the custody of DPS who have been diagnosed with Human Immunodeficiency Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner that allows these funds to be accounted for as State matching funds in the Department of Health and Human Services drawdown of federal Ryan White funds earmarked for the AIDS Drug Assistance Program (ADAP).

SECTION 12E.5.(b) By no later than April 1, 2014, and by no later than April 1, 2015, the Department of Health and Human Services, Division of Public Health, shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on all of the following:

(1) Use of the funds appropriated to support ADAP for the preceding fiscal year.
(2) Steps taken by DHHS to reduce the waiting list for ADAP.
(3) Alternative options for serving individuals diagnosed with HIV/AIDS who are eligible to receive services under ADAP, including the State Medicaid

program and the federally facilitated Health Benefit Exchange that will operate in this State.

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 12E.6.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to the health status of white persons. These grants-in-aid shall focus on the use of measures to eliminate or reduce health disparities among minority populations in this State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer. The Office of Minority Health shall coordinate and implement the grants-in-aid program authorized by this section.

SECTION 12E.6.(b) In implementing the grants-in-aid program authorized by subsection (a) of this section, the Department shall ensure all of the following:

(1) The amount of any grant-in-aid is limited to three hundred thousand dollars ($300,000).

(2) Only community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks located in urban and rural areas of the western, eastern, and Piedmont areas of this State are eligible to apply for these grants-in-aid. No more than four grants-in-aid shall be awarded to applicants located in any one of the three areas specified in this subdivision.

(3) Each eligible applicant shall be required to demonstrate substantial participation and involvement with all other categories of eligible applicants, in order to ensure an evidence-based medical home model that will affect change in health and geographic disparities.

(4) Eligible applicants shall select one or more of the following chronic illnesses or conditions specific to the applicant's geographic area as the basis for applying for a grant-in-aid under this section to affect change in the health status of African-Americans, Hispanics/Latinos, or American Indians:
   a. Heart Disease.
   b. Stroke.
   c. Diabetes.
   d. Obesity.
   e. Asthma.
   f. HIV/AIDS.
   g. Cancer.

(5) The minimum duration of the grant period for any grant-in-aid is two years.

(6) The maximum duration of the grant period for any grant-in-aid is three years.

(7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight percent (8%) of the grant funds for overhead costs and (ii) shall be required at the end of the grant period to demonstrate significant gains in addressing one or more of the health disparity focus areas identified in subsection (a) of this section.

(8) An independent panel with expertise in the delivery of services to minority populations, health disparities, chronic illnesses and conditions, and HIV/AIDS shall conduct the review of applications for grants-in-aid. The Department shall establish the independent panel required by this section.

SECTION 12E.6.(c) The grants-in-aid awarded under this section shall be awarded in honor of the memory of the following deceased members of the General Assembly: Bernard

Allen, Pete Cunningham, John Hall, Robert Holloman, Howard Hunter, Ed Jones, Jeanne Lucas, Vernon Malone, William Martin, and William Wainwright. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 12E.6.(d) Section 10.21(d) of S.L. 2011-145 reads as rewritten:

"**SECTION 10.21.(d)** By ~~October 1, 2012, and annually thereafter,~~October 1, 2013, the Department shall submit a report to ~~the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services,~~ the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on funds appropriated to the CFEHDI. The report shall include specific activities undertaken pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State, and shall also address all of the following:

(1) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks received CFEHDI grants-in-aid.

(2) The amount of funding awarded to each grantee.

(3) Which of the minority populations were served by each grantee.

(4) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks were involved in fulfilling the goals and activities of each grant-in-aid awarded under this section and what activities were planned and implemented by the grantee to fulfill the community focus of the CFEHDI program.

(5) How the activities implemented by the grantee fulfilled the goal of reducing health disparities among minority populations, and the specific success in reducing particular incidences."

STRATEGIES FOR IMPROVING MEN'S HEALTH

SECTION 12E.7. Article 7 of Chapter 130A of the General Statutes is amended by adding a new Part to read:

"Part 5A. Men's Health.

"**§ 130A-223.1. Department to establish strategies for improving men's health.**

The Department of Health and Human Services, Division of Public Health, Chronic Disease and Injury Prevention Section, shall work to expand the State's attention and focus on the prevention of disease and improvement in the quality of life for men over their entire lifespan. The Department shall develop strategies for achieving these goals, which shall include, but not be limited to, all of the following:

(1) Developing a strategic plan to improve health care services.

(2) Building public health awareness.

(3) Developing initiatives within existing programs.

(4) Pursuing federal and State funding for the screening, early detection, and treatment of prostate cancer and other diseases affecting men's health."

SUBPART XII-F. DIVISION OF MH-DD-SAS AND STATE OPERATED HEALTHCARE FACILITIES

ESTABLISH STATEWIDE TELEPSYCHIATRY PROGRAM

SECTION 12F.1.(a) By no later than October 1, 2013, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall develop and submit a plan for implementation of a statewide telepsychiatry program to the Joint Legislative Oversight Committee on Health and Human

Services and the Fiscal Research Division. The plan shall be substantially similar to the Albemarle Hospital Foundation telepsychiatry program currently operating in 12 hospitals in eastern North Carolina and include at least all of the following:

(1) Specific steps to be taken by the Department, within a specified time period, to establish and administer the program statewide.

(2) Program costs and rates of payment for telepsychiatry services.

(3) Recommendations for addressing liability issues related to participation in telepsychiatry.

SECTION 12F.1.(b) Chapter 122C of the General Statutes is amended by adding a new Article to read:

"Article 1B.

"Statewide Telepsychiatry Program.

"**§ 122C-20.5. Department to establish statewide telepsychiatry program.**

(a) The following definitions apply in this section:

(1) Consultant site. – The site at which the consulting provider is physically located at the time the consulting provider delivers the acute mental health or substance abuse care by means of telepsychiatry.

(2) Referring site. – A hospital licensed under Chapter 131E of the General Statutes at which a patient experiencing an acute mental health or substance abuse crisis is physically located.

(3) Telepsychiatry. – The delivery of acute mental health or substance abuse care, including diagnosis or treatment, by means of two-way real-time interactive audio or video by a consulting provider at a consultant site to an individual patient at a referring site. The term does not include the standard use of telephones, facsimile transmissions, unsecured electronic mail, or a combination of these in the course of care.

(4) Consulting provider. – A physician or other health care provider licensed in this State to provide acute mental health or substance abuse care.

(b) By no later than January 1, 2014, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall establish a statewide telepsychiatry program that allows referring sites to utilize consulting providers at a consultant site to provide timely psychiatric assessment and rapid initiation of treatment for patients at the referring site experiencing an acute mental health or substance abuse crisis.

(c) The Commission shall adopt rules necessary to implement this section. The rules shall specify at least all of the following:

(1) Requirements to ensure the health and safety of patients.

(2) Participation and equipment requirements for consultant sites, consulting providers, and referring sites.

(3) Rates of payment for telepsychiatry services.

(d) The Department shall periodically evaluate the effectiveness of the statewide telepsychiatry program."

SECTION 12F.1.(c) G.S. 143B-147(a)(1) is amended by adding a new sub-subdivision to read:

"(1) To adopt rules regarding the

...

g. Statewide telepsychiatry program established pursuant to G.S. 122C-20.5."

SECTION 12F.1.(d) Funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2013-2015 fiscal biennium for the statewide telepsychiatry program shall be used for the following purposes:

(1) To establish and administer the statewide telepsychiatry program authorized in G.S. 122C-20.5.

(2) To purchase needed telepsychiatry equipment for State-owned and State-operated hospitals participating in the statewide telepsychiatry program.

(3) To contract with an outside vendor for management of the statewide telepsychiatry program.

FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 12F.2.(a) Use of Funds. – Of the funds appropriated in Section 2.1 of this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars ($38,121,644) for the 2013-2014 fiscal year and the sum of thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars ($38,121,644) for the 2014-2015 fiscal year shall be used to purchase additional local inpatient psychiatric beds or bed days not currently funded by or though LME/MCOs. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LME/MCOs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days. Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed days shall not be used to supplant other funds appropriated or otherwise available to the Department for the purchase of inpatient psychiatric services through contracts with local hospitals.

SECTION 12F.2.(b) Distribution and Management of Beds or Bed Days. – The Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance with this section are distributed across the State in LME/MCO catchment areas and according to need as determined by the Department. The Department shall enter into contracts with LME/MCOs and local hospitals for the management of these beds or bed days. The Department shall work to ensure that these contracts are awarded equitably around all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric beds or bed days, including the determination of the specific local hospital or State psychiatric hospital to which an individual should be admitted pursuant to an involuntary commitment order.

SECTION 12F.2.(c) Funds to be Held in Statewide Reserve. – Funds appropriated to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs shall remit claims for payment to the Department within 15 working days after receipt of a clean claim from the hospital and shall pay the hospital within 30 working days after receipt of payment from the Department.

SECTION 12F.2.(d) Ineffective LME/MCO Management of Beds or Bed Days. – If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c) of this section, the Department may contract with another LME/MCO to manage the beds or bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital directly.

SECTION 12F.2.(e) Reporting by LME/MCOs. – The Department shall establish reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

SECTION 12F.2.(f) Reporting by Department. – By no later than March 1, 2014, the Department shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on all of the following:

(1) A uniform system for beds or bed days purchased during the fiscal year ending June 30, 2013, from (i) funds appropriated in this act that are designated for this purpose in subsection (a) of this section, (ii) existing State appropriations, and (iii) local funds.

(2) Other Department initiatives funded by State appropriations to reduce State psychiatric hospital use.

SECTION 12F.2.(g) Repeal of Hospital Utilization Pilot. – Sections 10.49(s1) through 10.49(s5) of S.L. 2007-323 are repealed.

FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM

SECTION 12F.3.(a) Recurring funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child Treatment Program (NC CTP) shall be used for the following purposes:

(1) To provide clinical training and coaching to licensed Medicaid clinicians on an array of evidence-based treatments and to provide a statewide platform to assure accountability and outcomes.

(2) To maintain and manage a public roster of program graduates, linking high-quality clinicians with children, families, and professionals.

(3) To partner with State, LME/MCO, and private sector leadership to bring effective mental health treatment to children in juvenile justice and mental health facilities.

SECTION 12F.3.(b) Nonrecurring funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child Treatment Program (NC CTP) shall be used to pay for the cost of developing a secure database for the NC CTP to track individual-level and aggregate-level data with interface capability to work with existing networks within State agencies. The database shall be the property of the State and shall be hosted on State infrastructure. Any data or product that is part of, or derived from, this database shall be and will remain the sole property of the State.

SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES

SECTION 12F.4.(a) For the purpose of mitigating cash flow problems that many LME/MCOs experience at the beginning of each fiscal year relative to single stream funding, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall distribute not less than one-twelfth of each LME/MCO's continuation allocation at the beginning of the fiscal year and subtract the amount of that distribution from the LME/MCO's total reimbursements for the fiscal year.

SECTION 12F.4.(b) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall periodically review and, as deemed necessary by the Department, update the set of standardized covered benefits developed and implemented by the Department pursuant to Section 10.11(b) of S.L. 2011-145 for recipients of LME/MCO community service funds; provided, however, the Department shall not implement any updates that increase the overall cost of these standardized covered benefits.

MH/DD/SAS HEALTH CARE INFORMATION SYSTEM PROJECT

SECTION 12F.5. The Department of Health and Human Services shall not take any further action or expend any funds appropriated or available to the Department to develop and implement the health care information system for State facilities operated by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. By no later than March 1, 2014, the Department shall submit a detailed plan of this system to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division. The plan shall include an explanation of at least all of the following:

(1) The process the Department used to select the Veterans Health Information Systems and Technology Architecture (VisTA), whether or not the selection process was competitive, and if not, why it was not.
(2) Requirements for vendor services to support system implementation and operation and the costs associated with this support.
(3) Governance structure for the system.
(4) Modules to be implemented in each facility and the reason for each.
(5) Assignment of responsibility for system maintenance, codes fixes, application upgrades, and hardware upgrades.
(6) Whether the application and database will be implemented at each facility or centrally managed by the Department and the reasons for the decision.
(7) Identification of additional hardware that will be required to support a statewide rollout and the location at which the Department plans to host it.
(8) Assignment of responsibility for backup and recovery.
(9) If there will be redundant failover between facilities.
(10) Plans, time lines, and costs for implementing any other modules currently offered by the United State Department of Veterans Affairs.
(11) A process for ensuring that the system software is upgraded whenever the United States Department of Veterans Affairs upgrades its system.
(12) Technology constraints for VisTA and State-supported facilities and how they will be addressed, by facility.
(13) Facility on-boarding plan for the State psychiatric hospitals and other State facilities operated by the Division.
(14) Costs and sources of funding for planning, development, and implementation at each facility and five years of costs and sources of funding for operations and maintenance at each facility.
(15) Any other costs associated with system planning, development, implementation, operation, and maintenance.
(16) Any issues associated with the planning, development, and implementation, identified by the Department, the Office of the State Chief Information Officer, the Office of Information Technology Services, or the Office of State Budget and Management, with a solution for each identified issue.

LME/MCO FUNDS FOR SUBSTANCE ABUSE SERVICES

SECTION 12F.6.(a) LME/MCOs shall use a portion of their allocated funds for substance abuse treatment services to support prevention and education activities at a level at least equivalent to the 2012-2013 fiscal year.

SECTION 12F.6.(b) In providing treatment and services for adult offenders and increasing the number of Treatment Accountability for Safer Communities (TASC) case managers, local management entities shall consult with TASC to improve offender access to substance abuse treatment and match evidence-based interventions to individual needs at each stage of substance abuse treatment. Special emphasis should be placed on intermediate

punishment offenders, community punishment offenders at risk for revocation, and Department of Correction releases who have completed substance abuse treatment while in custody.

The Department shall allocate up to three hundred thousand dollars ($300,000) of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, to provide substance abuse services for adult offenders and to increase the number of TASC case managers. These funds shall be allocated to TASC before funds are allocated to LMEs for mental health services, substance abuse services, and crisis services.

CLOSE STATE-OPERATED ALCOHOL & DRUG ABUSE TREATMENT CENTERS

SECTION 12F.7.(a) The Department of Health and Human Services shall not allow any new admissions or readmissions to State-operated alcohol and drug abuse treatment centers (ADATCs) after June 30, 2013.

SECTION 12F.7.(b) By no later than September 30, 2013, the Department shall permanently cease operations at all State-operated ADATCs and close these facilities.

SECTION 12F.7.(c) The sum of ten million dollars ($10,000,000) appropriated in this act for the 2013-2014 fiscal year and the sum of twenty million dollars ($20,000,000) appropriated in this act for the 2014-2015 fiscal year from the savings achieved as a result of closing the State-operated ADACTs shall be used to increase the allocations provided to the LME/MCOs. LME/MCOs shall use these funds to provide community-based and residential alcohol and substance abuse treatment services. LME/MCOs shall not use these funds to supplant other State, local, or block grant funds provided for this purpose.

SEVERANCE & RELOCATION FOR AREA DIRECTORS

SECTION 12F.8. G.S. 122C-121(a2) reads as rewritten:

"(a2) The area board shall not provide the director with any benefits that are not also provided by the area board to all permanent employees of the area ~~program.~~program, except that the area board may, in its discretion, offer severance benefits, relocation expenses, or both to an applicant for the position of director as an incentive for the applicant to accept an offer of employment. The director shall be reimbursed only for allowable employment-related expenses at the same rate and in the same manner as other employees of the area program."

SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION

THREE-YEAR MORATORIUM ON SPECIAL CARE UNIT LICENSES

SECTION 12G.1. For the period beginning July 1, 2013, and ending July 1, 2016, the Department of Health and Human Services, Division of Health Service Regulation, shall not issue any licenses for special care units as defined in G.S. 131D-4.6 and G.S. 131E-114. This prohibition shall not restrict the Department from doing any of the following:

(1) Issuing a license to a facility that is acquiring an existing special care unit.

(2) Issuing a license for a special care unit in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to this type of care is necessary in that area during the three-year moratorium imposed by this section.

(3) Processing all completed applications for special care unit licenses received by the Division of Health Service Regulation along with the applicable license fee prior to June 1, 2013.

ELIMINATE COMPREHENSIVE REPORT ON MEDICATION-RELATED ERRORS IN NURSING HOMES

SECTION 12G.2.(a) G.S. 131E-128.1(e) reads as rewritten:

"(e) Confidentiality. – The meetings or proceedings of the advisory committee, the records and materials it produces, and the materials it considers, including analyses and reports pertaining to medication-related error reporting under G.S. 131E-128.2 ~~and G.S. 131E-128.5~~ and pharmacy reports on drug defects and adverse reactions under G.S. 131E-128.4, shall be confidential and not be considered public records within the meaning of G.S. 132-1. The meetings or proceedings and records and materials also shall not be subject to discovery or introduction into evidence in any civil action against a nursing home or a provider of professional health services resulting from matters that are the subject of evaluation and review by the committee. No person who was in attendance at a meeting of the committee shall testify in any civil action as to any evidence or other matters produced or presented during the meetings or proceedings of the committee or as to any findings, recommendations, evaluations, opinions, or other actions of the committee or its members. Notwithstanding the foregoing:

(1) Information, documents, or records otherwise available, including any deficiencies found in the course of an inspection conducted under G.S. 131E-105, shall not be immune from discovery or use in a civil action merely because they were presented during meetings or proceedings of the advisory committee. A member of the advisory committee or a person who testifies before the committee may testify in a civil action but cannot be asked about that person's testimony before the committee or any opinion formed as a result of the committee meetings or proceedings.

(2) Information that is confidential and not subject to discovery or use in civil actions under this subsection may be released to a professional standards review organization that performs any accreditation or certification function. Information released to the professional standards review organization shall be limited to information reasonably necessary and relevant to the standards review organization's determination to grant or continue accreditation or certification. Information released to the standards review organization retains its confidentiality and is not subject to discovery or use in any civil action as provided under this subsection. The standards review organization shall keep the information confidential subject to this subsection.

(3) Information that is confidential and not subject to discovery or use in civil actions under this subsection may be released to the Department of Health and Human Services pursuant to its investigative authority under G.S. 131E-105. Information released to the Department shall be limited to information reasonably necessary and relevant to the Department's investigation of compliance with Part 1 of Article 6 of this Chapter. Information released to the Department retains its confidentiality and is not subject to discovery or use in any civil action as provided in this subsection. The Department shall keep the information confidential subject to this subsection.

(4) Information that is confidential and is not subject to discovery or use in civil actions under this subsection may be released to an occupational licensing board having jurisdiction over the license of an individual involved in an incident that is under review or investigation by the advisory committee. Information released to the occupational licensing board shall be limited to information reasonably necessary and relevant to an investigation being conducted by the licensing board pertaining to the individual's involvement in the incident under review by the advisory committee. Information released to an occupational licensing board retains its confidentiality and is not subject to discovery or use in any civil action as provided in this

subsection. The occupational licensing board shall keep the information confidential subject to this subsection."

SECTION 12G.2.(b) G.S. 131E-128.1(g) reads as rewritten:

"(g) Penalty. – The Department may take adverse action against the license of a nursing home upon a finding that the nursing home has failed to comply with this section, G.S. 131E-128.2, 131E-128.3, ~~131E-128.4, or 131E-128.5.~~or 131E-128.4."

SECTION 12G.2.(c) G.S. 131E-128.5 is repealed.

CERTIFICATE OF NEED EXEMPTION FOR REPLACEMENT EQUIPMENT & REPLACEMENT FACILITIES ON THE MAIN CAMPUS OF A CON-APPROVED HEALTH SERVICE FACILITY

SECTION 12G.3.(a) G.S. 131E-184 is amended by adding a new subsection to read:

"(f) The Department shall exempt from certificate of need review the purchase of any replacement equipment that exceeds the two million dollar ($2,000,000) threshold set forth in G.S. 131E-176(22) and any capital expenditure that exceeds the two million dollar ($2,000,000) threshold set forth in G.S. 131E-176(16)b. if all of the following conditions are met:

(1) For replacement equipment, if the replacement equipment is to be used on the main campus of a licensed health service facility that has already obtained certificate of need approval.

(2) For a capital expenditure, if the sole purpose of the capital expenditure is to replace an existing health service facility on the main campus of a licensed health service facility that has already obtained certificate of need approval and the capital expenditure does not result in (i) a change in bed capacity as defined in G.S. 131E-176(5) or (ii) the addition of a health service facility or any other new institutional health service other than that allowed in G.S. 131E-176(16)b.

(3) The licensed health service facility proposing to purchase the replacement equipment or incur the capital expenditure shall provide prior written notice to the Department, along with supporting documentation to demonstrate that it meets the exemption criteria of this subsection."

SECTION 12G.3.(b) This section applies to replacement equipment purchased and capital expenditures incurred on or after July 1, 2013.

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

DETAILED MEDICAID REFORM PROPOSAL TO BE PREPARED BY DEPARTMENT OF HEALTH AND HUMAN SERVICES

SECTION 12H.1.(a) The Department of Health and Human Services, Division of Medical Assistance, (Department) shall create a detailed plan for, but not implement, significant reforms to the State's Medicaid Program that shall accomplish the following:

(1) Create a predictable and sustainable Medicaid program for North Carolina taxpayers.

(2) Increase administrative ease and efficiency for North Carolina Medicaid providers.

(3) Provide care for the whole person by uniting physical and behavioral health care.

SECTION 12H.1.(b) The Department shall submit its detailed proposal of how to reform the State's Medicaid Program to the General Assembly. The report shall contain the following:

(1) The details of the reform plan, including how the plan would accomplish the goals set out in subsection (a) of this section.
(2) The Department's methodology for selecting the reform plan over alternatives.
(3) Forecasts of the reform plan's potential to slow the growth of the costs of the Medicaid Program, including the assumptions and methodology used for the forecast, as well as an explanation of how the Department's forecast methodology has been improved to produce more accurate forecasting than in prior years.
(4) The reform plan's impact, as compared to the existing Medicaid Program, on both providers and recipients in areas such as enrollment within the Medicaid system, access to services, quality of care, and payment methodologies, and any other areas of comparison to help the General Assembly evaluate the reform plan.
(5) If regional demonstration projects, pilot projects, or similar projects will be used to test a proposal, how the Department will ensure that the test methodology is scientifically valid and consistent with social science research methods.
(6) How financial risks will be allocated under the reform plan.
(7) The mechanisms through which the Department and any contractors under the reform plan would be held accountable for the implementation and performance of the plan.
(8) Short-term costs to implement the plan and expected long-term savings in future years from slowing the growth of costs.
(9) A realistic time line for implementation.
(10) Draft Medicaid State Plan Amendments, Medicaid waivers, amendments to State law, or other changes necessary to legally allow the Department to implement its reform plan.
(11) Any other detailed information that would assist the General Assembly in evaluating the strength of the reform plan and the plan's ability to accomplish the goals set out in subsection (a) of this section.

SECTION 12H.1.(c) The Department is encouraged to and may submit draft Medicaid State Plan amendments, draft waiver applications, or other documents to the federal government to solicit feedback on the Department's proposal prior to reporting to the General Assembly. The Department shall not, however, submit any documents to the federal government to implement the reform plan without legislation authorizing the Department to implement the Department's reform plan.

SECTION 12H.1.(d) The Department shall submit its reform plan to the General Assembly no later than March 17, 2014, but is encouraged to submit its plan as early as it responsibly can.

CLARIFY STATE PLAN AMENDMENT PROCEDURES; REPEAL UNAUTHORIZED STATE PLAN AMENDMENT

SECTION 12H.2.(a) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read as follows:

"**§ 108A-54.1A. Amendments to Medicaid State Plan and Medicaid Waivers.**

(a) No provision in the Medicaid State Plan or in a Medicaid Waiver may expand or otherwise alter the scope or purpose of the Medicaid program from that authorized by law enacted by the General Assembly. For purposes of this section, the term "amendments to the State Plan" includes State Plan amendments, Waivers, and Waiver amendments.

(b) The Department may submit amendments to the State Plan only as required under any of the following circumstances:

(1) A law enacted by the General Assembly directs the Department to submit an amendment to the State Plan.

(2) A law enacted by the General Assembly makes a change to the Medicaid Program that requires approval by the federal government.

(3) A change in federal law, including regulatory law, requires an amendment to the State Plan.

(4) A change made by the Department to the Medicaid Program requires an amendment to the State Plan, if the change was within the authority granted to the Department by State law.

(5) An amendment to the State Plan is required to ensure continued federal financial participation.

(c) Amendments to the State Plan submitted to the federal government for approval shall contain only those changes that are allowed by the authority for submitting an amendment to the State Plan in subsection (b) of this section.

(d) No fewer than 10 days prior to submitting an amendment to the State Plan to the federal government, the Department shall post the amendment on its Web site and notify the members of the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division, that the amendment has been posted. This requirement shall not apply to draft or proposed amendments submitted to the federal government for comments, but not submitted for approval. If the authority for submitting the amendment to the State Plan is pursuant to subdivision (3), (4), or (5) of subsection (b) of this section, then, prior to submitting an amendment to the federal government, the Department shall submit to the General Assembly members receiving notice under this subsection and to the Fiscal Research Division an explanation of the amendment, the need for the amendment, and the federal time limits required for implementation of the amendment.

(e) The Department shall submit an amendment to the State Plan to the federal government by a date sufficient to provide the federal government adequate time to review and approve the amendment so the amendment may be effective by the date required by the directing authority in subsection (b) of this section."

SECTION 12H.2.(b) G.S. 108A-70.25 reads as rewritten:

"§ 108A-70.25. State Plan for Health Insurance Program for Children.

~~The Department shall develop and submit a State Plan to implement "The Health Insurance Program for Children" authorized under this Part to the federal government as application for federal funds under Title XXI. The State Plan submitted under this Part shall be developed by the Department only as authorized by and in accordance with this Part. No provision in the State Plan submitted under this Part may expand or otherwise alter the scope or purpose of the Program from that authorized under this Part. The Department shall include in the State Plan submitted only those items required by this Part and required by the federal government to qualify for federal funds under Title XXI and necessary to secure the State's federal fund allotment for the applicable fiscal period. Except as otherwise provided in this section, the Department shall not amend the State Plan nor submit any amendments thereto to the federal government for review or approval without the specific approval of the General Assembly. In the event federal law requires that an amendment be made to the State Plan and further requires that the amendment be submitted or implemented within a time period when the General Assembly is not and will not be in session to approve the amendment, then the Department may submit the amendment to the federal government for review and approval without the approval of the General Assembly. Prior to submitting an amendment to the federal government without General Assembly approval as authorized in this section, the Department shall report the proposed amendment to the Joint Legislative Oversight Committee on Health and Human~~

~~Services and to members of the Joint Appropriations Subcommittee on Health and Human Services. The report shall include an explanation of the amendment, the necessity therefor, and the federal time limits required for implementation of the amendment.~~

(a) The NC Health Choice program shall be administered and operated in accordance with this Part and the NC Health Choice State Plan, as periodically amended by the Department of Health and Human Services and approved by the federal government.

(b) The requirements in G.S. 108A-54.1A shall apply to NC Health Choice State Plan amendments in the same manner in which they apply to Medicaid State Plan amendments."

SECTION 12H.2.(c) The Department of Health and Human Services shall take any and all action necessary to remove from the Medicaid State Plan the amendment that begins on Attachment 4.19-B, Section 5, Page 2, and pertains to supplemental payments that increase reimbursement to the average commercial rate for certain eligible medical professional providers.

CODIFY GENERAL POLICIES

SECTION 12H.3. G.S. 108A-54 reads as rewritten:

"**§ 108A-54. Authorization of Medical Assistance Program.**

(a) The Department is authorized to establish a Medicaid Program in accordance with Title XIX of the federal Social Security Act. The Department may adopt rules to implement the Program. The State is responsible for the nonfederal share of the costs of medical services provided under the Program. In addition, the State shall pay one hundred percent (100%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004, P.L. 108-173, as amended. A county is responsible for the county's cost of administering the Program in that county.

...

(c) The Medicaid Program shall be administered and operated in accordance with this Part and the North Carolina Medicaid State Plan and Waivers, as periodically amended by the Department of Health and Human Services in accordance with G.S. 108A-54.1A and approved by the federal government.

(d) The Department shall not take any actions that the Department determines would jeopardize the State's qualification to receive federal funds through the Medicaid Program."

CODIFY MEDICAID AS SECONDARY PAYOR

SECTION 12H.4. G.S. 108A-55 is amended by adding a new subsection to read as follows:

"**§ 108A-55. Payments.**

...

(e) Medicaid is a secondary payor of claims. The Department shall apply Medicaid medical policy to recipients who have primary insurance other than Medicare, Medicare Advantage, and Medicaid. For recipients who have primary insurance other than Medicare, Medicare Advantage, or Medicaid, the Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care."

CODIFY COUNTIES SHARING IN FRAUD RECOVERY

SECTION 12H.5. Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read as follows:

"**§ 108A-64.1. Incentives to counties to recover fraudulent Medicaid expenditures.**

The Department of Health and Human Services, Division of Medical Assistance, shall provide incentives to counties that successfully recover fraudulently spent Medicaid funds by

sharing State savings with counties responsible for the recovery of the fraudulently spent funds."

CODIFY CHANGES TO MEDICAL POLICY

SECTION 12H.6.(a) G.S. 108A-54.2 reads as rewritten:

"**§ 108A-54.2. Procedures for changing medical policy.**

(a) The Department shall adopt rules to develop, amend, and adopt medical coverage policy for Medicaid and NC Health Choice in accordance with this section.

(b) Medical coverage policy is defined as those policies, definitions, or guidelines utilized to evaluate, treat, or support the health or developmental conditions of a recipient so as to determine eligibility, authorization or continued authorization, medical necessity, course of treatment and supports, clinical outcomes, and clinical supports treatment practices for a covered procedure, product, or service. Medical coverage policy is subject to the following:

(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, the Department shall consult with and seek the advice of the Physician Advisory Group and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.

(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:

a. Publish the proposed new or amended medical coverage policy on the Department's Web site;

b. Notify all Medicaid and NC Health Choice providers of the proposed, new, or amended policy; and

c. Upon request, provide persons copies of the proposed medical coverage policy.

(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, the Department shall accept oral and written comments on the proposed new or amended policy.

(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:

a. Notify all Medicaid and NC Health Choice providers of the proposed policy;

b. Upon request, provide persons notice of amendments to the proposed policy; and

c. Accept additional oral or written comments during this 15-day period.

(c) If the adoption of new or amended medical coverage policies is necessitated by an act of the General Assembly or a change in federal law, then the 45- and 15-day time periods specified in subsection (b) of this section shall instead be 30- and 10-day time periods.

(d) Unless directed to do so by the General Assembly, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for departmental review. Changes to medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services are subject to the following:

(1) If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds five hundred thousand dollars ($500,000) in total requirements for Medicaid or fifty thousand dollars ($50,000) in total requirements for NC Health Choice for a given fiscal year, then the Department shall submit the proposed medical policy change to the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement the proposed medical policy change unless the source of State funding is identified and approved by the Office of State Budget and Management.

(2) If the medical policy change meets the requirement thresholds specified in subdivision (1) of this subsection but is required for compliance with federal law, then the Department shall submit the proposed medical policy or policy interpretation change with the five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change.

The Department shall annually report, by November 1 of each year, all medical policy changes with total requirements of less than the amount specified in subdivision (1) of this subsection to the Office of State Budget and Management and the Fiscal Research Division of the Legislative Services Commission."

SECTION 12H.6.(b) G.S. 108A-54.3 is repealed.

CODIFY PREEXISTING PROVIDER APPLICATION FEE

SECTION 12H.7. G.S. 108C-9 is amended by adding a new subsection to read as follows:

"**§ 108C-9. Provider enrollment criteria.**

...

(e) The Department of Health and Human Services, Division of Medical Assistance, shall charge an application fee of one hundred dollars ($100.00), and the amount federally required, to each provider enrolling in the Medicaid Program for the first time. The fee shall be charged to all providers at recredentialing every three years."

CODIFY ELECTRONIC TRANSACTION REQUIREMENTS FOR PROVIDERS

SECTION 12H.8. Chapter 108C of the General Statutes is amended by adding a new section to read as follows:

"**§ 108C-13. Electronic transactions.**

(a) Providers shall follow the Department's established procedures for securing electronic payments, and the Department shall not provide routine provider payments by check. Medicaid providers shall file claims electronically, except that nonelectronic claims submission may be required when it is in the best interest of the Department.

(b) Providers shall submit Preadmission Screening and Annual Resident Reviews (PASARR) through the Department's Web-based tool or through a vendor with interface capability to submit data into the Web-based PASARR.

(c) Providers shall submit requests for prior authorizations electronically via Web site. Providers shall access their authorizations via online portals rather than receiving hard copies by mail. Providers shall receive copies of adverse decisions electronically, although recipients shall receive adverse decisions via certified mail.

(d) Providers shall submit their provider enrollment applications online. The Department shall accept electronic signatures rather than require receipt of signed hard copies."

CODIFY RULE MAKING, TEMPORARY AND EXCEPTIONS

SECTION 12H.9.(a) G.S. 108A-54(b) is recodified as G.S. 108A-54.1B(a).

SECTION 12H.9.(b) G.S. 108A-54.1B, as created by subsection (a) of this section, reads as rewritten:

"**§ 108A-54.1B. Adoption of rules; exceptions.**

(a) The Department is expressly authorized to adopt temporary and permanent rules to implement or define the federal laws and regulations, the North Carolina State Plan of Medical Assistance, and the North Carolina State Plan of the Health Insurance Program for Children, the terms and conditions of eligibility for applicants and recipients of the Medical Assistance Program and the Health Insurance Program for Children, audits and program integrity, the services, goods, supplies, or merchandise made available to recipients of the Medical Assistance Program and the Health Insurance Program for Children, and reimbursement for the services, goods, supplies, or merchandise made available to recipients of the Medical Assistance Program and the Health Insurance Program for Children.

(b) Prior to filing a temporary rule authorized under G.S. 150B-21.1(a)(17) with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary rule and its effect on State appropriations and local governments.

(c) Rule-making authority granted under this section for particular circumstances or programs is in addition to any other rule-making authority granted to the Department under Chapter 150B of the General Statutes.

(d) State Plans, State Plan Amendments, and Waivers approved by the Centers for Medicare and Medicaid Services (CMS) for the North Carolina Medicaid Program and the NC Health Choice program shall have the force and effect of rules adopted pursuant to Article 2A of Chapter 150B of the General Statutes."

SECTION 12H.9.(c) G.S. 150B-1(d) is amended by adding a new subdivision to read as follows:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

...

(22) The Department of Health and Human Services with respect to the content of State Plans, State Plan Amendments, and Waivers approved by the Centers for Medicare and Medicaid Services (CMS) for the North Carolina Medicaid Program and the NC Health Choice program."

SECTION 12H.9.(d) G.S. 150B-21.1(a) is amended by adding a new subdivision to read as follows:

"(a) Adoption. – An agency may adopt a temporary rule when it finds that adherence to the notice and hearing requirements of G.S. 150B-21.2 would be contrary to the public interest and that the immediate adoption of the rule is required by one or more of the following:

....

(17) To maximize receipt of federal funds for the Medicaid or NC Health Choice programs within existing State appropriations, to reduce Medicaid or NC Health Choice expenditures, and to reduce Medicaid and NC Health Choice fraud and abuse."

CODIFY ELIGIBILITY

SECTION 12H.10.(a) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read as follows:

"**§ 108A-54.6. Eligibility.**

(a) Families and children who are categorically and medically needy are eligible for Medicaid, subject to the following annual income levels:

Family	Categorically Needy	Medically Needy

Size	Income Level	Income Level
1	$ 4,344	$ 2,900
2	5,664	3,800
3	6,528	4,400
4	7,128	4,800
5	7,776	5,200
6	8,376	5,600
7	8,952	6,000
8	9,256	6,300

The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(b) Persons eligible for the following programs shall be eligible for Medicaid:

(1) Work First Family Assistance.

(2) Supplemental Social Security Income (SSI).

(3) State/County Special Assistance.

(c) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

(1) All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

(2) Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.

(3) Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

(4) Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

(5) Children aged six through 18 with family incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines and without regard to resources.

(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 eighty-five percent (185%) of the federal poverty guidelines and without regard to resources.

(d) 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.

(e) 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.

(f) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII)."

SECTION 12H.10.(b) G.S. 108A-54.1 is recodified as G.S. 108A-66.1. G.S. 108A-66.1(a), as recodified by this subsection, reads as rewritten:

"(a) Title. – This ~~act~~ section may be cited as the Health Coverage for Workers With Disabilities Act. The Department shall implement a Medicaid buy-in eligibility category as permitted under P.L. 106-170, Ticket to Work and Work Incentives Improvement Act of 1999. The Department shall establish rules, policies, and procedures to implement this act in accordance with this section:"

SECTION 12H.10.(c) Effective January 1, 2014, G.S. 108A-54.6(c)(5), as enacted by this section, reads as rewritten:

"(5) Children aged six through 18 with family incomes equal to or less than ~~one hundred percent (100%)~~ one hundred thirty-three percent (133%) of the federal poverty guidelines and without regard to resources."

SECTION 12H.10.(d) Effective January 1, 2014, G.S. 108A-70.21(a)(1)d. reads as rewritten:

"**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing; coverage from private plans; purchase of extended coverage.**

(a) Eligibility. – The Department may enroll eligible children based on availability of funds. Following are eligibility and other requirements for participation in the Program:

(1) Children must:

a. Be between the ages of 6 through 18;

b. Be ineligible for Medicaid, Medicare, or other federal government-sponsored health insurance;

c. Be uninsured;

d. Be in a family whose family income is above ~~one hundred percent (100%)~~ one hundred thirty-three percent (133%) through two hundred percent (200%) of the federal poverty level;

e. Be a resident of this State and eligible under federal law; and

f. Have paid the Program enrollment fee required under this Part.

...."

NC HEALTH CHOICE TEMPORARY EXTENDED COVERAGE

SECTION 12H.11. An enrollee in the NC Health Choice program who loses eligibility due to reaching the age of 19 on or after June 1, 2013, may purchase at full premium cost continued coverage under the NC Health Choice program until the end of the month following the date on which the Secretary of the United States Department of Health and Human Services determines that the North Carolina federally facilitated Health Benefits Exchange is fully operational. The benefits, co-payments, and other conditions of enrollment under the NC Health Choice program applicable to extended coverage purchased in accordance with this section shall be the same as those applicable to an NC Health Choice enrollee who has not yet reached the age of 19.

INSURANCE PREMIUMS FOR PREGNANT WOMEN

SECTION 12H.12.(a) G.S. 108A-54.6(c)(2), as enacted by Section 12H.10 of this act, reads as rewritten:

"(2) Pregnant women with incomes equal to or less than ~~one hundred eighty-five percent (185%)~~one hundred thirty-three percent (133%) 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."

SECTION 12H.12.(b) Article 2 of Chapter 108A of the General Statutes is amended by adding a new Part to read as follows:

"Part 10. Insurance Premiums for Pregnant Women.

"**§ 108A-70.35. Definitions.**

In this Part, the following definitions apply:

(1) Federal poverty guidelines. – The federal poverty guidelines established by the United States Department of Health and Human Services, as periodically revised.

(2) Household income. – As defined under 26 U.S.C. § 5000A(c)(4)(B).

(3) Medicaid. – The State Medical Assistance Program established under Part 6 of this Article.

(4) Minimum essential coverage. – As defined under 26 U.S.C. § 5000A(f)(1).

(5) Program. – The Insurance Premiums for Pregnant Women program established in this Part.

(6) Uninsured. – Without minimum essential coverage.

"**§ 108A-70.36. Purpose; no entitlement.**

The purpose of this Part is to help uninsured, lower-income pregnant women who are residents of this State acquire health insurance through premium assistance. Premium assistance shall be paid from State funds appropriated. Nothing in this Part shall be construed as obligating the General Assembly to appropriate funds for this purpose or as entitling any person to receive premium assistance under this Part.

"**§ 108A-70.37. Program established.**

The Insurance Premiums for Pregnant Women program is established. The program shall be administered by the Department of Health and Human Services in accordance with this Part.

"**§ 108A-70.38. Program eligibility.**

In order to participate in the program, an individual must meet all of the following requirements:

(1) Be a resident of the State.

(2) Be lawfully present in the United States.

(3) Not be on active punishment, as that term is defined under G.S. 15A-1340.11.

(4) Have a medically verified pregnancy.

(5) Not have minimum essential coverage, excluding coverage purchased using funding from the program.

(6) Have household income of no more than one hundred eighty-five percent (185%) of the federal poverty guidelines.

(7) Qualify for a premium assistance credit under 26 U.S.C. § 36B.

"**§ 108A-70.39. Program benefits.**

(a) An individual who qualifies under G.S. 108A-70.38 shall be eligible for premium assistance from the State to help the individual purchase coverage under a health benefit plan during the period of the pregnancy through the end of the second calendar month following the pregnancy.

(b) The amount of the premium assistance shall be the amount necessary to purchase insurance coverage up to the amount provided in 26 U.S.C. § 36B(b)(2)(B)(ii).

(c) The Department of Health and Human Services shall remit the amount of the premium assistance to a qualified individual's insurer on behalf of the qualified individual.

(d) A qualified individual who participates in the program shall remain responsible for the other costs of the health benefit plan in which they are enrolled, including any cost-sharing."

SECTION 12H.12.(c) This section becomes effective January 1, 2014, and applies to pregnancies medically verified on or after that date.

MODIFICATIONS TO EXISTING COVERED SERVICES AND PAYMENT FOR SERVICES

SECTION 12H.13.(a) Except as otherwise provided in this act, the allowable State plan services, co-pays, reimbursement rates, and fees shall remain the same as those effective June 30, 2013. Except as otherwise provided in this act and to the extent allowable under federal law, the adjustments made in this section apply to both the Medicaid Program and the NC Health Choice program.

SECTION 12H.13.(b) Effective July 1, 2013, any rates that contain an inflationary or increase factor shall not increase above the rate in effect on June 30, 2013, unless the rate is otherwise increased by the General Assembly. Hospital outpatient services' percentage of cost shall be adjusted to compensate for expected inflation that hospitals would be eligible for, and cost settlement will only be up to that percentage. Nursing direct care services shall not receive case mix index increases after June 30, 2013, until reinstated. The following rates are excluded from this subsection: Federally Qualified Health Centers, Rural Health Centers, State-Operated services, Hospice, Part B and D Premiums, third-party and HMO premiums, drugs, and MCO capitation payments.

SECTION 12H.13.(c) Effective November 1, 2013, nominal co-pays are increased to the maximum amount allowed by the Centers for Medicare and Medicaid Services (CMS). The Department of Health and Human Services, Division of Medical Assistance, shall monitor changes to federal law and increase the nominal co-pays whenever allowed under federal law.

SECTION 12H.13.(d) Effective January 1, 2014, the following changes are made to allowable State plan services:

(1) Of the 22 visits allowed per recipient per fiscal year for professional services provided by physicians, nurse practitioners, nurse midwives, physician assistants, clinics, and health departments, prior authorization is required for visits in excess of 10 within a year. This limitation and prior authorization requirement does not apply to chronic conditions.

(2) Adult private duty nursing (PDN) is limited to four hundred thirty-two dollars ($432.00) per day.

(3) Adult rehabilitation home visits for set-up and training are limited to three within a 12-month period.

(4) Prior authorization is required for all mental health drugs. A 72-hour emergency supply may be provided if a beneficiary is waiting for acknowledgment of the prior authorization request.

SECTION 12H.13.(e) Effective January 1, 2014, the percentage of allowable costs for hospital outpatients is reduced from eighty percent (80%) to seventy percent (70%).

SECTION 12H.13.(f) Effective January 1, 2014, nonemergency services provided in an emergency room shall be reimbursed based on a single fee. The Department of Health and Human Services, Division of Medical Assistance, shall establish such a fee. This fee may not be cost-settled.

SECTION 12H.13.(g) Effective January 1, 2014, the following changes are made to drug reimbursements:

(1) Reimbursement rates for prescribed drugs are based on an invoice cost that will be established through quarterly surveys to determine the actual cost of

drugs to pharmacies. The Department of Health and Human Services, Division of Medical Assistance, shall conduct such quarterly surveys.

(2) Dispensing fees are to be increased to an average payment of nine dollars and eighty-seven cents ($9.87) for all drugs, with the incentive differential for dispensing generic and preferred drugs remaining at two dollars ($2.00).

ADDITIONAL PERSONAL CARE SERVICES FOR QUALIFIED INDIVIDUALS

SECTION 12H.14.(a) Section 10.9F(c) of S.L. 2012-142, as amended by Section 70 of S.L. 2012-194, reads as rewritten:

"**SECTION 10.9F.(c)** A Medicaid recipient who meets each of the following criteria is eligible for up to 80 hours of personal care services:

(1) The recipient has a medical condition, disability, or cognitive impairment and demonstrates unmet needs for, at a minimum, (i) three of the five qualifying activities of daily living (ADLs) with limited hands-on assistance; (ii) two ADLs, one of which requires extensive assistance; or (iii) two ADLs, one of which requires assistance at the full dependence level.

(2) The recipient (i) resides in a private living arrangement, a residential facility licensed by the State of North Carolina as an adult care home, or a combination home as defined in G.S. 131E-101(1a); or (ii) resides in a group home licensed under Chapter 122C or the General ~~Statues~~ Statutes and under 10A NCAC 27G .5601 as a supervised living facility for two or more adults whose primary diagnosis is mental illness, a developmental disability, or substance abuse dependency, and is eligible to receive personal care services under the Medicaid State Plan.

The five qualifying ADLs are eating, dressing, bathing, toileting, and mobility. For Medicaid recipients meeting the criteria above, ~~Personal~~ personal care services shall be available ~~for up to 80 hours per month~~ in accordance with an assessment conducted under subsection (d) of this section and a plan of care developed by the service provider and approved by the Department of Health and Human Services, Division of Medical Assistance, or its designee.

(3) A Medicaid recipient who meets the eligibility criteria provided in subdivisions (1) and (2) of this subsection and all of the criteria provided below is eligible for up to 50 additional hours of Medicaid Personal Care Services per month for a total of up to 130 hours per month in accordance with an assessment and a plan of care.

a. The recipient requires an increased level of supervision.

b. The recipient requires caregivers with training or experience in caring for individuals who have a degenerative disease characterized by irreversible memory dysfunction that attacks the brain and results in impaired memory, thinking, and behavior including gradual memory loss, impaired judgment, disorientation, personality change, difficulty in learning, and the loss of language skills.

c. Regardless of setting, the recipient requires a physical environment that includes modifications and safety measures to safeguard the recipient because of the recipient's gradual memory loss, impaired judgment, disorientation, personality change, difficulty in learning, and the loss of language skills.

d. The recipient exhibits safety concerns related to inappropriate wandering, ingestion, aggressive behavior, and an increased incidence of falls.

Physician attestation. – A recipient must have a physician's attestation that the recipient meets each of the criteria in sub-subdivisions a. through d. of subdivision (3) of this subsection. A recipient is not required to have a new attestation if he or she is identified by the Department of Health and Human Services, Division of Medical Assistance, as having on record a physician's attestation that meets the requirements of this subdivision. A recipient is required to have a new attestation if one cannot be identified by the Division of Medical Assistance or if the one identified does not meet the requirements of this subdivision.

Independent assessment. – Based on the physician's attestation, the Medicaid recipient must receive an independent assessment conducted by a trained professional who is qualified to assess and has experience assessing individuals with the needs for additional safeguards identified by this subdivision. The independent assessment shall be conducted in accordance with subsection (d) of this section and shall determine the number of hours of personal care services needed by the individual. In response to the assessment, a plan of care shall be developed by the service provider and approved by the Department of Health and Human Services, Division of Medical Assistance, or its designee.

Personal care services shall not include nonmedical transportation; financial management; non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting; and household chores not directly related to the qualifying ADLs."

SECTION 12H.14.(b) The Department shall reduce the rate for personal care services in order to fund the additional service hours authorized under this section within the budgeted amount of funds for personal care services.

SECTION 12H.14.(c) On or before August 1, 2013, and on or before November 1, 2013, the Department of Health and Human Services shall report on the implementation of this section to the Joint Legislative Oversight Committee on Health and Human Services.

MODIFY MEDICAID SUBROGATION STATUTE IN RESPONSE TO WOS V. E.M.A.

SECTION 12H.15.(a) G.S. 108A-57 reads as rewritten:

"**§ 108A-57. Subrogation rights; withholding of information a misdemeanor.**

(a) Notwithstanding any other provisions of the law, to the extent of payments under this Part, the ~~State, or the county providing medical assistance benefits,~~ State shall be subrogated to all rights of recovery, contractual or otherwise, of the beneficiary of this assistance, or of the beneficiary's personal representative, heirs, or the administrator or executor of the estate, against any person. ~~The county attorney, or an attorney retained by the county or the State or both, or an attorney retained by the beneficiary of the assistance if this attorney has actual notice of payments made under this Part shall enforce this section.~~ A personal injury or wrongful death claim brought by a medical assistance beneficiary against a third party shall include a claim for all medical assistance payments for health care items or services furnished to the medical assistance beneficiary as a result of the injury, hereinafter referred to as the "Medicaid claim." Any personal injury or wrongful death claim brought by a medical assistance beneficiary against a third party that does not state the Medicaid claim shall be deemed to include the Medicaid claim.

(a1) If the amount of the Medicaid claim does not exceed one-third of the medical assistance beneficiary's gross recovery, it is presumed that the gross recovery includes compensation for the full amount of the Medicaid claim. If the amount of the Medicaid claim exceeds one-third of the medical assistance beneficiary's gross recovery, it is presumed that one-third of the gross recovery represents compensation for the Medicaid claim.

(a2) A medical assistance beneficiary may dispute the presumptions established in subsection (a1) of this section by applying to the court in which the medical assistance beneficiary's claim against the third party is pending, or if there is none, then to a court of competent jurisdiction, for a determination of the portion of the beneficiary's gross recovery that represents compensation for the Medicaid claim. An application under this subsection shall be filed with the court and served on the Department pursuant to the Rules of Civil Procedure no later than 30 days after the date that the settlement agreement is executed by all parties and, if required, approved by the court, or in cases in which judgment has been entered, no later than 30 days after the date of entry of judgment. The court shall hold an evidentiary hearing no sooner than 30 days after the date the action was filed. All of the following shall apply to the court's determination under this subsection:

(1) The medical assistance beneficiary has the burden of proving by clear and convincing evidence that the portion of the beneficiary's gross recovery that represents compensation for the Medicaid claim is less than the portion presumed under subsection (a1) of this section.

(2) The presumption under subsection (a1) of this section is not rebutted solely by the fact that the medical assistance beneficiary was not able to recover the full amount of all claims.

(3) The court may consider any factors the court deems just and reasonable in determining the portion of the recovery that represents compensation for the Medicaid claim.

(4) The court may determine based upon a preponderance of the evidence that the portion of the recovery that represents compensation for the Medicaid claim is greater than the portion presumed under subsection (a1) of this section.

(a3) ~~Any~~Within 30 days of receipt of the proceeds of a settlement or judgment related to a claim described in subsection (a) of this section, the medical assistance beneficiary or any attorney retained by the beneficiary shall notify the Department of the receipt of the proceeds. The medical assistance beneficiary or any attorney retained by the beneficiary ~~of the assistance~~ shall, out of the proceeds obtained by or on behalf of the beneficiary by settlement with, judgment against, or otherwise from a third party by reason of injury or death, distribute to the Department the amount of assistance paid by the Department on behalf of or to the beneficiary, as prorated with the claims of all others having medical subrogation rights or medical liens against the amount received or recovered, but the amount paid to the Department shall not exceed ~~one-third of the gross amount obtained or recovered.~~the portion presumptively determined under subsection (a1) of this section or the portion judicially determined under subsection (a2) of this section. Unless an action has been commenced pursuant to subsection (a2) of this section, the amount shall be paid to the Department within 30 days of the beneficiary's receipt of the proceeds.

(a4) The United States and the State of North Carolina shall be entitled to shares in each net recovery by the Department under this section. Their shares shall be promptly paid under this section and their proportionate parts of such sum shall be determined in accordance with the matching formulas in use during the period for which assistance was paid to the recipient.

(b) It is a Class 1 misdemeanor for any person seeking or having obtained assistance under this Part for himself or another to willfully fail to disclose to the county department of social services or its attorney the identity of any person or organization against whom the recipient of assistance has a right of recovery, contractual or otherwise.

(c) This section applies to the administration of and claims payments made by the Department of Health and Human Services under the NC Health Choice Program established under Part 8 of this Article.

(d) As required to ensure compliance with this section, the Department may apply to the court in which the medical assistance beneficiary's claim against the third party is pending, or if there is none, then to a court of competent jurisdiction for enforcement of this section."

SECTION 12H.15.(b) This section is effective when it becomes law and applies to claims brought by a medical assistance beneficiary against a third party in which either a settlement agreement is executed by all parties or a judgment is entered against the third party on or after the effective date of this section. For claims in which the Medicaid claim has not been satisfied and as to which, prior to the effective date of this section, either (i) a settlement agreement has been executed by all parties or (ii) judgment has been entered against the third party, the medical assistance beneficiary shall have 90 days from the effective date of this section within which to apply to the court pursuant to G.S. 108A-57(c).

ADMINISTRATIVE HEARINGS FUNDING AND PROCEDURE MODIFICATION

SECTION 12H.16.(a) The Department of Health and Human Services (Department) shall transfer the sum of one million dollars ($1,000,000) for the 2013-2014 fiscal year, and the sum of one million dollars ($1,000,000) for the 2014-2015 fiscal year, to the Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. OAH shall continue the Memorandum of Agreement (MOA) with the Department for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate the Department's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from OAH for covered services rendered in accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

SECTION 12H.16.(b) G.S. 108C-12(d) is repealed.

SECTION 12H.16.(c) G.S. 108C-5 reads as rewritten:

"**§ 108C-5. Payment suspension and audits utilizing extrapolation.**

(a) The Department may suspend payments to a provider in accordance with the requirements and procedures set forth in 42 C.F.R. § 455.23.

(b) In addition to the procedures for suspending payment set forth at 42 C.F.R. § 455.23, the Department may also suspend payment to any provider that (i) owes a final overpayment, assessment, or fine to the Department and has not entered into an approved payment plan with the Department or (ii) has had its participation in the Medicaid or Health Choice programs suspended or terminated by the Department. For purposes of this section, a suspension or termination of participation does not become final until all administrative appeal rights have been exhausted and shall not include any agency decision that is being contested at the Department or the Office of Administrative Hearings or in Superior Court provided that the Superior Court has entered a stay pursuant to the provisions of G.S. 150B-48.

(b1) The Department shall withhold payment to any North Carolina Medicaid provider or Health Choice provider for whom the Division of Medical Assistance, or its vendor, has identified an overpayment in a written notice to the provider. Withholding shall begin on the 31st day after the day the notice of overpayment is mailed and shall continue during the pendency of any appeal until the overpayment becomes a final overpayment. For purposes of this subsection, withholding during any month shall not exceed the amount of any interest required by law plus nine percent (9%) of the sum of the total overpayment amount identified in the notice of overpayment and any penalty required by law. If the Department subsequently reduces the identified overpayment in writing, withholding during any subsequent month shall not exceed the amount of any interest required by law plus nine percent (9%) of the sum of the total reduced identified overpayment and any penalty required by law. Total withholdings shall not exceed the total amount of the overpayment plus any penalty and interest charges required

by law. If the total amount withheld exceeds the final overpayment plus interest and penalty required by law, the Department shall pay the provider the amount withheld in excess of the final overpayment plus penalty and interest. Upon request by the provider and for good cause shown, the Department is authorized to approve a payment plan for a provider to pay an overpayment, pursuant to subsection (g) of this section. Absent a showing of good cause for repayment to be made over a period of more than one year, the Department shall take all necessary and appropriate action to recover overpayments within 365 days of the date the notice of overpayment was mailed to the provider.

(c) For providers who owe a final overpayment, assessment, or fine to the Department, the payment suspension shall begin the thirty-first day after the overpayment, assessment, or fine becomes final. The payment suspension shall not exceed the amount owed to the Department, including any applicable penalty and interest charges.

(d) Providers whose participation in the Medicaid or Health Choice programs has been suspended or terminated shall have all payments suspended beginning on the thirty-first day after the suspension or termination becomes final.

(e) The Department shall consult with the N.C. Departments of Treasury and Revenue and other State departments and agencies to determine if a provider owes debts or fines to the State. The Department may collect any of these debts owed to the State subsequent to consideration by the Department of the financial impact upon the provider and the impact upon access to the services provided by the provider.

(f) When issuing payment suspensions and withholdings in accordance with this Chapter, the Department may suspend or withhold payment to all providers which share the same IRS Employee Identification Number or corporate parent as the provider or provider site location which owes the final overpayment, overpayment, assessment, or fine. The Department shall give 30 days advance written notice to all providers which share the same IRS Employee Identification Number or corporate parent as the provider or provider site location of the intention of the Department to implement a payment ~~suspension.~~suspension or withholding.

(g) The Department is authorized to approve a payment plan for a provider to pay a final overpayment, overpayment, assessment, or fine including interest and any penalty. The payment plan can include a term of up to 24 months. The Department shall establish in rule the conditions of such provider payment plans. Nothing in this subsection shall prevent the provider and the Department from mutually agreeing to modifications of a payment plan.

(h) All payments suspended or withheld in accordance with this Chapter shall be applied toward any final overpayment, assessment, or fine owed to the Department.

...."

SECTION 12H.16.(d) Chapter 108C of the General Statutes is amended by adding a new section to read as follows:

"**§ 108C-5.1. Post-payment review and recovery audit contracts.**

The Department shall not pay contingent fees pursuant to any contract with an entity conducting Medicaid post-payment reviews or Recovery Audit Contractor (RAC) audits before all appeal rights have been exhausted. Any contingent fee for Medicaid post-payment reviews or RAC audits shall be calculated as a percentage of the amount of the final overpayment, as defined in G.S. 108C-2(5). The State share of the contingent fee paid for Medicaid post-payment reviews or RAC audits shall not exceed the State share of the amount actually recovered by the Department and applied to the final overpayment."

SECTION 12H.16.(e) Subsection (d) of this section applies only to contracts entered into or amended on or after the effective date of subsection (d).

SECTION 12H.16.(f) G.S. 1A-1 is amended by adding a new Article to read as follows:

"Article 9.

"Extraordinary Writs.

"**Rule 90. Certiorari.**

(a) Scope of the Writ; Review of the Judgments, Decisions, and Orders of the Office of Administrative Hearings. – The writ of certiorari may be issued in appropriate circumstances by the Superior Court to permit review of the judgments, decisions, and orders of the Office of Administrative Hearings when no right of appeal from an interlocutory order exists.

(b) Petition for Writ; to Which Superior Court Addressed. – Application for the writ of certiorari shall be made by filing a petition therefor with the clerk of the superior court division to which appeal of right might lie from a final decision of the Office of Administrative Hearings in the contested case for which issuance of the writ is sought.

(c) Same; Filing and Service; Content. – The petition shall be filed without unreasonable delay and shall be accompanied by proof of service upon all other parties. The petition shall contain a statement of the facts necessary to an understanding of the issues presented by the application, a statement of the reasons why the writ should issue, and certified copies of the judgment, decision, order, or opinion or parts of the record which may be essential to an understanding of the matters set forth in the petition. The petition shall be verified by counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk will docket the petition.

(d) Response; Determination by Court. – Within 10 days after service of the petition any party may file a response thereto with supporting affidavits or certified portions of the record not filed with the petition. Filing shall be accompanied by proof of service upon all other parties. The court for good cause shown may shorten the time for filing a response. Determination will be made on the basis of the petition, the response, and any supporting papers. No briefs or oral argument will be received or allowed unless ordered by the court upon its own initiative.

"**Rule 91. Mandamus and Prohibition.**

(a) Petition for Writ; to Which Superior Court Addressed. – Applications for the writs of mandamus or prohibition directed to an administrative law judge shall be made by filing a petition therefor with the clerk of the superior court division to which appeal of right might lie from a final decision entered in the contested case for which issuance of the writ is sought.

(b) Same; Filing and Service; Content. – The petition shall be filed without unreasonable delay after the action by the Office of Administrative Hearings sought to be prohibited or compelled has been undertaken, or has occurred, or has been refused, and shall be accompanied by proof of service on the respondent administrative law judge or administrative law judges and on all other parties to the action. The petition shall contain a statement of the facts necessary to an understanding of the issues presented by the application, a statement of the issues presented and of the relief sought, a statement of the reasons why the writ should issue, and certified copies of any order or opinion or parts of the record that may be essential to an understanding of the matters set forth in the petition. The petition shall be verified by counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk shall docket the petition.

(c) Response; Determination by Court. – Within 10 days after service of the petition the respondent or any party may file a response thereto with supporting affidavits or certified portions of the record not filed with the petition. Filing shall be accompanied by proof of service upon all other parties. The court for good cause shown may shorten the time for filing a response. Determination will be made on the basis of the petition, the response, and any supporting papers. No briefs or oral argument will be received or allowed unless ordered by the court upon its own initiative.

"**Rule 92. Supersedeas.**

(a) Pending Review of Office of Administrative Hearings Judgments, Decisions, and Orders. – Application may be made to the appropriate superior court for a writ of supersedeas to stay the execution or enforcement of any judgment, decision, order, or other determination of

the Office of Administrative Hearings which is not automatically stayed by the taking of appeal when an appeal has been taken or a petition for mandamus, prohibition, or certiorari has been filed to obtain review of the judgment, decision, order, or other determination and (i) a stay order or entry has been sought by the applicant by deposit of security or by motion at the Office of Administrative Hearings and such order or entry has been denied or vacated by the trial tribunal or (ii) extraordinary circumstances make it impracticable to obtain a stay by deposit of security or by application to the Office of Administrative Hearings for a stay order.

(b) Petition; Filing and Service; Content. – The petition shall be filed with the clerk of the superior court division to which appeal of right might lie from a final decision of the Office of Administrative Hearings in the contested case for which issuance of the writ is sought. The petitions shall be accompanied by proof of service upon all other parties. The petition shall be verified by counsel or the petitioner. Upon receipt of the required docket fee, the clerk will docket the petition. For stays of the judgments of the Office of Administrative Hearings, the petition shall contain a statement that a stay has been sought in the Office of Administrative Hearings and denied or vacated or shall contain facts showing that it was impracticable there to seek a stay. For stays of any judgment, the petition shall contain (i) a statement of any facts necessary to an understanding of the basis upon which the writ is sought and (ii) a statement of reasons why the writ should issue in justice to the applicant. The petition may be accompanied by affidavits and by any certified portions of the record pertinent to its consideration. It may be included in a petition to the superior court for certiorari, mandamus, or prohibition.

(c) Response; Determination by Court. – Within 10 days after service of the petition, any party may file a response thereto with supporting affidavits or certified portions of the record not filed with the petition. Filing shall be accompanied by proof of service upon all other parties. The court for good cause shown may shorten the time for filing a response. Determination will be made on the basis of the petition, the response, and any supporting papers. No briefs or oral argument will be received or allowed unless ordered by the court upon its own initiative.

(d) Temporary Stay. – Upon the filing of a petition for supersedeas, the applicant may apply, either within the petition or by separate paper, for an order temporarily staying enforcement or execution of the judgment, decision, order, or other determination pending decision by the court upon the petition for supersedeas. If application is made by separate paper, it shall be filed and served in the manner provided for the petition for supersedeas in Rule 92(b). The court for good cause shown in such a petition for temporary stay may issue such an order ex parte."

SECTION 12H.16.(g) Article 4 of Chapter 150B of the General Statutes is amended by adding a new section to read:

"**§ 150B-53. Writs.**

Any party to a contested case may petition for writs of certiorari, mandamus, prohibition, or supersedeas in the manner prescribed in Rules 90, 91, and 92 of the North Carolina Rules of Civil Procedure."

CODIFY PROVIDER PERFORMANCE BONDS

SECTION 12H.17.(a) Chapter 108C of the General Statutes is amended by adding a new section to read as follows:

"**§ 108C-14. Provider performance bonds.**

(a) Subject to the provisions of this section, the Department may require Medicaid-enrolled providers to purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may require the

purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, recredentialing, or reinstatement if any of the following are true:

(1) The provider fails to demonstrate financial viability.

(2) The Department determines there is significant potential for fraud and abuse.

(3) The Department otherwise finds it is in the best interest of the Medicaid program to do so.

The Department shall specify the circumstances under which a performance bond or executed letter of credit will be required.

(b) The Department may waive or limit the requirements of subsection (a) of this section for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled providers based on the following:

(1) The provider's or provider class's dollar amount of monthly billings to Medicaid.

(2) The length of time an individual provider has been licensed, endorsed, certified, or accredited in this State to provide services.

(3) The length of time an individual provider has been enrolled to provide Medicaid services in this State.

(4) The provider's demonstrated ability to ensure adequate record keeping, staffing, and services.

(5) The need to ensure adequate access to care.

In waiving or limiting requirements of this section, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department shall provide to the affected provider written notice of the findings upon which its action is based and shall include the performance bond requirements and the conditions under which a waiver or limitation apply."

SECTION 12H.17.(b) The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement G.S. 108C-14, as enacted by this section.

SHARED SAVINGS PLAN WITH PROVIDERS

SECTION 12H.18.(a) The Department of Health and Human Services shall consult with providers affected by subsection (b) of this section to develop a shared savings plan that the Department shall implement by July 1, 2014, with provider payments beginning January 1, 2015. The shared savings plan shall provide incentives to provide effective and efficient care that results in positive outcomes for Medicaid recipients. Payments under the shared savings plan shall be paid from funds withheld under subsection (b) of this section.

SECTION 12H.18.(b) During the 2013-2015 fiscal biennium, the Department of Health and Human Services shall withhold four percent (4%) of payments for the following services rendered on or after July 1, 2013:

(1) Inpatient hospital.
(2) Physician, excluding primary care until January 1, 2015.
(3) Dental.
(4) Optical services and supplies.
(5) Podiatry.
(6) Chiropractors.
(7) Hearing aids.
(8) Personal care services.
(9) Nursing homes.
(10) Adult care homes.
(11) Drugs.

Funds from payments withheld under this section that are budgeted to be shared with providers shall not revert to the General Fund.

SECTION 12H.18.(c) The Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services on the development of the shared savings program established by this section no later than March 1, 2014.

MODIFY HOSPITAL PROVIDER ASSESSMENTS BY CHANGING AMOUNT RETAINED BY STATE TO A PERCENTAGE

SECTION 12H.19.(a) G.S. 108A-121(8) reads as rewritten:

"(8) State's annual Medicaid payment. – ~~Forty-three million dollars ($43,000,000).~~ For an assessment collected under this Article, an amount equal to fifteen and six-tenths percent (15.6%) of the total amount collected under the assessment."

SECTION 12H.19.(b) G.S. 108A-124 reads as rewritten:

"**§ 108A-124. Use of assessment proceeds.**

(a) Use. – The proceeds of the assessments imposed under this Article and all corresponding matching federal funds must be used to make the State annual Medicaid payment to the State and the Medicaid equity payments and UPL payments to hospitals.

(b) Quarterly Payments. – Within seven business days ~~of~~ following the due date for each quarterly assessment imposed under G.S. 108A-123, the Secretary must do the following:

~~(1) Transfer to the State Controller twenty-five percent (25%) of the State's annual Medicaid payment amount.~~

~~(2)~~(1) Pay to each hospital that has paid its equity assessment for the respective quarter twenty-five percent (25%) of its Medicaid equity payment amount. A hospital's Medicaid equity payment amount is the sum of the hospital's Medicaid inpatient and outpatient deficits after calculating all other Medicaid payments, excluding disproportionate share hospital payments and the UPL payment remitted to the hospital under subdivision ~~(3)~~(2) of this subsection.

~~(3)~~(2) Pay to the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine, to the critical access hospitals, and to each hospital that has paid its UPL assessment for the respective quarter twenty-five percent (25%) of its UPL payment amount, as determined under subsection (c) of this section.

...."

SECTION 12H.19.(c) Article 7 of Chapter 108A is amended by adding a new section to read as follows:

"**§ 108A-128. Payment for providers formerly subject to this Article.**

If a hospital provider (i) is exempt from both the equity and UPL assessments under this Article, (ii) makes an intergovernmental transfer (IGT) to the Department of Health and Human Services to be used to draw down matching federal funds, and (iii) has acquired, merged, leased, or managed another provider on or after March 25, 2011, then the hospital provider shall transfer to the State an additional amount, which shall be retained by the State. The additional amount shall be fifteen and six tenths percent (15.6%) of the amount of funds that (i) would be transferred to the State through such an IGT and (ii) are to be used to match additional federal funds that the hospital provider is able to receive because of the acquired, merged, leased, or managed provider."

MODIFY MEDICAID RATE METHODOLOGIES FOR RECENTLY ACQUIRED PROVIDERS; CREATE REGIONAL BASE RATES FOR HOSPITALS

SECTION 12H.20.(a) The Department of Health and Human Services shall modify Medicaid rate methodologies to ensure that rates paid to hospital or physician providers that were acquired, merged, leased, or managed after December 31, 2011, do not exceed rates that would have been paid if the provider had not been acquired, merged, leased, or managed.

SECTION 12H.20.(b) The Department of Health and Human Services, Division of Medical Assistance, shall replace the existing base rates for individual hospitals with new regional base rates for all hospitals within a given region. The Department shall consult with hospitals to define the regions and to identify appropriate regional differences in order to establish regional base rates. The new regional base rates shall do the following:

(1) Maintain the same statewide total for the base rates for all hospitals as before the base rate revision, after first adjusting the statewide total based on the changes to rates made by subsection (a) of this section.

(2) Ensure the sustainability of small rural hospitals, ensuring access to care.

COMMUNITY CARE OF NORTH CAROLINA COST-EFFECTIVENESS AND OUTCOMES STUDY; CONTINUED REPORTING

SECTION 12H.21.(a) As recommended by the Office of the State Auditor in the January 2013 performance audit of the Medicaid Program, the Department of Health and Human Services shall engage medical researchers to perform a scientifically valid study based upon actual data to determine whether the Community Care of North Carolina (CCNC) model saves money and improves health outcomes. This study shall begin during fiscal year 2013-2014 and shall, if possible, be completed by the end of that fiscal year.

SECTION 12H.21.(b) During fiscal year 2014-2015, the Department of Health and Human Services shall submit a report from a qualified entity with proven experience in conducting actuarial and health care studies on the Medicaid cost-savings achieved by the CCNC networks, which shall include children, adults, and the aged, blind, and disabled, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 12H.21.(c) North Carolina Community Care Networks, Inc. (NCCCN), shall report quarterly to the Department and to the Office of State Budget and Management (OSBM) on the development of the statewide Enhanced Primary Care Case Management System and its defined goals and deliverables as agreed upon in the contract. NCCCN shall submit biannual reports to the Secretary of Health and Human Services, OSBM, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the progress and results of implementing the quantitative, analytical, utilization, quality, cost containment, and access goals and deliverables set out in the contract. NCCCN shall conduct its own analysis of the CCNC system to identify any variations from the development plan for the Enhanced Primary Care Case Management System and its defined goals and deliverables set out in the contract between the Department of Health and Human Services, Division of Medical Assistance (DMA), and NCCCN. Upon identifying any variations, NCCCN shall develop and implement a plan to address the variations. NCCCN shall report the plan to DMA within 30 days after taking any action to implement the plan.

COMMUNITY CARE OF NORTH CAROLINA TO SET AND PAY PER MEMBER PER MONTH PAYMENTS ON PERFORMANCE BASIS TO ENCOURAGE BETTER CARE MANAGEMENT

SECTION 12H.22.(a) The Department of Health and Human Services shall contract with Community Care Networks, Inc. (NCCCN), to administer and distribute the funds currently allocated to per member per month (PMPM) payments for Community Care of North

Carolina (CCNC) primary care providers. NCCCN shall distribute one hundred percent (100%) of the funds allocated to PMPM payments to primary care providers on a care management performance basis using criteria developed by NCCCN. In developing its pay for performance model, NCCCN shall (i) ensure an adequate statewide network of participating CCNC primary care providers and (ii) adopt a payment level of zero dollars ($0.00) for providers who do not satisfactorily participate in CCNC care management initiatives. Performance-based payments shall begin on July 1, 2014.

SECTION 12H.22.(b) PMPM payments from the Department to CCNC primary care providers shall continue until the implementation of the performance-based payment system.

SECTION 12H.22.(c) The Department shall consult with the Joint Legislative Oversight Committee on Health and Human Services on the performance-based payment proposal from NCCCN to incentivize better care management from primary care providers. If the Department submits a report and requests a meeting for the consultation, but the Oversight Committee does not hear the consultation within 90 days of the request, then the consultation requirement shall be deemed waived by the Oversight Committee. The report submitted for consultation shall include the following:

(1) Measureable elements that will be used to differentiate care management performance-based payments from the existing PMPM payments.

(2) A comparison of the performance plan to other measures such as the Healthcare Effectiveness Data and Information Set (HEDIS) or other national performance or quality measures.

(3) The specific structure of when payments would be made.

(4) An impact calculation of prospective payments under the performance-based payment plan and the current PMPM rates.

SECTION 12H.22.(d) Subsection (a) of this section is contingent upon both of the following:

(1) The Department's successful renegotiation of and modification to the existing contract or entering into a new contract with NCCCN to administer and distribute performance-based payments, as provided in subsection (a) of this section.

(2) The consultation required under subsection (c) of this section or an implied waiver of the consultation requirement, as provided in subsection (c) of this section.

GOVERNANCE OF ENTITIES TO MANAGE CARE AND CONTROL COSTS STATEWIDE

SECTION 12H.23.(a) The General Assembly finds that the internal governance of entities contracting with the State to provide centralized care coordination, cost containment, or management of care on a Statewide basis for the Medicaid program is of significant importance to the State, its taxpayers, and its Medicaid recipients, especially given the considerable amount of public funds expended on such contracts. The General Assembly further finds that the public has a profound interest in ensuring the quality of the entities' internal governance and, therefore, it is appropriate that the public should have an influence in the entities' internal governance.

SECTION 12H.23.(b) Based on the legislative findings of subsection (a) of this section, the Department of Health and Human Services shall not enter into a new contract with an entity to provide cost containment or management of care on a statewide basis for the Medicaid program unless the entity adheres to the following governance provisions related to the entity's governing board:

(1) The board shall contain individuals with experience in health care, including the following:
a. A health actuary.
b. Someone with expertise in health information technology, informatics, or provider performance measurement.
c. Two representatives of the provider community.
d. A representative of the health insurance industry.
(2) The board shall provide for public voting members to be appointed as follows:
a. Two persons appointed by the General Assembly on the recommendation of the President Pro Tempore of the Senate.
b. Two persons appointed by the General Assembly on the recommendation of the Speaker of the House of Representatives.
c. Two persons appointed by the Governor.
(3) No more than two members on the board may directly benefit from any per member per month (PMPM) payments or incentive payments that are distributed or administered by the entity.
(4) No more than twenty-five percent (25%) of the members of the board may be providers or come from the provider community.
(5) No member of the board, or immediate family of a member of the board, may be a registered lobbyist or be employed by an entity that lobbies on behalf of a health care provider association.
(6) The board size may not exceed twice the number of persons to be appointed under subdivision (2) of this section plus one.

SECTION 12H.23.(c) Subsection (b) of this section shall not apply to existing contracts or renewals under existing contracts when the renewal is at the option of one party.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 12H.24.(a) Receivables reserved at the end of the 2013-2014 and 2014-2015 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 12H.24.(b) For the 2013-2014 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred ten million dollars ($110,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2014-2015 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred nine million dollars ($109,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals which are used to provide indigent and non-indigent care services. The return from State-owned and State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

MEDICAID SPECIAL FUND TRANSFER

SECTION 12H.25. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars ($43,000,000) for the 2013-2014 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2014-2015 fiscal year. These funds shall be

allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

MEDICAID COST CONTAINMENT ACTIVITIES

SECTION 12H.26.(a) The Department of Health and Human Services may use up to five million dollars ($5,000,000) in the 2013-2014 fiscal year and up to five million dollars ($5,000,000) in the 2014-2015 fiscal year in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. The funds shall be used to support activities that will contain the cost of the Medicaid Program, including contracting for services, hiring additional staff, funding pilot programs, Health Information Exchange and Health Information Technology (HIE/HIT) administrative activities, or providing grants through the Office of Rural Health and Community Care to plan, develop, and implement cost containment programs.

Medicaid cost containment activities may include prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision in the least costly settings, plastic magnetic-stripped Medicaid identification cards for issuance to Medicaid enrollees, fraud detection software or other fraud detection activities, technology that improves clinical decision making, credit balance recovery and data mining services, and other cost containment activities. Funds may be expended under this section only after the Office of State Budget and Management has approved a proposal for the expenditure submitted by the Department. Proposals for expenditure of funds under this section shall include the cost of implementing the cost containment activity and documentation of the amount of savings expected to be realized from the cost containment activity.

SECTION 12H.26.(b) The Department shall report annually on the expenditures under this section to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. The report shall include the methods used to achieve savings and the amount saved by these methods. The report is due to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division not later than December 1 of each year for the activities of the previous State fiscal year.

MISCELLANEOUS MEDICAID PROVISIONS

SECTION 12H.27.(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.27.(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.27.(c) Posting of Notices on Web Site. – For any public notice of change required pursuant to the provisions of 42 C.F.R. § 447.205, the Department shall, no later than seven business days after the date of publication, publish the same notice on its Web site on the same Web page as it publishes State Plan amendments, and the notice shall remain on the Web site continuously for 90 days.

SECTION 12H.27.(d) Medicaid Identification Cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with updates as needed.

SUBPART XII-I. MISCELLANEOUS

SPECIFY BOARD SELECTION FOR THE NORTH CAROLINA INSTITUTE OF MEDICINE

SECTION 12I.1.(a) G.S. 90-470 reads as rewritten:

"**§ 90-470. Institute of Medicine.**

(a) The persons appointed under the provisions of this section are declared to be a body politic and corporate under the name and style of the North Carolina Institute of Medicine, and by that name may sue and be sued, make and use a corporate seal and alter the same at pleasure, contract and be contracted with, and shall have and enjoy all the rights and privileges necessary for the purposes of this section. The corporation shall have perpetual succession.

(b) The purposes for which the corporation is organized are to:

(1) Be concerned with the health of the people of North Carolina;

(2) Monitor and study health matters;

(3) Respond authoritatively when found advisable;

(4) Respond to requests from outside sources for analysis and advice when this will aid in forming a basis for health policy decisions.

~~The 18 initial members of the North Carolina Institute of Medicine shall be appointed by the Governor.~~

(c) The North Carolina Institute of Medicine shall be governed by a Board of Directors. The ~~initial members are authorized, prior to expanding the membership,~~ Board of Directors is authorized to establish and amend bylaws, to procure facilities, employ a director and staff, to solicit, receive and administer funds in the name of the North Carolina Institute of Medicine, and carry out other activities necessary to fulfill the purposes of this section.

(d) The ~~members~~ Board of Directors shall select ~~with the approval of the Governor~~ additional ~~members,~~ members of the North Carolina Institute of Medicine, so that the total membership will not exceed a number determined by the Board of Directors in its bylaws. The membership should be distinguished and influential leaders from the major health professions, the hospital industry, the health insurance industry, State and county government and other political units, education, business and industry, the universities, and the university medical centers.

(e) The North Carolina Institute of Medicine may receive and administer funds from private sources, foundations, State and county governments, federal agencies, and professional organizations.

(f) The director and staff of the North Carolina Institute of Medicine should be chosen from those well established in the field of health promotion and medical care.

~~For the purposes of Chapter 55A of the General Statutes, the members appointed under this section shall be considered the initial board of directors.~~

(g) The North Carolina Institute of Medicine is declared to be under the patronage and control of the State.

(h) The General Assembly reserves the right to alter, amend, or repeal this ~~section.~~ Article."

SECTION 12I.1.(b) Article 31 of Chapter 90 is amended by adding a new section to read as follows:

"**§ 90-471. Board of Directors of the Institute of Medicine.**

(a) The Board of Directors of the North Carolina Institute of Medicine shall be appointed as follows:

(1) Seven individuals appointed by the General Assembly on the recommendation of the Speaker of the House of Representatives.

(2) Seven individuals appointed by the General Assembly on the recommendation of the President Pro Tempore of the Senate.

(3) Seven individuals appointed by the Governor.

(b) The members of the Board of Directors should be distinguished and influential leaders from the major health professions, the hospital industry, the health insurance industry, State and county government and other political units, education, business and industry, the universities, and the university medical centers.

(c) Terms on the Board of Directors shall be for four years, and no individual may serve more than two consecutive terms."

SECTION 12I.1.(c) For the appointments under G.S. 90-471, as enacted by this section, with terms to begin on January 1, 2014, the appointing authorities shall designate certain appointees to serve initial two-year terms as follows:

(1) Of those appointments on the recommendation of the Speaker of the House of Representatives, three shall be designated for two-year terms.

(2) Of those appointments on the recommendation of the President Pro Tempore of the Senate, three shall be designated for two-year terms.

(3) Of those appointments by the Governor, four shall be designated for two-year terms.

A two-year term under this subsection shall count as a term for purposes of the two consecutive term limit provided in G.S. 90-471(c), as enacted by this section.

SECTION 12I.1.(d) The members of the Board of Directors serving as of the effective date of this act may continue to serve until January 1, 2014.

SECTION 12I.1.(e) Subsections (a) and (b) of this section become effective January 1, 2014.

SUBPART XII-J. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 12J.1.(a) Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2015, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	$ 60,285,413
02.	Work First County Block Grants	82,485,495
03.	Work First Electing Counties	2,352,521
04.	Adoption Services – Special Children's Adoption Fund	2,026,877
05.	Child Protective Services – Child Welfare Workers for Local DSS	9,412,391
06.	Child Welfare Collaborative	632,416

Division of Child Development	
07. Subsidized Child Care Program	52,060,846
08. Swap Child Care Subsidy	6,352,644
Division of Public Health	
09. Teen Pregnancy Initiatives	2,500,000
DHHS Administration	
10. Division of Social Services	2,482,260
11. Office of the Secretary	34,042
Transfers to Other Block Grants	
Division of Child Development	
12. Transfer to the Child Care and Development Fund	71,773,001
13. Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,300,000
14. Transfer to Social Services Block Grant for Child Protective Services	5,040,000
15. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS	**$ 302,885,907**
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	
Local Program Expenditures	
Division of Social Services	
01. Work First County Block Grants	$ 5,580,925
02. Work First Electing Counties	25,692
03. Subsidized Child Care	6,549,469
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	**$ 12,156,086**

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging and Adult Services

01.	County Departments of Social Services (Transfer from TANF $4,148,001)	$ 29,422,137
02.	Child Protective Services (Transfer from TANF)	5,040,000
03.	State In-Home Services Fund	1,943,950
04.	Adult Protective Services	1,245,363
05.	State Adult Day Care Fund	1,994,084
06.	Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program (Carousel Center for Abused Children $134,592)	563,868
07.	Special Children Adoption Incentive Fund	462,600
08.	Child Protective Services – Child Welfare Training for Counties (Transfer from TANF)	1,300,000
09.	Home and Community Care Block Grant (HCCBG)	1,696,888
10.	Child Advocacy Centers	375,000
11.	Guardianship	3,978,360
12.	UNC Cares Contract	229,376
13.	Foster Care Services	1,385,152

Division of Central Management and Support

14.	DHHS Competitive Block Grants for Nonprofits (2013-2014 Fiscal Year Only)	3,852,500

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

15.	Mental Health Services – Adult and Child/Developmental Disabilities Program/Substance Abuse Services – Adult	4,030,730

DHHS Program Expenditures

Division of Services for the Blind

16.	Independent Living Program	3,361,323

Division of Health Service Regulation		
17.	Adult Care Licensure Program	381,087
18.	Mental Health Licensure and Certification Program	190,284
DHHS Administration		
19.	Division of Aging and Adult Services	577,745
20.	Division of Social Services	559,109
21.	Office of the Secretary/Controller's Office	127,731
22.	Division of Child Development	13,878
23.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	27,446
24.	Division of Health Service Regulation	118,946
TOTAL SOCIAL SERVICES BLOCK GRANT		**$ 62,877,557**

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures		
Division of Social Services		
01.	Low-Income Energy Assistance Program (LIEAP)	$ 50,799,293
02.	Crisis Intervention Program (CIP)	33,866,195
Local Administration		
Division of Social Services		
03.	County DSS Administration	6,757,731
DHHS Administration		
04.	Office of the Secretary/DIRM	412,488
05.	Office of the Secretary/Controller's Office	18,378
Transfers to Other State Agencies		
Department of Commerce		
06.	Weatherization Program	15,024,936

07.	Heating Air Repair and Replacement Program (HARRP)	7,193,873
08.	Local Residential Energy Efficiency Service Providers – Weatherization	37,257
09.	Local Residential Energy Efficiency Service Providers – HARRP	338,352
10.	Department of Commerce Administration – Weatherization	37,257
11.	Department of Commerce Administration – HARRP	338,352
	Department of Administration	
12.	N.C. Commission on Indian Affairs	87,736
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		**$ 114,911,848**

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures

	Division of Child Development	
01.	Child Care Services (Smart Start $7,000,000)	$ 158,328,747
02.	Electronic Tracking System	3,000,000
03.	Transfer from TANF Block Grant for Child Care Subsidies	71,773,001
04.	Quality and Availability Initiatives (TEACH Program $3,800,000)	22,500,000

DHHS Administration

	Division of Child Development	
05.	DCDEE Administrative Expenses	6,000,000
06.	Local Subsidized Child Care Services Support	13,274,413
	Division of Central Administration	
07.	DHHS Central Administration – DIRM	

	Technical Services	775,000
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		**$ 275,651,161**
MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01.	Mental Health Services – Adult	$ 10,717,607
02.	Mental Health Services – Child	5,121,991
03.	Administration	200,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		**$ 16,039,598**
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
Local Program Expenditures		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
01.	Substance Abuse Services – Adult	$ 14,960,371
02.	Substance Abuse Treatment Alternative for Women	6,050,300
03.	Substance Abuse – HIV and IV Drug	3,919,723
04.	Substance Abuse Prevention – Child	7,186,857
05.	Substance Abuse Services – Child	4,190,500
06.	Administration	454,000
Division of Public Health		
07.	Risk Reduction Projects	575,654
08.	Aid-to-Counties	190,295
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		**$ 37,527,700**
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Public Health		
01.	Children's Health Services	$ 8,042,531

02. Women's Health (March of Dimes $350,000; Teen Pregnancy Prevention Initiatives $650,000; Perinatal Quality Collaborative $350,000; 17P Project $47,000; Maternity Homes $925,085; Carolina Pregnancy Care Fellowship $250,000)	8,532,935
03. Local Health Departments/Oral Health Services	44,901
Division of Central Management and Support	
04. DHHS Competitive Block Grants for Nonprofits (2013-2014 Fiscal Year Only)	89,374
DHHS Program Expenditures	
Division of Public Health	
05. Children's Health Services	1,301,504
06. Women's Health – Maternal Health	105,419
07. State Center for Health Statistics	164,487
DHHS Administration	
Division of Public Health	
08. Division of Public Health Administration	573,108
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	**$ 18,854,259**
PREVENTIVE HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
01. DHHS Competitive Block Grants for Nonprofits (2013-2014 Fiscal Year Only)	1,331,961
02. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	169,730
DHHS Program Expenditures	
Division of Public Health	
03. HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819

04.	Oral Health Preventive Services	46,302
05.	Laboratory Services – Testing, Training, and Consultation	10,980
06.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	199,634
07.	Heart Disease and Stroke Prevention	162,249
08.	Performance Improvement and Accountability	213,971
09.	Physical Activity and Nutrition	38,000
10.	State Center for Health Statistics	61,406
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		**$ 2,380,052**

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity

01.	Community Action Agencies	$ 22,402,724
02.	Limited Purpose Agencies	1,244,596

DHHS Administration

03.	Office of Economic Opportunity	1,244,596
TOTAL COMMUNITY SERVICES BLOCK GRANT		**$ 24,891,916**

GENERAL PROVISIONS

SECTION 12J.1.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

(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 12J.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department

shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases 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 develop a plan to adjust the block grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for fiscal years 2013-2014 and 2014-2015, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used for the North Carolina Child Care Subsidy program to pay for child care in four- or five-star rated facilities for four-year-old children.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division.

SECTION 12J.1.(d) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2015, according to the schedule enacted for State fiscal years 2013-2014 and 2014-2015 or until a new schedule is enacted by the General Assembly.

SECTION 12J.1.(e) All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 12J.1.(f) The sum of eighty-two million four hundred eighty-five thousand four hundred ninety-five dollars ($82,485,495) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 12J.1.(g) The sum of two million four hundred eighty-two thousand two hundred sixty dollars ($2,482,260) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used to support administration of TANF-funded programs.

SECTION 12J.1.(h) The sum of nine million four hundred twelve thousand three hundred ninety-one dollars ($9,412,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for each year of the 2013-2015 fiscal biennium for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services

in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

Counties shall maintain their level of expenditures in local funds for Child Protective Services' workers. Of the block grant funds appropriated for Child Protective Services' workers, the total expenditures from State and local funds for fiscal years 2013-2014 and 2014-2015 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

SECTION 12J.1.(i) The sum of two million twenty-six thousand eight hundred seventy-seven dollars ($2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for each year of the 2013-2015 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 12J.1.(j) The sum of six hundred thirty-two thousand four hundred sixteen dollars ($632,416) appropriated in this section to the Department of Health and Human Services in TANF funds for each year of the 2013-2015 fiscal biennium shall be used to continue support for the Child Welfare Collaborative.

SECTION 12J.1.(k) The Department of Health and Human Services, Division of Social Services, shall use funds appropriated in the Temporary Assistance to Needy Families (TANF) Block Grant and allocated for Work First Family Assistance for each year of the 2013-2015 fiscal biennium to implement Section 12C.6 of this act.

SOCIAL SERVICES BLOCK GRANT

SECTION 12J.1.(l) The sum of twenty-nine million four hundred twenty-two thousand one hundred thirty-seven dollars ($29,422,137) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used for County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 12J.1.(m) The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.

(2) Provide training for residential child caring facilities.

(3) Provide for various other child welfare training initiatives.

SECTION 12J.1.(n) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 12J.1.(o) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 12J.1.(p) The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015

fiscal biennium shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 12J.1.(q) The sum of three million eight hundred fifty-two thousand five hundred dollars ($3,852,500) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Central Management and Support, shall be used for DHHS competitive block grants pursuant to Section 12A.2 of this act for the 2013-2014 fiscal year only. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 12J.1.(r) The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers and are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 12J.1.(s) Social Services Block Grant funds allocated each year of the 2013-2015 fiscal biennium for child medical evaluations and the Carousel Center for Abused Children are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 12J.1.(t) The sum of three million nine hundred seventy-eight thousand three hundred sixty dollars ($3,978,360) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support (i) existing corporate guardianship contracts during the 2013-2014 and 2014-2015 fiscal years and (ii) guardianship contracts transferred to the State from local management entities or managed care organizations during the 2013-2014 and 2014-2015 fiscal years.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 12J.1.(u) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 12J.1.(v) The sum of fifty million seven hundred ninety-nine thousand two hundred ninety-three dollars ($50,799,293) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services. County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 12J.1.(w) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 12J.1.(x) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 12J.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 2013-2014 fiscal year or the 2014-2015 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 12J.1.(z) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

SECTION 12J.1.(aa) The sum of eighty-nine thousand three hundred seventy-four dollars ($89,374) appropriated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Central Management and Support, shall be used for DHHS competitive block grants pursuant to Section 12A.2 of this act for the 2013-2014 fiscal year only.

PREVENTIVE HEALTH SERVICES BLOCK GRANT

SECTION 12J.1.(bb) The sum of one million three hundred thirty-one thousand nine hundred sixty-one dollars ($1,331,961) appropriated in this section in the Preventive Health Services Block Grant to the Department of Health and Human Services, Division of Central Management and Support, shall be used for DHHS competitive block grants pursuant to Section 12A.2 of this act for the 2013-2014 fiscal year only.

PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

INCREASE CERTAIN AGRONOMIC TESTING FEES

SECTION 13.1.(a) G.S. 106-22 reads as rewritten:

"**§ 106-22. Joint duties of Commissioner and Board.**

The Commissioner of Agriculture, by and with the consent and advice of the Board of Agriculture shall:

...

(17) Agronomic Testing. – Provide agronomic testing services and charge reasonable fees for plant analysis, nematode testing, in-State soil testing during peak season, out-of-state soil testing, and expedited soil testing. The Board shall charge at least four dollars ($4.00) for plant analysis, at least two dollars ($2.00) for nematode testing, at least four dollars ($4.00) for in-State soil testing during peak season, at least five dollars ($5.00) for out-of-state soil testing, and at least ~~one hundred dollars ($100.00)~~two hundred dollars

($200.00) for expedited soil testing. As used in this subdivision, "peak season" includes at a minimum the four-month period beginning no later than December 1 of any year and extending until at least March 31 of the following year. The Board may modify the meaning of peak season by starting a peak season earlier in any year or ending it later the following year or both.

...."

SECTION 13.1.(b) It is the intent of the General Assembly that receipts generated from the new fee for in-State soil testing during peak season under G.S. 106-22(17), as amended by this section, are to be used to alleviate testing delays in the peak testing season. Any receipts generated as a result of the new fee for in-State soil testing during peak season are appropriated to the Department of Agriculture and Consumer Services for the 2013-2014 fiscal year and for the 2014-2015 fiscal year and shall be available to the Department in addition to any other existing funding sources.

SECTION 13.1.(c) This section becomes effective July 1, 2013, and applies to submissions received by the Department for testing or analysis on or after that date.

UNENCUMBERED AGRICULTURAL WATER RESOURCES ASSISTANCE PROGRAM FUNDS

SECTION 13.2.(a) Up to twenty percent (20%) of the funds appropriated to the Department of Agriculture and Consumer Services for the Agricultural Water Resources Assistance Program under Article 5 of Chapter 139 of the General Statutes for the 2013-2014 fiscal year that are unexpended and unencumbered at the end of the 2013-2014 fiscal year shall not revert but shall remain available for expenditure for that purpose through the 2014-2015 fiscal year. The remaining funds appropriated to the Department of Agriculture and Consumer Services for the Agricultural Water Resources Assistance Program for the 2013-2014 fiscal year that are unexpended and unencumbered at the end of the 2013-2014 fiscal year shall revert to the General Fund.

SECTION 13.2.(b) Up to twenty percent (20%) of the funds appropriated to the Department of Agriculture and Consumer Services for the Agricultural Water Resources Assistance Program under Article 5 of Chapter 139 of the General Statutes for the 2014-2015 fiscal year that are unexpended and unencumbered at the end of the 2014-2015 fiscal year shall not revert but shall remain available for expenditure for that purpose through the 2015-2016 fiscal year. The remaining funds appropriated to the Department of Agriculture and Consumer Services for the Agricultural Water Resources Assistance Program for the 2014-2015 fiscal year that are unexpended and unencumbered at the end of the 2014-2015 fiscal year shall revert to the General Fund.

TVA SETTLEMENT FUNDS

SECTION 13.3.(a) The General Assembly encourages the Department of Agriculture and Consumer Services, when the Department awards grants from funds received by the State pursuant to the provisions of the Consent Decree entered into by the State in *State of Alabama et al. v. Tennessee Valley Authority*, Civil Action 3:11-cv-00170 in the United States District Court for the Eastern District of Tennessee and allocated to the Department of Agriculture and Consumer Services for "Environmental Mitigation Projects" of the types specified in paragraph 128 of the Consent Decree, to use its best efforts to identify projects that are located in TVA's power service area or the Tennessee River watershed and to give preference to such projects over projects outside these areas. However, any project funding requested that is within the categories identified in paragraph 128 of the Consent Decree shall be funded by TVA in accordance with this paragraph regardless of where in the State the funds will be utilized. TVA shall not have approval rights over the projects.

SECTION 13.3.(b) In fiscal year 2013-2014, The Department of Environment and Natural Resources, State Energy Office, shall apply for two million two hundred forty thousand dollars ($2,240,000) from the Tennessee Valley Authority Settlement Agreement in compliance with the requirements of paragraphs 122 through 128 of the Consent Decree entered into by the State in *State of Alabama et al. v. Tennessee Valley Authority,* Civil Action 3:11-cv-00170 in the United States District Court for the Eastern District of Tennessee, and Appendix C to the Compliance Agreement. The funds received by the State shall be allocated as follows:

(1) One million dollars ($1,000,000) to North Carolina Agricultural Water Resources Assistance Program (AgWRAP).

(2) One million dollars ($1,000,000) to North Carolina Agricultural Development and Farmland Preservation Trust Fund.

(3) Two hundred forty thousand dollars ($240,000) to Appalachian Energy Center at Appalachian State University.

SUSTAINABLE LOCAL FOOD ADVISORY COUNCIL SUNSET

SECTION 13.4. Section 1 of S.L. 2012-75 reads as rewritten:

"**SECTION 1.** Section 4 of S.L. 2009-530 reads as rewritten:

"**SECTION 4.** This act is effective when it becomes law and shall expire on ~~July 31, 2015.~~June 30, 2013.""

TOBACCO TRUST FUND

SECTION 13.5. Notwithstanding any other provisions of G.S. 143-720 or the provisions of G.S. 143-721, the funds appropriated from the General Fund to the Tobacco Trust Fund for the 2013-2014 fiscal year and for the 2014-2015 fiscal year shall be used as follows:

(1) Up to three hundred fifty thousand dollars ($350,000) may be used for administrative expenses each fiscal year.

(2) All remaining funds shall be used each fiscal year to provide direct financial assistance to tobacco producers as permitted under G.S. 143-720.

BOB MARTIN EASTERN AGRICULTURAL CENTER AND SOUTHEASTERN AGRICULTURE CENTER FUNDS

SECTION 13.6.(a) If the Senator Bob Martin Eastern Agricultural Center is not at least fifty percent (50%) receipt supported by the end of the 2014-2015 fiscal year, no additional appropriations from the General Fund shall be provided to the Senator Bob Martin Eastern Agricultural Center, and no funds shall be included for this purpose in the continuation budget of the Department of Agriculture and Consumer Services.

SECTION 13.6.(b) If the Southeastern Agriculture Center is not at least fifty percent (50%) receipt supported by the end of the 2014-2015 fiscal year, no additional appropriations from the General Fund shall be provided to the Southeastern Agriculture Center, and no funds shall be included for this purpose in the continuation budget of the Department of Agriculture and Consumer Services.

FUTURE FARMERS OF AMERICA PROGRAM FUNDS/REPORTING REQUIREMENTS/USE OF STATE FUNDS

SECTION 13.7.(a) Of the funds available to the Department of Agriculture and Consumer Services for administration of the Department, up to fifty thousand dollars ($50,000) for the 2013-2014 fiscal year and up to fifty thousand dollars ($50,000) for the 2014-2015 fiscal year may be used as a grant-in-aid to the North Carolina Agricultural Foundation, Inc., for the Future Farmers of America program.

SECTION 13.7.(b) North Carolina Agricultural Foundation–FFA Foundation (hereinafter "FFA Foundation") shall do the following if the Department of Agriculture and Consumer Services allocates funds to the entity:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

SECTION 13.7.(c) No more than one hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one employee of FFA Foundation. For purposes of this subsection, the term "State funds" means funds allocated to FFA Foundation and interest earned on those funds.

SECTION 13.7.(d) No State funds shall be used by FFA Foundation (i) to hire or facilitate the hiring of a lobbyist or any person performing the duties or activities of a lobbyist, without regard to the person's title or (ii) to facilitate any lobbying efforts.

PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

DEVELOP PLAN FOR AQUARIUMS TO RAISE PRIVATE FUNDS FOR SUPPORT ASSISTANCE

SECTION 14.1. No later than April 1, 2014, the Division of North Carolina Aquariums of the Department of Environment and Natural Resources shall develop a plan for the North Carolina Aquariums established under Article 5C of Chapter 143B of the General Statutes to increase the amount of private funds raised through the direct efforts of each North Carolina Aquarium in order to make the North Carolina Aquariums become more financially self-sustaining. No later than April 1, 2014, the Division of North Carolina Aquariums of the Department of Environment and Natural Resources shall report its plan under this section to the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division.

EARLY SUNSET FOR NC SUSTAINABLE COMMUNITIES TASK FORCE

SECTION 14.2. Section 13.5(e) of S.L. 2010-31 reads as rewritten:

"**SECTION 13.5.(e)** Sunset. – This section expires June 30, ~~2016.~~2013."

WATER AND LAND CONSERVATION FUND/GRANT PROGRAM CREATED; CWMTF AND NHTF REPEALED

SECTION 14.3.(a) All staff that are supported by the Clean Water Management Trust Fund and employed by the Clean Water Management Trust Fund Board of Trustees are transferred to the Department of Environment and Natural Resources and shall be supported by the Water and Land Conservation Fund, established in G.S. 113A-262, as enacted by subsection (b) of this section, and shall be employed by the Department of Environment and Natural Resources.

SECTION 14.3.(b) Chapter 113A of the General Statutes is amended by adding a new Article to read:

"Article 19.

"Water and Land Conservation Grant Program.

"**§ 113A-260. Purpose.**

The General Assembly recognizes that a critical need exists in this State to clean up pollution in the State's surface waters and to protect, preserve, and conserve those waters that are not yet polluted. The General Assembly recognizes that a critical need exists in this State to protect, preserve, and conserve the lands in our State that have natural or cultural significance. The task of cleaning up polluted waters and protecting and enhancing the State's water resources is multifaceted and requires different approaches, including innovative pilot projects that take into account the problems, the type of pollution, the geographical area, and the recognition that the hydrological and ecological values of each resource sought to be upgraded, conserved, and protected are unique.

It is the intent of the General Assembly that grants under this Article shall be used to help finance projects that specifically address water pollution problems and focus on upgrading surface waters, eliminating pollution, and protecting, preserving, and conserving unpolluted surface waters, including enhancement or development of drinking water supplies. It is the further intent of the General Assembly that grants under this Article also be used to build a network of riparian buffers and greenways for environmental, educational, and recreational benefits. Lastly, it is the intent of the General Assembly that moneys from the Fund also be used to preserve lands that could be used for water supply reservoirs or that are part of the State's natural heritage. While the purpose of this Article is to focus on the cleanup and prevention of pollution of the State's surface waters and on the preservation of its natural heritage areas, the General Assembly believes that the results of these efforts will also be beneficial to wildlife and marine fisheries habitats, wildlife resources, and marine fisheries resources.

"**§ 113A-261. Definitions.**

The following definitions apply in this Article:

(1) Appraised value. – The price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the uses to which the property is adapted and for which it is capable of being used.

(2) Authority. – The Water and Land Conservation Authority created under G.S. 113A-266.

(3) Land. – Real property and any interest in, easement in, or restriction on real property.

(4) Local government unit. – Defined in G.S. 159G-20.

"**§ 113A-262. Water and Land Conservation Fund.**

(a) Fund Established. – The Water and Land Conservation Fund is established as a special revenue fund within the Department of Environment and Natural Resources to be administered by the Department of Environment and Natural Resources. The Fund receives revenue from the following sources and may receive revenue from other sources:

(1) Annual appropriations.

(2) Scenic River special registration plates under G.S. 20-81.12.

(b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. Investment earnings credited to the assets of the Fund shall become part of the Fund. Any balance remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund for the next succeeding fiscal year. Payments from the Fund shall be made on the warrant of the Chair of the Authority.

(c) Fund Purposes. – Moneys from the Fund are appropriated annually to provide water conservation grants under subsection (b) of G.S. 113A-263 or to provide land conservation grants under subsection (c) of G.S. 113A-263.

(d) Limit on Operating and Administrative Expenses. – No more than one million two hundred fifty thousand dollars ($1,250,000) may be used each fiscal year for the total administrative and operating costs of all of the following:

(1) The administrative and operating costs of the program under this Article.

(2) The administrative and operating expenses of the Authority under G.S. 113A-266 and its executive director under G.S. 113A-270.

"**§ 113A-263. Water and Land Conservation Grant Program.**

(a) Program Established. – The Water and Land Conservation Program is established within the Department of Environment and Natural Resources.

(b) Water Conservation Grants: – Grants under this subsection may be used for any of the following purposes:

(1) To acquire land for riparian buffers for the purposes of providing environmental protection for surface waters and urban drinking water supplies and establishing a network of riparian greenways for environmental, educational, and recreational uses, and to retire debt incurred for this purpose under Article 9 of Chapter 142 of the General Statutes.

(2) To acquire conservation easements or other interests in real property for the purpose of protecting and conserving surface waters and enhancing drinking water supplies, including the development of water supply reservoirs.

(3) To coordinate with other public programs involved with lands adjoining water bodies to gain the most public benefit while protecting and improving water quality.

(4) To restore previously degraded lands to reestablish their ability to protect water quality.

(5) To provide buffers around military bases or for State matching funds for the Readiness and Environmental Protection Initiative, a federal funding initiative that provides funds for military buffers.

(6) To facilitate planning that targets reductions in surface water pollution.

(7) To finance innovative efforts, including pilot projects, to reduce pollutants entering the State's waterways, to improve water quality, and to research alternative solutions to the State's water quality problems.

(c) Land Conservation Grants. – Grants under this subsection may be used for any of the following purposes:

(1) To acquire land that represents the ecological diversity of North Carolina, including natural features such as riverine, montane, coastal, and geologic systems and other natural areas to ensure their preservation and conservation for recreational, scientific, educational, cultural, and aesthetic purposes.

(2) To acquire land as additions to the system of parks, State trails, aesthetic forests, fish and wildlife management areas, wild and scenic rivers, and natural areas for the beneficial use and enjoyment of the public.

(3) To acquire land that contributes to the development of a balanced State program of historic properties.

(4) To pay for the inventory of natural areas conducted under the Natural Heritage Program established pursuant to the Nature Preserves Act, Article 9A of Chapter 113A of the General Statutes.

(5) To pay for conservation and protection planning and for informational programs for owners of natural areas, as defined in G.S. 113A-164.3.

"**§ 113A-264. Water conservation grants; requirements.**

(a) Eligible Applicants. – Any of the following are eligible to apply for a water conservation grant under this Article for the purpose of protecting and enhancing water quality:

(1) A State agency.

(2) A local government unit.
(3) A nonprofit corporation whose primary purpose is the conservation, preservation, and restoration of our State's environmental and natural resources.

(b) Matching Requirement. – The Authority shall establish matching requirements for water conservation grants awarded under this section. This requirement may be satisfied by the donation of land to a public or private nonprofit conservation organization as approved by the Authority. The Authority may also waive the requirement to match a water conservation grant pursuant to guidelines adopted by the Authority.

(c) Restriction. – No water conservation grant shall be awarded under this section to satisfy compensatory mitigation requirements under 33 U.S.C. § 1344 or G.S. 143-214.11.

(d) Withdrawal. – An award of a grant under this Article is withdrawn if the grant recipient fails to enter into a construction contract for the project within one year after the date of the award, unless the Authority finds that the applicant has good cause for the failure. If the Authority finds good cause for a recipient's failure, the Authority must set a date by which the recipient must take action or forfeit the grant.

"**§ 113A-265. Land conservation grants; information regarding land acquisition; priorities.**

(a) Eligible Applicants. – Any of the following are eligible to apply for a land conservation grant under this Article for the purpose of protecting land with outstanding natural or cultural heritage value:

(1) The following State agencies: the Department of Environment and Natural Resources, the Department of Agriculture and Consumer Services, the Department of Cultural Resources, and the Wildlife Resources Commission.
(2) A nonprofit corporation whose primary purpose is the conservation, preservation, and restoration of our State's environmental and natural resources.

(b) Proposals. – From time to time, but at least once each year, the Secretary, the Chairman of the North Carolina Wildlife Resources Commission, the Commissioner of Agriculture, and the Secretary of Cultural Resources may propose to the Water and Land Conservation Authority lands to be acquired by land conservation grants under subsection (c) of G.S. 113A-262. For each tract or interest proposed, the Secretary, the Chairman of the North Carolina Wildlife Resources Commission, the Commissioner of Agriculture, and the Secretary of Cultural Resources shall provide the Authority with the following information:

(1) The value of the land for recreation, forestry, fish and wildlife habitat, and wilderness purposes and its consistency with the plan developed pursuant to the State Parks Act, the State's comprehensive plan for outdoor recreation, parks, natural areas development, and wildlife management goals and objectives.
(2) Any rare or endangered species on or near the land.
(3) Whether the land contains a relatively undisturbed and outstanding example of a native North Carolina ecological community that is now uncommon.
(4) Whether the land contains a major river or tributary, watershed, wetland, significant littoral, estuarine or aquatic site, or important geologic feature.
(5) The extent to which the land represents a type of landscape, natural feature, or natural area that is not currently in the State's inventory of parks and natural areas.
(6) Other sources of funds that may be available to assist in acquiring the land.
(7) The State department or division that will be responsible for managing the land.

(8) What assurances exist that the land will not be used for purposes other than those for which it is being acquired.

(9) Whether the site or structure is of such historical significance as to be essential to the development of a balanced State program of historic properties.

(c) Information Requests by Authority. – The Authority may request any applicant that is eligible under subdivision (2) of subsection (a) of this section to submit to the Authority any of the information under subdivisions (1) through (9) of subsection (b) of this section.

(d) Priorities. – When considering authorizing land conservation grants to acquire land under subsection (c) of G.S. 113A-263, the first priority shall be the protection of land with outstanding natural or cultural heritage values. Land with outstanding natural heritage values is land that is identified by the North Carolina Natural Heritage Program as having State or national significance. Land with outstanding cultural heritage values is land that is identified, inventoried, or evaluated by the Department of Cultural Resources. The Authority shall be guided by any priorities established by the Secretary, the Chairman of the Wildlife Resources Commission, the Commissioner of Agriculture, and the Secretary of Cultural Resources in their proposals made under subsection (a) of this section.

(e) Local Reimbursement. – In any county in which real property was purchased with a land conservation grant as an addition to the fish and wildlife management areas and where less than twenty-five percent (25%) of the land area is privately owned at the time of purchase, that county and any other local taxing unit shall be annually reimbursed, for a period of 20 years, from funds available to the Wildlife Resources Commission in an amount equal to the amount of ad valorem taxes that would have been paid to the taxing unit if the property had remained subject to taxation.

"**§ 113A-266. Water and Land Conservation Authority established; membership qualifications; vacancies; meetings and meeting facilities.**

(a) Authority Established. – The Water and Land Conservation Authority is created within the Department of Environment and Natural Resources.

(b) Membership. – The Water and Land Conservation Authority shall be composed of nine members appointed to three-year terms as follows:

(1) One member appointed by the Governor to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(2) One member appointed by the Governor to a term that expires on July 1 of years that follow by one year those years that are evenly divisible by three.

(3) One member appointed by the Governor to a term that expires on July 1 of years that are evenly divisible by three.

(4) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(5) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of years that follow by one year those years that are evenly divisible by three.

(6) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of years that are evenly divisible by three.

(7) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(8) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of years that follow by one year those years that are evenly divisible by three.

(9) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of years that are evenly divisible by three.

(c) Geographic Distribution of Members; Qualifications. – The appointment of a member of the Authority may be held concurrently with any other executive or appointive office, under the authority of Article VI, Section 9, of the North Carolina Constitution. When appointing members of the Authority, the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives shall give consideration to adequate representation from the various regions of the State and shall give consideration to the appointment of members who are knowledgeable in any of the following areas:

(1) Acquisition and management of natural areas.

(2) Conservation and restoration of water quality.

(3) Wildlife and fisheries habitats and resources.

(d) Limitation on Length of Service. – No member of the Authority shall serve more than two consecutive four-year terms or a total of 10 years.

(e) Chair. – The Governor shall appoint one member to serve as Chair of the Authority.

(f) Vacancies. – An appointment to fill a vacancy on the Authority created by the resignation, removal, disability, or death of a member shall be for the balance of the unexpired term. Vacancies in appointments made by the General Assembly shall be filled as provided in G.S. 120-122.

(g) Frequency of Meetings. – The Authority shall meet at least twice each year and may hold special meetings at the call of the Chair or a majority of the members.

(h) Quorum. – A majority of the membership of the Authority constitutes a quorum for the transaction of business.

(i) Per Diem and Expenses. – Each member of the Authority shall receive no salary as a result of serving on the Authority but shall receive per diem, subsistence, and travel expenses in accordance with the provisions of G.S. 120-3.1, 138-5, and 138-6, as applicable.

(j) Meeting Facilities. – The Secretary of Environment and Natural Resources shall provide meeting facilities for the Authority and its staff as requested by the Chair.

"**§ 113A-267. Water and Land Conservation Authority; powers and duties.**

(a) Award Grants. – The Authority may award a grant only for a project or activity or for the acquisition of land that satisfies the criteria and furthers the purposes of this Article.

(b) Develop Grant Criteria. – The Authority shall develop criteria for awarding grants under this Article. The criteria developed shall include consideration of the following:

(1) The significant enhancement and conservation of water quality in the State.

(2) The objectives of the basinwide management plans for the State's river basins and watersheds.

(3) The promotion of regional integrated ecological networks insofar as they affect water quality.

(4) The specific areas targeted as being environmentally sensitive.

(5) The geographic distribution of funds as appropriate.

(6) The preservation of water resources with significant recreational or economic value and uses.

(7) The development of a network of riparian buffer-greenways bordering and connecting the State's waterways that will serve environmental, educational, and recreational uses.

(8) Water supply availability and the public's need for resources adequate to meet demand for essential water uses. Criteria developed pursuant to this subdivision may include consideration of the likelihood of a proposed water supply project ultimately being permitted and built.

(9) The preservation of natural heritage resources with significant recreational or economic value and uses.

(c) Develop Additional Guidelines. – The Authority may develop guidelines in addition to the grant criteria consistent with and as necessary to implement this Article.

(d) Acquisition of Land. – The Authority may acquire land by purchase, negotiation, gift, or devise. Any acquisition of land by the Authority must be reviewed and approved by the Council of State and the deed for the land subject to approval of the Attorney General before the acquisition can become effective. In determining whether to acquire land as permitted by this Article, the Authority shall consider whether the acquisition furthers the purposes of this Article and may also consider recommendations from the Council. Nothing in this section shall allow the Authority to acquire land under the right of eminent domain.

(e) Exchange of Land. – The Authority may exchange any land it acquires in carrying out the powers conferred on the Authority by this Article and for purposes consistent with the provisions of this Article.

(f) Land Management. – The Authority may designate managers or managing agencies of the lands acquired under this Article.

(g) Tax Credit Certification. – The Authority shall develop guidelines to determine whether land donated for a tax credit under G.S. 105-130.34 or G.S. 105-151.12 is suitable for one of the purposes under this Article and may be certified for a tax credit.

(h) Rule-Making Authority. – The Authority may adopt rules to implement this Article. Chapter 150B of the General Statutes applies to the adoption of rules by the Authority.

"**§ 113A-268. North Carolina Conservation Easement Endowment Fund.**

(a) The North Carolina Conservation Easement Endowment Fund is established as a special fund in the Office of the State Treasurer. The principal of the Endowment Fund shall consist of a portion of grant funds transferred by the Authority to the Endowment Fund for stewardship activities related to projects for conservation easements funded from grants awarded under this Article. The principal of the Endowment Fund may also consist of any proceeds of any gifts, grants, or contributions to the State that are specifically designated for inclusion in the Endowment Fund and any investment income that is not used in accordance with subsection (b) of this section. The State Treasurer shall hold the Endowment Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The State Treasurer shall disburse the endowment investment income only upon the written direction of the Chair of the Authority. No expenditure or disbursement shall be made from the principal of the Endowment Fund.

(b) The Authority may authorize the disbursement of the endowment investment income only for activities related to stewardship of conservation easements owned by the State.

"**§ 113A-269. Water and Land Conservation Authority; reporting requirement.**

The Chair of the Authority shall report each year by December 1 to the Joint Legislative Commission on Governmental Operations, the Environmental Review Commission, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division of the General Assembly regarding the implementation of this Article. The report shall include:

(1) A list of water conservation grants awarded under G.S. 113A-263 for the previous 12-month period. The list shall include for each grant a description

of the project, the amount of the grant awarded for the project, and the total cost of the project.

(2) A list of land conservation grants awarded under G.S. 113A-263 for the previous 12-month period. The list shall include for each grant the acreage of each tract, the county in which the tract is located, the amount awarded as a grant to acquire the tract, and the State department or division responsible for managing the tract.

"**§ 113A-270. Water and Land Conservation Authority; Executive Director; staff.**

(a) The Secretary shall select and appoint a competent person in accordance with this section as Executive Director of the Authority. The Executive Director shall be charged with the supervision of all activities under the jurisdiction of the Authority and shall serve as the chief administrative officer of the Authority. The person selected as Executive Director shall have had training and experience in conservation, protection, and management of surface water resources and natural heritage resources.

(b) The Secretary shall provide staff to support the Water and Land Conservation Grant Program under this Article.

"**§ 113A-271. Construction of Article.**

No provision of this Article shall be construed to eliminate hunting and fishing, as regulated by the laws of the State of North Carolina, upon properties purchased pursuant to this Article."

SECTION 14.3.(c) Article 5A of Chapter 113 of the General Statutes and Article 18 of Chapter 113A of the General Statutes are repealed.

SECTION 14.3.(d) G.S. 20-79.7(b) reads as rewritten:

"(b) Distribution of Fees. – The Special Registration Plate Account and the Collegiate and Cultural Attraction Plate Account are established within the Highway Fund. The Division must credit the additional fee imposed for the special registration plates listed in subsection (a) of this section among the Special Registration Plate Account (SRPA), the Collegiate and Cultural Attraction Plate Account (CCAPA), the ~~Natural Heritage Trust Fund (NHTF),~~Water and Land Conservation Fund (WLCF), which is established under ~~G.S. 113-77.7,~~G.S. 113A-262, and the Parks and Recreation Trust Fund, which is established under G.S. 113-44.15, as follows:

Special Plate	SRPA	CCAPA	~~NHTF~~WLCF	PRTF"

SECTION 14.3.(e) G.S. 20-81.12(b2)(5) reads as rewritten:

"(5) North Carolina State Parks. – One-half of the revenue derived from the special plate shall be transferred quarterly to ~~Natural Heritage Trust Fund established under G.S. 113-77.7,~~the Water and Land Conservation Fund established under G.S. 113A-262, and the remaining revenue shall be transferred quarterly to the Parks and Recreation Trust Fund established under G.S. 113-44.15."

SECTION 14.3.(f) G.S. 20-81.12(b7) reads as rewritten:

"(b7) Scenic Rivers Plates. – The Division must receive 300 or more applications for a Scenic Rivers plate before the plate may be developed. The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of Scenic Rivers plates to the ~~Clean Water Management Trust Fund established in G.S. 113A-253.~~Water and Land Conservation Fund established under G.S. 113A-262."

SECTION 14.3.(g) G.S. 126-5(c1)(21) is repealed.

SECTION 14.3.(h) G.S. 143-214.14(c) reads as rewritten:

"(c) Legislative Goals and Policies. – It is the goal of the General Assembly that, to the extent practicable, the State shall adopt water quality protection plans that are developed and implemented in cooperation and coordination with local governments and that the State shall adopt water quality protection requirements that are proportional to the relative contributions of pollution from all sources in terms of both the loading and proximity of those sources.

Furthermore, it is the goal of the General Assembly to encourage and support State-local partnerships for improved water quality protection through the provision of technical and financial assistance available through ~~the Clean Water Management Trust Fund,~~ the Water and Land Conservation Fund established under G.S. 113A-262, the Ecosystem Enhancement Program, the Ecosystem Restoration Fund, water quality planning and project grant programs, the State's revolving loan and grant programs for water and wastewater facilities, other funding sources, and future appropriations. The Commission shall implement these goals in accordance with the standards, procedures, and requirements set out in this section."

SECTION 14.3.(i) G.S. 143B-344.38(a)(8)a. and G.S. 143B-344.38(a)(8)d. are repealed.

SECTION 14.3.(j) G.S. 106-887(a) reads as rewritten:

"(a) DuPont State Forest is designated as a State Recreational Forest. The Department shall manage DuPont State Recreational Forest: (i) primarily for natural resource preservation, scenic enjoyment and recreational purposes, including horseback riding, hiking, bicycling, hunting, and fishing; (ii) so as to provide an exemplary model of scientifically sound, ecologically based natural resource management for the social and economic benefit of the forest's diverse community of users; and (iii) consistent with the grant agreement ~~between the Natural Heritage Trust Fund and the Division of Forest Resources, which grant~~that designates a portion of the forest as a North Carolina Nature Preserve. In addition, the Department may use the forest for the demonstration of different forest management and resource protection techniques for local landowners, natural resource professionals, students, and other forest visitors."

SECTION 14.3.(k) G.S. 120-123 reads as rewritten:

"**§ 120-123. Service by members of the General Assembly on certain boards and commissions.**

No member of the General Assembly may serve on any of the following boards or commissions:

(1) The Board of Agriculture, as established by G.S. 106-2.

...

~~(67) The Board of Trustees of the Natural Heritage Trust Fund, as established by G.S. 113-77.8.~~

(67a) The Water and Land Conservation Authority established by G.S. 113A-262.

...."

SECTION 14.3.(l) G.S. 143B-279.3(b)(18) is repealed.

SECTION 14.3.(m) The Natural Heritage Trust Fund and the Clean Water Management Trust Fund shall be closed and the remaining fund balances in each fund shall be transferred to the Water and Land Conservation Fund established in G.S. 113A-262, as enacted by subsection (b) of this section, as provided in this subsection. It is the intent of the General Assembly to honor the obligations from the Natural Heritage Trust Fund and the Clean Water Management Trust Fund that were authorized prior to the effective date of this section and to ensure that any tax proceeds credited to the Natural Heritage Trust Fund are used for the purposes for which they were collected. The unencumbered funds transferred from the Natural Heritage Trust Fund to the Water and Land Conservation Fund and any funds from the Natural Heritage Trust Fund that were encumbered but become unencumbered after the effective date of this section shall be used for land conservation grants under G.S. 113A-263(c), as enacted by subsection (b) of this section. Any encumbered funds transferred from the Natural Heritage Trust Fund to the Water and Land Conservation Fund shall be used for the purpose for which the grant was awarded. The unencumbered funds transferred from the Clean Water Management Trust Fund to the Water and Land Conservation Fund and any funds from the Clean Water Management Trust Fund that were encumbered but become unencumbered after the effective date of this section shall be used for water conservation grants under

G.S. 113A-263(b), as enacted by subsection (b) of this section. Any encumbered funds transferred from the Clean Water Management Trust Fund to the Water and Land Conservation Fund shall be used for the purpose for which the grant was awarded.

SECTION 14.3.(n) The terms for the initial appointments to the Water and Land Conservation Authority established by G.S. 113A-266, as enacted by subsection (b) of this section, shall commence July 1, 2013. Notwithstanding the provisions of G.S. 113A-266, as enacted by subsection (b) of this section, in order to establish staggered terms, the terms for the initial appointments to the Water and Land Conservation Authority made under G.S. 113A-266(b)(1), (4), and (7) shall expire July 1, 2015; the terms for the initial appointments to the Water and Land Conservation Authority made under G.S. 113A-266(b)(3), (6), and (9) shall expire July 1, 2016; and the terms for the initial appointments to the Water and Land Conservation Authority made under G.S. 113A-266(b)(2), (5), and (8) shall expire July 1, 2017.

SECTION 14.3.(o) The Codifier of Statutes shall make any conforming changes in Chapter 159I of the General Statutes or any other sections of the General Statutes necessary to implement this section.

DEED STAMP TAX PROCEEDS CREDITED TO GENERAL FUND

SECTION 14.4.(a) G.S. 105-228.30(b) reads as rewritten:

"(b) The register of deeds of each county must remit the proceeds of the tax levied by this section to the county finance officer. The finance officer of each county must credit one-half of the proceeds to the county's general fund and remit the remaining one-half of the proceeds, less taxes refunded and the county's allowance for administrative expenses, to the Department of Revenue on a monthly basis. A county may retain two percent (2%) of the amount of tax proceeds allocated for remittance to the Department of Revenue as compensation for the county's cost in collecting and remitting the State's share of the tax. ~~Of the funds remitted to it pursuant to this section, the Department of Revenue must credit seventy-five percent (75%) to the Parks and Recreation Trust Fund established under G.S. 113-44.15 and twenty-five percent (25%) to the Natural Heritage Trust Fund established under G.S. 113-77.7.~~ The Department of Revenue shall credit the funds remitted to the Department of Revenue under this subsection to the General Fund."

SECTION 14.4.(b) G.S. 113-44.15(a) reads as rewritten:

"(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State Treasurer's Office. The Trust Fund shall be a ~~nonreverting~~ special revenue fund consisting of gifts and grants to the Trust ~~Fund, monies credited to the Trust Fund pursuant to G.S. 105-228.30(b),~~Fund and other monies appropriated to the Trust Fund by the General Assembly. Investment earnings credited to the assets of the Fund shall become part of the Fund."

PARKS AND RECREATION AUTHORITY

SECTION 14.5.(a) G.S. 143B-313.2 reads as rewritten:

"**§ 143B-313.2. North Carolina Parks and Recreation Authority; members; selection; compensation; meetings.**

(a) Membership. – The North Carolina Parks and Recreation Authority shall consist of ~~15~~ nine members. The members shall include persons who are knowledgeable about park and recreation issues in North Carolina or with expertise in finance. In making appointments, each appointing authority shall specify under which subdivision of this subsection the person is appointed. Members shall be appointed as follows:

(1) One member appointed by the Governor.

(2) One member appointed by the Governor.

(3) One member appointed by the Governor.

~~(3a) One member appointed by the Governor.~~
~~(3b) One member appointed by the Governor.~~
(4) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.
(5) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.
(6) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.
~~(7) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.~~
~~(7a) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.~~
(8) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
(9) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
(10) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
~~(11) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.~~
~~(12) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.~~

(b) Terms. – Members shall serve staggered terms of office of three years. Members shall serve no more than two consecutive three-year terms. After serving two consecutive three-year terms, a member is not eligible for appointment to the Authority for at least one year after the expiration date of that member's most recent term. Upon the expiration of a three-year term, a member may continue to serve until a successor is appointed and duly qualified as provided by G.S. 128-7. The terms of members appointed under subdivision (1), ~~(3a),~~ (5), ~~(7),~~ or (9) of subsection (a) of this section shall expire on July 1 of years that are evenly divisible by three. The terms of members appointed under subdivision (2), ~~(3b),~~ (4), ~~(8), or (11)~~or (8) of subsection (a) of this section shall expire on July 1 of years that follow by one year those years that are evenly divisible by three. The terms of members appointed under subdivision (3), (6), ~~(7a), (10), or (12)~~ or (10) of subsection (a) of this section shall expire on July 1 of years that precede by one year those years that are evenly divisible by three.

(c) Chair. – The Governor shall appoint one member of the North Carolina Parks and Recreation Authority to serve as Chair.

(d) Vacancies. – A vacancy on the North Carolina Parks and Recreation Authority shall be filled by the appointing authority responsible for making the appointment to that position as provided in subsection (a) of this section. An appointment to fill a vacancy shall be for the unexpired balance of the term.

(e) Removal. – The Governor may remove, as provided in Article 10 of Chapter 143C of the General Statutes any member of the North Carolina Parks and Recreation Authority appointed by the Governor for misfeasance, malfeasance, or nonfeasance. The General Assembly may remove any member of the North Carolina Parks and Recreation Authority appointed by the General Assembly for misfeasance, malfeasance, or nonfeasance.

(f) Compensation. – The members of the North Carolina Parks and Recreation Authority shall receive per diem and necessary travel and subsistence expenses according to the provisions of G.S. 138-5.

(g) Meetings. – The North Carolina Parks and Recreation Authority shall meet at least quarterly at a time and place designated by the Chair.

(h) Quorum. – A majority of the North Carolina Parks and Recreation Authority shall constitute a quorum for the transaction of business.

(i) Staff. – All clerical and other services required by the North Carolina Parks and Recreation Authority shall be provided by the Secretary of Environment and Natural Resources."

SECTION 14.5.(b) The terms of all members of the North Carolina Parks and Recreation Authority shall expire on June 30, 2013. A new Authority consisting of nine members shall be appointed as provided in G.S. 143B-313.2, as amended by subsection (a) of this section. This subsection becomes effective on June 30, 2013.

LAKE WACCAMAW HYDRILLA ERADICATION PROJECT FUNDS

SECTION 14.6. Of the funds appropriated to the Department of Environment and Natural Resources for the Parks and Recreation Trust Fund for the 2013-2014 fiscal year, the sum of two hundred fifty thousand dollars ($250,000) shall be reallocated to the Division of Water Resources of the Department of Environment and Natural Resources to be used to provide the State portion of the nonfederal funds needed for the Lake Waccamaw Hydrilla Eradication Project. This project shall be subject to the same requirements as other water resources development projects under this act.

FISHERY RESOURCE GRANT PROGRAM REPEAL

SECTION 14.7.(a) G.S. 113-200 is repealed.

SECTION 14.7.(b) G.S. 143B-289.54(c) reads as rewritten:

"(c) Additional Considerations. – In making appointments to the Commission, the Governor shall provide for appropriate representation of women and minorities on the Commission. ~~The Governor shall make appointments to the Commission consistent with the restrictions of G.S. 113-200(g).~~"

MARINE FISHERIES LICENSE AND PERMIT FEES; LICENSE AND PERMIT REQUIREMENTS; FEE INCREASES FUND DMF AT-SEA OBSERVER PROGRAM

SECTION 14.8.(a) G.S. 113-168.1(h) reads as rewritten:

"(h) Replacement Licenses and Endorsements. – The Division shall issue a replacement license, including any endorsements, to a licensee for a license that has not been suspended or revoked. A licensee may apply for a replacement license for a license that has been lost, stolen, or destroyed and shall apply for a replacement license within 30 days of a change in the licensee's name or address. A licensee may apply for a replacement license in person at any office of the Division or by mail to the Morehead City office of the Division. A licensee may use a copy of the application for a replacement license that has been filed with the Division as a temporary license until the licensee receives the replacement license. The Commission may establish a fee for each type of replacement license, not to exceed ~~ten dollars ($10.00),~~ twelve dollars and fifty cents ($12.50), that compensates the Division for the administrative costs associated with issuing the replacement license."

SECTION 14.8.(b) G.S. 113-168.2 reads as rewritten:

"**§ 113-168.2. Standard Commercial Fishing License.**

(a) Requirement. – Except as otherwise provided in this Article, it is unlawful for any person to engage in a commercial fishing operation in the coastal fishing waters without holding a SCFL issued by the Division. A person who works as a member of the crew of a vessel engaged in a commercial fishing operation under the direction of a person who holds a valid SCFL is not required to hold a SCFL. A person who holds a SCFL is not authorized to take shellfish unless the SCFL is endorsed as provided in ~~G.S. 113-168.5(d) or the person holds a shellfish license issued pursuant to G.S. 113-169.2.~~ G.S. 113-168.5.

(a1) Use of Vessels. – The holder of a SCFL is authorized to use only one vessel in a commercial fishing operation at any given time. The Commission may adopt a rule to exempt from this requirement a person in command of a vessel that is auxiliary to a vessel engaged in a pound net operation, long-haul operation, beach seine operation, or menhaden operation. A person who works as a member of the crew of a vessel engaged in a mechanical shellfish operation under the direction of a person who holds a valid SCFL with a shellfish endorsement is not required to hold a shellfish license.

(b) through (d) Repealed by Session Laws 1998-225, s. 4.11.

(e) Fees. – The annual SCFL fee for a resident of this State shall be ~~two hundred dollars ($200.00)~~two hundred fifty dollars ($250.00). The annual SCFL fee for a person who is not a resident of this State shall be ~~eight hundred dollars ($800.00) or~~ the amount charged to a resident of this State in the nonresident's ~~state, whichever is less.~~state. In no event, however, may the fee be less than ~~two hundred dollars ($200.00).~~two hundred fifty dollars ($250.00). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

(1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State income tax return as a resident of North Carolina for the previous calendar or tax year, or

(2) G.S. 113-130(4)e.

(f) Assignment. – The holder of a SCFL may assign the SCFL to any individual who is eligible to hold a SCFL under this Article. It is unlawful for the holder of a SCFL to assign a shellfish endorsement of a SCFL to any individual who is not a resident of this State. The assignment shall be in writing on a form provided by the Division and shall include the name of the licensee, the license number, any endorsements, the assignee's name, mailing address, physical or residence address, and the duration of the assignment. If a notarized copy of an assignment is not filed with the Morehead City office of the Division within five days of the date of the assignment, the assignment shall expire. It is unlawful for the assignee of a SCFL to assign the SCFL. The assignment shall terminate:

(1) Upon written notification by the assignor to the assignee and the Division that the assignment has been terminated.

(2) Upon written notification by the estate of the assignor to the assignee and the Division that the assignment has been terminated.

(3) If the Division determines that the assignee is operating in violation of the terms and conditions applicable to the assignment.

(4) If the assignee becomes ineligible to hold a license under this Article.

(5) Upon the death of the assignee.

(6) If the Division suspends or revokes the assigned SCFL.

(7) At the end of the license year.

(g) Transfer. – A SCFL may be transferred only by the Division. A SCFL may be transferred pursuant to rules adopted by the Commission or upon the request of:

(1) A licensee, from the licensee to a member of the licensee's immediate family who is eligible to hold a SCFL under this Article.

(2) The administrator or executor of the estate of a deceased licensee, to the administrator or executor of the estate if a surviving member of the deceased licensee's immediate family is eligible to hold a SCFL under this Article. The administrator or executor must request a transfer under this subdivision within six months after the administrator or executor qualifies under Chapter 28A of the General Statutes. An administrator or executor who holds a SCFL under this subdivision may, for the benefit of the estate of the deceased licensee:

a. Engage in a commercial fishing operation under the SCFL if the administrator or executor is eligible to hold a SCFL under this Article.
b. Assign the SCFL as provided in subsection (f) of this section.
c. Renew the SCFL as provided in G.S. 113-168.1.

(3) An administrator or executor to whom a SCFL was transferred pursuant to subdivision (2) of this subsection, to a surviving member of the deceased licensee's immediate family who is eligible to hold a SCFL under this Article.

(4) The surviving member of the deceased licensee's immediate family to whom a SCFL was transferred pursuant to subdivision (3) of this subsection, to a third-party purchaser of the deceased licensee's fishing vessel.

(5) A licensee who is retiring from commercial fishing, to a third-party purchaser of the licensee's fishing vessel.

(h) Identification as Commercial Fisherman. – The receipt of a current and valid SCFL or shellfish license issued by the Division shall serve as proper identification of the licensee as a commercial fisherman.

(i) Record-Keeping Requirements. – The fish dealer shall record each transaction at the time and place of landing on a form provided by the Division. The transaction form shall include the information on the SCFL or shellfish license, the quantity of the fish, the identity of the fish dealer, and other information as the Division deems necessary to accomplish the purposes of this Subchapter. The person who records the transaction shall provide a completed copy of the transaction form to the Division and to the other party of the transaction. The Division's copy of each transaction form shall be transmitted to the Division by the fish dealer on or before the tenth day of the month following the transaction."

SECTION 14.8.(c) G.S. 113-168.3(b) reads as rewritten:

"(b) Eligibility; Fees. – Any individual who is 65 years of age or older and who is eligible for a SCFL under G.S. 113-168.2 may apply for either a SCFL or RSCFL. An applicant for a RSCFL shall provide proof of age at the time the application is made. The annual fee for a RSCFL for a resident of this State shall be ~~one hundred dollars ($100.00).~~one hundred twenty-five dollars ($125.00). The annual fee for a RSCFL for a person who is not a resident of this State shall be ~~eight hundred dollars ($800.00) or the amount charged to a resident of this State in the nonresident's state, whichever is less. In no event, however, shall the fee be less than one hundred dollars ($100.00).~~one hundred sixty-two dollars and fifty cents ($162.50). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

(1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State income tax return as a resident of North Carolina for the previous calendar or tax year, or

(2) G.S. 113-130(4)e."

SECTION 14.8.(d) G.S. 113-168.4(c) reads as rewritten:

"(c) A person who organizes a recreational fishing tournament may sell fish taken in connection with the tournament pursuant to a recreational fishing tournament license to sell fish. A person who organizes a recreational fishing tournament may obtain a recreational fishing tournament license to sell fish upon application to the Division and payment of a fee of ~~one hundred dollars ($100.00).~~one hundred twenty-five dollars ($125.00). It is unlawful for any person licensed under this subsection to sell fish to any person other than a fish dealer licensed under G.S. 113-169.3 unless the seller is also a licensed fish dealer. A recreational fishing tournament is an organized fishing competition occurring within a specified time period not to exceed one week and that is not a commercial fishing operation. Gross proceeds from the sale

of fish may be used only for charitable, religious, educational, civic, or conservation purposes and shall not be used to pay tournament expenses."

SECTION 14.8.(e) G.S. 113-168.6 reads as rewritten:

"**§ 113-168.6. Commercial fishing vessel registration.**

(a) As used in this subsection, a North Carolina vessel is a vessel that has its primary situs in the State. A vessel has its primary situs in the State if:

(1) A certificate of number has been issued for the vessel under Article 1 of Chapter 75A of the General Statutes;

(2) A certificate of title has been issued for the vessel under Article 4 of Chapter 75A of the General Statutes; or

(3) A certification of documentation has been issued for the vessel that lists a home port in the State under 46 U.S.C. § 12101, et seq., as amended.

(b) The owner of a vessel used in a commercial fishing operation in the coastal fishing waters of the State or a North Carolina vessel used to land or sell fish in the State shall register the vessel with the Division. It is unlawful to use a vessel that is not registered with the Division in a commercial fishing operation or a for-hire operation in the coastal fishing waters of the State. It is unlawful to use a North Carolina vessel that is not registered with the Division to land or sell fish in the State. No registration is required for a vessel of any length that does not have a motor if the vessel is used only in connection with another vessel that is properly registered.

(b1) The vessel owner at the time of application for registration under subsection (b) of this section shall obtain either a commercial vessel endorsement if the vessel is intended to be used primarily for the harvest of fish for sale, a for-hire endorsement if the vessel is intended to be used primarily for for-hire activities, or both endorsements if the vessel is intended to be engaged in both activities. The owner of a vessel applying for a commercial fishing vessel registration with a for-hire endorsement must affirm liability coverage and knowledge of applicable United States Coast Guard safety requirements.

(b2) Every owner who obtains a commercial fishing vessel registration with a for-hire endorsement shall submit to the Division logbooks summarizing catch and effort statistical data to the Division. The Commission may adopt rules that determine means and methods to satisfy the requirements of this subsection.

(c) The annual fee for a commercial fishing vessel registration shall be determined by the length of the vessel and shall be in addition to the fee for other licenses issued under this Article. The length of a vessel shall be determined by measuring the distance between the ends of the vessel along the deck and through the cabin, excluding the sheer. The annual fee for a commercial fishing vessel registration is:

(1) ~~One dollar ($1.00)~~One dollar and twenty-five cents ($1.25) per foot for a vessel not over 18 feet in length.

(2) ~~One dollar and fifty cents ($1.50)~~One dollar and ninety cents ($1.90) per foot for a vessel over 18 feet but not over 38 feet in length.

(3) ~~Three dollars ($3.00)~~Three dollars and seventy-five cents ($3.75) per foot for a vessel over 38 feet but not over 50 feet in length.

(4) ~~Six dollars ($6.00)~~Seven dollars and fifty cents ($7.50) per foot for a vessel over 50 feet in length.

(d) A vessel may be registered at any office of the Division. A commercial fishing vessel registration expires on the last day of the license year.

(e) Within 30 days of the date on which the owner of a registered vessel transfers ownership of the vessel, the new owner of the vessel shall notify the Division of the change in ownership and apply for a replacement commercial fishing vessel registration. An application for a replacement commercial fishing vessel registration shall be accompanied by proof of the

transfer of the vessel. The provisions of G.S. 113-168.1(h) apply to a replacement commercial fishing vessel registration."

SECTION 14.8.(f) G.S. 113-169.1 reads as rewritten:

"**§ 113-169.1. Permits for gear, equipment, and other specialized activities authorized.**

(a) The Commission may adopt rules to establish permits for gear, equipment, and specialized activities, including commercial fishing operations that do not involve the use of a vessel and transplanting oysters or clams. The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed one hundred dollars ($100.00) per permit.

(b) The Commission may adopt rules to establish gear specific permits to take striped bass from the Atlantic Ocean and to limit the number and type of these permits that may be issued to a person. The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed ~~ten dollars ($10.00)~~thirty dollars ($30.00) per permit.

(c) To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(g) G.S. 113-169.2 reads as rewritten:

"**§ 113-169.2. Shellfish license for North Carolina residents without a SCFL.**

(a) License or Endorsement Necessary to Take or Sell ~~Shellfish.~~Shellfish Taken by Hand Methods. – It is unlawful for an individual to take shellfish from the public or private grounds of the State ~~by mechanical means~~ or as part of a commercial fishing operation by ~~any means~~hand methods without holding either a shellfish license or a shellfish endorsement of a SCFL. A North Carolina resident who seeks only to take shellfish by hand methods and sell such shellfish shall be eligible to obtain a shellfish license without holding a SCFL. The shellfish license authorizes the licensee to sell shellfish.

(a1) License Necessary to Take or Sell Shellfish Taken by Mechanical Means. – Subject to subsection (i) of this section, an individual who takes shellfish from the public or private grounds of the State by mechanical means must obtain a SCFL under the provisions of G.S. 113-168.2.

(b) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

(c) Fees. – Shellfish licenses issued under this section shall be issued annually upon payment of a fee of ~~twenty-five dollars ($25.00)~~thirty-one dollars and twenty-five cents ($31.25) upon proof that the license applicant is a North Carolina resident.

(d) License Available for Inspection. – It is unlawful for any individual to take shellfish as part of a commercial fishing operation from the public or private grounds of the State without having ready at hand for inspection a current and valid shellfish license issued to the licensee personally and bearing the licensee's correct name and address. It is unlawful for any individual taking or possessing freshly taken shellfish to refuse to exhibit the individual's license upon the request of an officer authorized to enforce the fishing laws.

(e) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

(f) Name or Address Change. – In the event of a change in name or address or upon receipt of an erroneous shellfish license, the licensee shall, within 30 days, apply for a replacement shellfish license bearing the correct name and address. Upon a showing by the individual that the name or address change occurred within the past 30 days, the trial court or prosecutor shall dismiss any charges brought pursuant to this subsection.

(g) Transfer Prohibited. – It is unlawful for an individual issued a shellfish license to transfer or offer to transfer the license, either temporarily or permanently, to another. It is unlawful for an individual to secure or attempt to secure a shellfish license from a source not authorized by the Commission.

(h) Exemption. – Persons under 16 years of age are exempt from the license requirements of this section if accompanied by a parent, grandparent, or guardian who is in compliance with the requirements of this section or if in possession of a parent's, grandparent's or guardian's shellfish license.

(i) Taking Shellfish Without a License for Personal Use. – Shellfish may be taken without a license for personal use in quantities established by rules of the Marine Fisheries Commission."

SECTION 14.8.(h) G.S. 113-169.3(e) reads as rewritten:

"(e) Application Fee for New Fish Dealers. – An applicant for a new fish dealer license shall pay a nonrefundable application fee of ~~fifty dollars ($50.00)~~sixty-two dollars and fifty cents ($62.50) in addition to the license category fees set forth in this section."

SECTION 14.8.(i) G.S. 113-169.3(f) reads as rewritten:

"(f) License Category Fees. – Every fish dealer subject to licensing requirements shall secure an annual license at each established location for each of the following activities transacted there, upon payment of the fee set out:

(1) Dealing in oysters: ~~$50.00;~~$62.50.
(2) Dealing in scallops: ~~$50.00;~~$62.50.
(3) Dealing in clams: ~~$50.00;~~$62.50.
(4) Dealing in hard or soft crabs: ~~$50.00;~~$62.50.
(5) Dealing in shrimp, including bait: ~~$50.00;~~$62.50.
(6) Dealing in finfish, including bait: ~~$50.00;~~$62.50.
(7) Operating menhaden or other fish-dehydrating or oil-extracting processing plants: ~~$50.00; or~~$62.50.
(8) Consolidated license (all categories): ~~$300.00.~~$375.00."

SECTION 14.8.(j) G.S. 113-169.4 reads as rewritten:

"**§ 113-169.4. Licensing of ocean fishing piers; fees.**

(a) The owner or operator of an ocean fishing pier within the coastal fishing waters who charges the public a fee to fish in any manner from the pier shall secure a current and valid pier license from the Division. An application for a pier license shall disclose the names of all parties involved in the pier operations, including the owner of the property, owner of the pier if different, and all leasehold or other corporate arrangements, and all persons with a substantial financial interest in the pier.

(b) Within 30 days following a change of ownership of a pier, or a change as to the manager, the manager or new manager shall secure a replacement pier license as provided in G.S. 113-168.1(h).

(c) Pier licenses are issued upon payment of ~~fifty cents (50¢)~~four dollars and fifty cents ($4.50) per linear foot, to the nearest foot, that the pier extends into coastal fishing waters beyond the mean high waterline. The length of the pier shall be measured to include all extensions of the pier.

(d) The manager who secures the pier license shall be the individual with the duty of executive-level supervision of pier operations.

(e) The pier license issued under this section authorizes any individual who does not hold a Coastal Recreational Fishing License under Article 14B or Article 25A of this Chapter to engage in recreational fishing while on the pier."

SECTION 14.8.(k) G.S. 113-169.5 reads as rewritten:

"(b) The fee for a land or sell license for a vessel not having its primary situs in North Carolina is ~~two hundred dollars ($200.00);~~two hundred fifty dollars ($250.00), or an amount

equal to the nonresident fee charged by the nonresident's state, whichever is greater. Persons aboard vessels having a primary situs in a jurisdiction that would allow North Carolina vessels without restriction to land or sell their catch, taken outside the jurisdiction, may land or sell their catch in the State without complying with this section if the persons are in possession of a valid license from their state of residence."

SECTION 14.8.(l) G.S. 113-171.1(b) reads as rewritten:

"(b) License. – Before an aircraft is used as a spotter plane in a commercial fishing operation, the owner or operator of the aircraft must obtain a license for the aircraft from the Division. The fee for a license for a spotter plane is ~~one hundred dollars ($100.00).~~one hundred twenty-five dollars ($125.00). An applicant for a license for a spotter plane shall include in the application the identity, either by boat or by company, of the specific commercial fishing operations in which the spotter plane will be used during the license year. If, during the course of the license year, the aircraft is used as a spotter plane in a commercial fishing operation that is not identified in the original license application, the owner or operator of the aircraft shall amend the license application to add the identity of the additional commercial fishing operation."

SECTION 14.8.(m) G.S. 113-173(f) reads as rewritten:

"(f) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of purchase. The fee for a RCGL for a North Carolina resident shall be ~~thirty-five dollars ($35.00).~~forty-three dollars and seventy-five cents ($43.75). The fee for a RCGL for an individual who is not a North Carolina resident shall be ~~two hundred fifty dollars ($250.00).~~three hundred twelve dollars and fifty cents ($312.50)."

SECTION 14.8.(n) G.S. 113–174.3 reads as rewritten:

"**§ 113-174.3. ~~For-Hire Blanket CRFL.~~For-Hire Boat Licenses.**

~~(a) License. – A person who operates a for-hire boat may purchase a For-Hire Blanket CRFL issued by the Division for the for-hire boat. A For-Hire Blanket CRFL authorizes all individuals on the for-hire boat who do not hold a license issued under this Article or Article 25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. A For-Hire Blanket CRFL does not authorize individuals to engage in recreational fishing in joint fishing waters or inland fishing waters. A For-Hire Blanket CRFL is valid for a period of one year from the date of issuance. The fee for a For-Hire Blanket CRFL is:~~

~~(1) Two hundred fifty dollars ($250.00) for a vessel that will carry six or fewer passengers.~~

~~(2) Three hundred fifty dollars ($350.00) for a vessel that will carry greater than six passengers.~~

~~(b) Implementation. – Except as provided in this section and G.S. 113-174.2(d), each individual on board a for-hire boat engaged in recreational fishing, other than crew members who do not engage in recreational fishing, must hold a license issued under this Article or Article 25A of this Chapter. An owner, operator, or crew member of a for-hire boat is not responsible for the licensure of a customer fishing from the boat.~~

(c) License. – It is unlawful for a person to engage in a for-hire operation without having obtained one of the following licenses issued by the Division:

(1) Blanket For-Hire Captain's CRFL. – This license allows individuals properly licensed by the United States Coast Guard to carry passengers on any vessel with a commercial vessel registration with a for-hire endorsement. A Blanket For-Hire Captains CRFL authorizes all individuals on the for-hire boat who do not hold a license issued under this Article or Article 25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. The resident fees for a Blanket For-Hire Captain's CRFL are two hundred fifty dollars ($250.00) for a boat carrying

six or fewer passengers and three hundred fifty dollars ($350.00) for a boat carrying more than six passengers. The nonresident fees for a Blanket For-Hire Captain's CRFL are three hundred twelve dollars and fifty cents ($312.50) for a boat carrying six or fewer passengers and four hundred thirty-seven dollars and fifty cents ($437.50) for a boat carrying more than six passengers. Any boat whose operator is licensed under this subdivision and that is engaged in for-hire fishing must obtain a Commercial Fishing Vessel Registration with a for-hire endorsement.

(2) Blanket For-Hire Boat CRFL. – This license allows any United States Coast Guard licensed operator to carry passengers aboard the licensed vessel. A Blanket For-Hire Boat CRFL authorizes all individuals on the for-hire boat who do not hold a license issued under this Article or Article 25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. The resident fees for a Blanket For-Hire Captain's CRFL are two hundred fifty dollars ($250.00) for a boat carrying six or fewer passengers and three hundred fifty dollars ($350.00) for a boat carrying more than six passengers. The nonresident fees for a Blanket For-Hire Captain's CRFL are three hundred twelve dollars and fifty cents ($312.50) for a boat carrying six or fewer passengers and four hundred thirty-seven dollars and fifty cents ($437.50) for a boat carrying more than six passengers. Any boat whose operator is licensed under this subdivision and that is engaged in for-hire fishing is not required to obtain a Commercial Fishing Vessel Registration with a for-hire endorsement.

(3) Non-Blanket For-Hire Boat License. – This license allows any United States Coast Guard licensed operator to carry passengers aboard the licensed boat. This license does not authorize individuals aboard the boat to engage in recreational fishing unless they hold an individual CRFL issued under this Article or Article 25A of this Chapter. The fee for the Non-Blanket For-Hire Boat License is twenty-five dollars ($25.00) for a boat operated by a resident operator and thirty-seven dollars and fifty cents ($37.50) for a boat operated by a nonresident operator. Any boat whose operator is licensed under this subdivision and that is engaged in for-hire fishing is not required to obtain a Commercial Fishing Vessel Registration with a for-hire endorsement.

(d) A license issued under this section does not authorize individuals to engage in recreational fishing in joint fishing waters or inland fishing waters. All for-hire licenses expire on the last day of the license year."

SECTION 14.8.(o) G.S. 113-174.4 is repealed.

SECTION 14.8.(p) G.S. 113–182.1(b) reads as rewritten:

"(b) The goal of the plans shall be to ensure the long-term viability of the State's commercially and recreationally significant species or fisheries. Each plan shall be designed to reflect fishing practices so that one plan may apply to a specific fishery, while other plans may be based on gear or geographic areas. Each plan shall:

...

(5) Specify a time period, not to exceed two years from the date of the adoption of the plan, ~~for ending~~to end overfishing. ~~This subdivision shall only apply to a plan for a fishery that is not producing a sustainable harvest.~~This subdivision shall not apply if the Fisheries Director determines that the biology of the fish, environmental conditions, or lack of sufficient data make implementing the requirements of this subdivision incompatible with professional standards for fisheries management.

...."

SECTION 14.8.(q) G.S. 113-203 is amended by adding two new subsections to read:

"(f) The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed one hundred dollars ($100.00) per permit.

(g) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(r) G.S. 113–210 is amended by adding two new subsections to read:

"(l) Fees. – Under the Dock Oyster Culture Permit shall be issued annually upon payment of a fee of one hundred dollars ($100.00).

(m) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(s) G.S. 113–221.2 reads as rewritten:

"**§ 113-221.2. Additional rules to establish sanitation requirements for scallops, shellfish, and ~~crustacea.~~crustacea; permits and permit fees authorized.**

(a) Authority to Adopt Certain Rules and Establish Permits. – For the protection of the public health, the Marine Fisheries Commission shall adopt rules establishing sanitation requirements for the harvesting, processing and handling of scallops, shellfish, and crustacea of in-State origin. The rules of the Marine Fisheries Commission may also regulate scallops, shellfish, and crustacea shipped into North Carolina. The Department is authorized to enforce the rules and may issue and revoke permits according to the rules. The Department is authorized to establish a fee for each permit not to exceed one hundred dollars ($100.00).

(b) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(t) G.S. 143B-289.52(d1) reads as rewritten:

"(d1) The Commission may regulate participation in a fishery that is subject to a federal fishery management plan if that plan imposes a quota on the State for the harvest or landing of fish in the fishery. ~~If the Commission regulates participation in a fishery under this subsection, the Division may issue a license to participate in the fishery to a person who:~~

~~(1) Held a valid license issued by the Division to harvest, land, or sell fish during at least two of the three license years immediately preceding the date adopted by the Commission to determine participation in the fishery; and~~

~~(2) Participated in the fishery during at least two of those license years by landing in the State at least the minimum number of pounds of fish adopted by the Commission to determine participation in the fishery.~~ The Commission may use any additional criteria aside from holding a Standard Commercial Fishing License to develop limited entry fisheries. The Commission may establish a fee for each license established pursuant to this

subsection in an amount that does not exceed five hundred dollars ($500.00)."

SECTION 14.8.(u) G.S. 143B-289.52 is amended by adding a new subsection to read:

"(d2) To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(v) The Division of Marine Fisheries of the Department of Environment and Natural Resources shall seek the involvement of the commercial fishing industry in North Carolina in the Division's development of a plan to determine a source of funding necessary to support the Marine Fisheries At-Sea Observer Program that is in addition to the fee increases under this section. As part of this effort, the Division of Marine Fisheries shall conduct at least three public hearings in different coastal county locations to seek the input of, and receive comments of potential additional recurring funding sources from, the individuals involved in the commercial fishing industry. The Division shall receive written comments at the public hearings and take minutes of the public hearings. The minutes shall be made available to the public on the Department's Internet Web site.

SECTION 14.8.(w) Following the public hearings under subsection (v) of this section and the Division's consideration of written and oral comments resulting from the public hearings, the Division of Marine Fisheries shall submit its plan for an additional recurring funding source to support the Marine Fisheries At-Sea Observer Program to the Marine Fisheries Commission. The Marine Fisheries Commission shall vote on whether it endorses the plan.

SECTION 14.8.(x) No later than March 1, 2014, the Marine Fisheries Commission shall submit a report to the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division. This report shall include the results of the Commission's vote under subsection (w) of this section and its findings and recommendations for an additional source of funding necessary to support the Marine Fisheries At-Sea Observer Program in the event the Commission votes against endorsing the plan.

SECTION 14.8.(y) The Division of Marine Fisheries shall use the proceeds it receives as a result of the fee increases under this section to provide support for the 2014-2015 fiscal year for the Marine Fisheries At-Sea Observer Program. In addition, the Division of Marine Fisheries shall provide available funds for the 2014-2015 fiscal year to provide any additional support that is needed to continue the Marine Fisheries At-Sea Observer Program.

MARINE RESOURCES FUND AND MARINE RESOURCES ENDOWMENT FUND DISBURSEMENTS

SECTION 14.9.(a) G.S. 113-175.1(b) reads as rewritten:

"(b) The State Treasurer shall hold the Marine Resources Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Marine Resources Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, and all marine resources investment income shall be deposited to the credit of the Marine Resources Fund. The State Treasurer shall disburse the principal of the Marine Resources Fund and marine resources investment income only upon the written direction of ~~both~~ the Marine Fisheries ~~Commission and the Wildlife Resources Commission.~~Commission."

SECTION 14.9.(b) G.S. 113-175.1(c) reads as rewritten:

"(c) The Marine Fisheries Commission ~~and the Wildlife Resources Commission~~ may authorize the disbursement of the principal of the Marine Resources Fund and marine resources

investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State. The Marine Fisheries Commission ~~and the Wildlife Resources Commission are~~ is encouraged to consider supporting the Oyster Sanctuary Program managed by the Division of Marine Fisheries. The Marine Fisheries Commission ~~and the Wildlife Resources Commission~~ may not authorize the disbursement of the principal of the Marine Resources Fund and marine resources investment income to establish positions without specific authorization from the General Assembly. All proposals to the Marine Fisheries Commission ~~and the Wildlife Resources Commission~~ for the disbursement of funds from the Marine Resources Fund shall be made by and through the Fisheries Director. Prior to authorizing disbursements from the Marine Resources Fund, the Marine Fisheries Commission shall consult with the Wildlife Resources Commission about these proposals. Expenditure of the assets of the Marine Resources Fund shall be made through the State budget accounts of the Division of Marine Fisheries in accordance with the provisions of the Executive Budget Act. The Marine Resources Fund is subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes."

SECTION 14.9.(c) G.S. 113-175.5(b) reads as rewritten:

"(b) The State Treasurer shall hold the Endowment Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The State Treasurer shall disburse the endowment investment income only upon the written direction of both the Marine Fisheries ~~Commission and the Wildlife Resources Commission.~~Commission."

SECTION 14.9.(d) G.S. 113-175.5(c) reads as rewritten:

"(c) Subject to the limitations set out in subsection (d) of this section, the Marine Fisheries Commission ~~and the Wildlife Resources Commission~~ may authorize the disbursement of endowment investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State. The Marine Fisheries Commission ~~and the Wildlife Resources Commission~~ may not authorize the disbursement of endowment investment income to establish positions without specific authorization from the General Assembly. All proposals to the Marine Fisheries Commission ~~and the Wildlife Resources Commission~~ for the disbursement of funds from the Endowment Fund shall be made by and through the Fisheries Director. Prior to authorizing disbursements from the Marine Resources Endowment Fund, the Marine Fisheries Commission shall consult with the Wildlife Resources Commission about these proposals."

MARINE FISHERIES ENDOWMENT FUND REPEALED

SECTION 14.10. G.S. 143B-289.58 is repealed.

BOATING SAFETY ENFORCEMENT AGREEMENT

SECTION 14.11.(a) The Director of the Division of Marine Fisheries of the Department of Environment and Natural Resources and the Director of the Wildlife Resources Commission shall develop and implement an agreement that includes at least all of the following provisions:

(1) Provisions to authorize the Division of Marine Fisheries marine patrol to perform any needed boating safety inspection.

(2) To avoid the duplication of enforcement activities by the Division of Marine Fisheries marine patrol and the Wildlife Resources Commission law enforcement officers, a schedule for high-volume areas that is developed to take into account that the Division of Marine Fisheries marine patrol must confine their enforcement activities to the coastal waters.

(3) To further encourage more efficient management of the State's resources, a protocol that sets forth appropriate circumstances when the Division of Marine Fisheries marine patrol is authorized or required to investigate boating accidents in coastal waters and within the joint jurisdiction of the Division of Marine Fisheries and the Wildlife Resources Commission.

(4) A provision to prohibit, except in the instances of investigations of boating accidents, the Division of Marine Fisheries from receiving any federal boating safety funds.

(5) A provision to provide mutual aid that authorizes the Division of Marine Fisheries marine patrol to enter into inland waters in winter to conduct a normal investigation of suspected illegal netting activity.

SECTION 14.11.(b) No later than April 1, 2014, the Division of Marine Fisheries of the Department of Environment and Natural Resources and the Wildlife Resources Commission shall submit a joint report to the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division. The report shall include any findings and recommendations, including any legislative proposals. The report shall include findings regarding at least the following issues:

(1) Whether the agreement developed pursuant to subsection (a) of this section has been successful from the perspective of the Division of Marine Fisheries, the Wildlife Resources Commission and the public in clarifying enforcement activities and reducing the duplication of enforcement activities by the Division of Marine Fisheries marine patrol and the Wildlife Resources Commission law enforcement officers.

(2) As an alternative to the agreement developed under the provisions of subsection (a) of this section, whether it would be preferable to confer law enforcement powers upon the Division of Marine Fisheries marine patrol to authorize the Division of Marine Fisheries marine patrol to engage in enforcement activity related to only fisheries under the jurisdiction of the Division of Marine Fisheries or subject to the management of the Division of Marine Fisheries.

(3) Any other issue the Division of Marine Fisheries or the Wildlife Resources Commission deems pertinent to include in the report.

GRASSROOTS SCIENCE PROGRAM

SECTION 14.12.(a) The Grassroots Science Program within the Department of Commerce is transferred to the Department of Environment and Natural Resources.

SECTION 14.12.(b) Of the funds appropriated in this act to the Department of Environment and Natural Resources, the sum of two million two hundred eighty-nine thousand seven hundred eighty-two dollars ($2,289,782) for the 2013-2014 fiscal year and the sum of two million two hundred eighty-six thousand forty-three dollars ($2,286,043) for the 2014-2015 fiscal year is allocated as grants-in-aid for each fiscal year as follows:

	2013-2014	2014-2015
Aurora Fossil Museum	$61,821	$61,801
Cape Fear Museum	$85,248	$85,108
Carolina Raptor Center	$74,916	$74,828
Catawba Science Center	$93,041	$92,860
Colburn Earth Science Museum, Inc.	$62,547	$62,524
Core Sound Waterfowl Museum	$67,395	$67,347
Discovery Place	$261,617	$260,565
Eastern NC Regional Science Center	$59,587	$59,579

Fascinate-U	$65,616	$65,577
Granville County Museum Commission, Inc.–Harris Gallery	$60,651	$60,638
Greensboro Children's Museum	$83,575	$83,443
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$73,352	$73,273
Highlands Nature Center	$62,816	$62,791
Imagination Station	$67,588	$67,538
The Iredell Museums, Inc.	$61,013	$60,998
Kidsenses	$65,233	$65,196
Museum of Coastal Carolina	$65,454	$65,415
The Natural Science Center of Greensboro, Inc.	$116,532	$116,230
North Carolina Museum of Life and Science	$203,545	$202,793
Pisgah Astronomical Research Institute	$74,925	$74,837
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	$60,610	$60,597
Rocky Mount Children's Museum	$66,463	$66,419
Schiele Museum of Natural History and Planetarium, Inc.	$100,990	$100,768
Sci Works Science Center and Environmental Park of Forsyth County	$83,725	$83,592
Sylvan Heights Waterfowl Park and Eco-Center	$69,864	$69,803
Western North Carolina Nature Center	$74,973	$74,885
Wilmington Children's Museum	$66,684	$66,639
Total	**$2,289,782**	**$2,286,043**

SECTION 14.12.(c) No later than March 1, 2014, the Department of Environment and Natural Resources shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) The actual operating budget for the 2012-2013 fiscal year.

(2) The proposed operating budget for the 2013-2014 fiscal year.

(3) The total attendance at the museum during the 2013 calendar year.

SECTION 14.12.(d) No later than March 1, 2015, the Department of Environment and Natural Resources shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) The actual operating budget for the 2013-2014 fiscal year.

(2) The proposed operating budget for the 2014-2015 fiscal year.

(3) The total attendance at the museum during the 2014 calendar year.

SECTION 14.12.(e) As a condition for qualifying to receive funding under this section, all of the following documentation shall, no later than November 1 of each year of the 2013-2015 fiscal biennium, be submitted for each museum under this section to the Department of Environment and Natural Resources for the fiscal year that most recently ended, and only those costs that are properly documented under this subsection are allowed by the Department in calculating the distribution of funds under this section:

(1) Each museum under this section shall submit its IRS (Internal Revenue Service) Form 990 to show its annual operating expenses, its annual report,

and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report.

(2) Each friends association of a museum under this section shall submit its IRS Form 990 to show its reported expenses for the museum, its annual report, and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report, unless the association does not have both an IRS Form 990 and an annual report available, in which case, it shall submit either an IRS Form 990 or an annual report.

(3) The chief financial officer of each county or municipal government that provides funds for the benefit of the museum shall submit a detailed signed statement of documented costs spent for the benefit of the museum that includes documentation of the name, address, title, and telephone number of the person making the assertion that the museum receives funds from the county or municipality for the benefit of the museum.

(4) The chief financial officer of each county or municipal government or each friends association that provides indirect or allocable costs that are not directly charged to a museum under this section but that benefit the museum shall submit in the form of a detailed statement enumerating each cost by type and amount that is verified by the financial officer responsible for the completion of the documentation and that includes the name, address, title, and telephone number of the person making the assertion that the county, municipality, or association provides indirect or allocable costs to the museum.

SECTION 14.12.(f) As used in subsection (e) of this section, "friends association" means a nonprofit corporation established for the purpose of supporting and assisting a museum that receives funding under this section.

SECTION 14.12.(g) No more than one hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one employee of a museum named in subsection (b) of this section. For purposes of this subsection, the term "State funds" means funds allocated to a museum listed in subsection (b) of this section and interest earned on those funds.

SECTION 14.12.(h) Each museum listed in subsection (b) of this section shall do the following:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

SECTION 14.12.(i) No State funds shall be used by any museum listed in subsection (b) of this section (i) to hire or facilitate the hiring of a lobbyist or any person performing the duties or activities of a lobbyist, without regard to the person's title or (ii) to facilitate any lobbying efforts.

MUSEUM OF FORESTRY

SECTION 14.13.(a) No later than October 1, 2013, the State of North Carolina shall convey to the City of Whiteville for consideration of one dollar ($1.00), all its right, title, and interest in the property used for the Museum of Forestry currently allocated to the Department of Environment and Natural Resources.

SECTION 14.13.(b) The State of North Carolina shall convey the real property described in subsection (a) of this section without warranty. The State makes no representations or warranties concerning the title to the property, the boundaries of the property, the uses to which the property may be put, zoning, local ordinances or any physical, environmental, health, and safety conditions relating to the property. All costs associated with the conveyance of the property shall be borne by the City of Whiteville.

SECTION 14.13.(c) The conveyance of the State's right, title, and interest in the Museum of Forestry shall be exempt from the provisions of Article 7 of Chapter 146 of the General Statutes. The conveyance shall comply with the provisions of Article 16 of Chapter 146 of the General Statutes; provided that the provisions of G.S. 146-74 shall not apply. The transaction shall be reported to the Fiscal Research Division within 30 days of the transaction being finalized.

SECTION 14.13.(d) If the governing board of the City of Whiteville resolves to accept ownership of the property used for the Museum of Forestry under this section and the conveyance occurs under this section, the Department of Environment and Natural Resources shall provide the sum of fifty-eight thousand dollars ($58,000) for the 2013-2014 fiscal year to the City of Whiteville to be used to support the ongoing operations of the Museum of Forestry.

SECTION 14.13.(e) If the governing board of the City of Whiteville resolves to not accept ownership of the property used for the Museum of Forestry under this section and the conveyance does not occur by October 1, 2013, the Department of Environment and Natural Resources shall close the Museum of Forestry no later than October 1, 2013, and shall eliminate all positions for the Museum no later than November 1, 2013. The Department of Environment and Natural Resources may use any funds available to the Department during the 2013-2014 fiscal year for any costs associated with operating and then closing the Museum and for supporting positions for the Museum until the Museum is sold, closed, or November 1, 2013, whichever occurs earliest.

BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND

SECTION 14.14. G.S. 87-98 reads as rewritten:

"**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

(a) The Bernard Allen Memorial Emergency Drinking Water Fund is established under the control and direction of the Department. The Fund shall be a nonreverting, interest-bearing fund consisting of monies appropriated by the General Assembly or made available to the Fund from any other source and investment interest credited to the Fund.

(b) The Fund may be used to pay ~~for notification,~~for:

(1) Notification, to the extent practicable, of persons aged 18 and older who reside in any dwelling unit, and the senior official in charge of any business, at which drinking water is supplied from a private drinking water well or improved spring that is located within 1,500 feet of, and at risk from, known groundwater contamination. The senior official in charge of the business shall take reasonable measures to notify all employees of the business of the groundwater contamination, including posting a notice of the contamination in a form and at a location that is readily accessible to the employees of the business. ~~The Fund may also be used by the Department to pay the~~

(2) The costs of testing of private drinking water wells and improved springs for suspected contamination up to once every three years upon request by a person who uses the ~~well and for the~~ well, or more frequent testing if the concentration of one or more contaminants in a private drinking water well is increasing over time and there is a significant risk that the concentration of a contaminant will exceed the drinking water action levels set forth in subsection (c) of this section within a three-year period.

(3) Additional testing to confirm the results of a previous test.

(4) The temporary or permanent provision of alternative drinking water supplies to persons whose drinking water well or improved spring is contaminated. Under this ~~subsection,~~section, an alternative drinking water supply includes the repair, such as use of a filtration system, or replacement of a contaminated well or the connection to a public water supply.

(5) Monitoring of filtration systems used in connection with temporary or permanent alternative drinking water supplies provided pursuant to this section.

(c) The Department shall disburse monies from the Fund based on financial need and on the risk to public health posed by groundwater contamination and shall give priority to the provision of services under this section to instances when an alternative source of funds is not available. The Fund shall not be used to provide alternative water supply to households with incomes greater than three hundred percent (300%) of the current federal poverty level. The Fund may be used to provide alternative drinking water supplies if the Department determines that the concentration of one or more contaminants in the private drinking water well or improved spring exceeds the federal maximum contaminant level, or the federal drinking water action level as defined in 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July 2007) and 40 Code of Federal Regulations § 143.3 (1 July 2007). For a contaminant for which a federal maximum contaminant level or drinking water action level has not been established, the State groundwater standard established by the Environmental Management Commission for the concentration of that contaminant shall be used to determine whether the Fund may be used to provide alternative drinking water supplies. The Fund may also be used to provide alternative drinking water supplies as provided in this section if the Department determines that the concentration of one or more contaminants in a private drinking water well is increasing over time and that there is a significant risk that the concentration of a contaminant will exceed the federal maximum contaminant level or drinking water action level, or the State groundwater standard. A determination of the concentration of a contaminant shall be based on a sample of water collected from the private drinking water well within the past 12 months.

(c1) In disbursing monies from the Fund, the Department shall give preference to provision of permanent replacement water supplies by connection to public water supplies and repair or replacement of contaminated wells over the provision of temporary water supplies. In providing alternative drinking water supplies, the Department shall give preference to connection to a public water supply system or to construction of a new private drinking water well over the use of a filtration system if the Department determines that the costs of periodic required maintenance of the filtration system would be cost-prohibitive for users of the alternative drinking water supply.

(c2) If the Department provides an alternative drinking water supply by extension of a waterline, the Department may disburse from the Fund no more than ~~ten~~ fifty thousand dollars ~~($10,000)~~($50,000) per household or other service connection. For projects where more than 10 residences are eligible for alternative water supplies under this section, no ~~No~~ more than one-third of the total cost of the project may be paid from the Fund. The Department may combine monies from the Fund with monies from other sources in order to pay the total cost of the project.

(c3) The Fund shall be used to provide alternative drinking water supplies only if the Department determines that the person or persons who are responsible for the contamination of the private drinking water well is or are not financially viable or cannot be identified or located and if the Department determines that one of the following applies:

(1) The contamination of the private drinking water well is naturally occurring.

(2) The owner of the property on which the private drinking water well is located did not cause or contribute to the contamination or control the source of the contamination.

(3) The source of the contamination is the application or disposal of a hazardous substance or pesticide that occurred without the consent of the owner of the property on which the private drinking water well is located.

(c4) The Department may use up to one hundred thousand dollars ($100,000) annually of the monies in the Fund to pay the personnel and other direct costs associated with the implementation of this section.

(c5) The Fund shall not be used for remediation of groundwater contamination.

(c6) Nothing in this section expands, contracts, or modifies the obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify receptors, or remediate groundwater or soil contamination.

(c7) In disbursing monies from the Fund for replacement water supplies, the Department shall give priority to circumstances in which a well is contaminated as the result of nonnaturally occurring groundwater contamination in the area over circumstances in which a well has naturally occurring contamination.

(d) The Department shall establish criteria by which the Department is to evaluate applications and disburse monies from this Fund and may adopt any rules necessary to implement this section.

(e) The Department, in consultation with the Commission for Public Health and local health departments, shall report no later than ~~1 October~~October 1 of each year to the Environmental Review Commission, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division on the implementation of this section. The report shall include the purpose and amount of all expenditures from the Fund during the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of the section, and may also include recommendations for any legislative action."

NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK CLEANUP FUND; DENR STUDY

SECTION 14.15.(a) G.S. 143-215.94D(b1) reads as rewritten:

"(b1) The Noncommercial Fund shall be used for the payment of the costs of:

(1) The cleanup of environmental damage as required by ~~G.S. 143-215.94E(a).~~G.S. 143-215.94E(a) in excess of one thousand dollars ($1,000) per occurrence, plus a co-pay equal to ten percent (10%) of the costs of the cleanup of environmental damage not to exceed two thousand dollars ($2,000) per occurrence.

(2) Compensation to third parties for bodily injury and property damage in excess of one hundred thousand dollars ($100,000) per occurrence.

(3) Reimbursing the State for damages or other costs incurred as a result of a loan from the Loan Fund. The per occurrence limit does not apply to reimbursements to the State under this subdivision.

(4) Recordation of residual petroleum as required by G.S. 143B-279.11 if the Noncommercial Fund is responsible for the payment of costs under subdivisions (1) through (3) of this subsection and subsection (b) of this section."

SECTION 14.15.(b) The Department of Environment and Natural Resources (Department) shall study the costs and benefits of the noncommercial underground storage tank program and explore options for continued use of the Noncommercial Leaking Petroleum

Underground Storage Tank Cleanup Fund (Fund) and ways to improve the solvency of the Fund. The study shall consider all of the following:

(1) The usual, average, historic costs of various phases of assessment and cleanup of noncommercial UST releases in order to determine areas of potential costs savings.

(2) The feasibility of determining levels of soil and groundwater contamination at noncommercial UST releases earlier in the assessment and cleanup process in order to identify lower risks sites and limit reimbursement of costs of initial abatement actions.

(3) The feasibility of assigning risk to noncommercial UST releases earlier in the assessment and cleanup process in order to limit reimbursement of costs of initial abatement actions.

(4) The feasibility of partial cleanup at lower priority noncommercial UST releases.

(5) The feasibility of issuing notices similar to the Notices of No Further Action for partially cleaned up, stabilized, lower priority noncommercial UST sites in order to facilitate property transfers.

(6) Methods to strengthen liability protections for buyers and lenders of residential properties that have known noncommercial UST releases in order to facilitate property transfers.

(7) Methods to employ land use restrictions on residential properties where petroleum contamination remains at lower risk sites in order to limit cleanup at these sites, while still informing the public of risk, and facilitating property transfers.

(8) Methods to increase the participation of noncommercial UST owners in the costs of assessments and cleanups.

(9) Any other matter the Department deems relevant to improve the solvency of the Fund.

SECTION 14.15.(c) The Department shall report its findings and recommendations, including any legislative proposals, to the Environmental Review Commission, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division no later than April 1, 2014.

PORTION OF SCRAP TIRE DISPOSAL TAX CREDITED TO GENERAL FUND; REPEAL SCRAP TIRE DISPOSAL ACCOUNT

SECTION 14.16.(a) G.S. 105-187.19(b) reads as rewritten:

"(b) Each quarter, the Secretary shall credit ~~eight percent (8%) of the net tax proceeds to the Solid Waste Management Trust Fund, seventeen percent (17%) of the net tax proceeds to the Scrap Tire Disposal Account, two and one-half percent (2.5%) of the net tax proceeds to the Inactive Hazardous Sites Cleanup Fund, and two and one-half percent (2.5%) of the net tax proceeds to the Bernard Allen Memorial Emergency Drinking Water~~ Fund.thirty percent (30%) of the net tax proceeds to the General Fund. The Secretary shall distribute the remaining seventy percent (70%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer."

SECTION 14.16.(b) G.S. 130A-309.63 is repealed.

SECTION 14.16.(c) Part 2B of Article 9 of Chapter 130A of the General Statutes is amended by adding a new section to read:

"**§ 130A-309.64. Scrap Tire Disposal Program; other Department activities related to scrap tires.**

(a) The Department may make grants to units of local government to assist them in disposing of scrap tires. To administer the grants, the Department shall establish procedures for applying for a grant and the criteria for selecting among grant applicants. The criteria shall include the financial ability of a unit of local government to provide for scrap tire disposal, the severity of a unit of local government's scrap tire disposal problem, the effort made by a unit of local government to ensure that only tires generated in the normal course of business in this State are provided free disposal, and the effort made by a unit of local government to provide for scrap tire disposal within the resources available to it.

(b) A unit of local government is not eligible for a grant under subsection (a) of this section unless its costs for disposing of scrap tires for the six-month period preceding the date the unit of local government files an application for a grant exceeded the amount the unit of local government received during that period from the proceeds of the scrap tire tax under G.S. 105-187.19. A grant to a unit of local government for scrap tire disposal may not exceed the unit of local government's unreimbursed cost for the six-month period.

(c) The Department may support a position to provide local governments with assistance in developing and implementing scrap tire management programs designed to complete the cleanup of nuisance tire collection sites and prevent scrap tires generated from outside of the State from being presented for free disposal in the State.

(d) The Department may clean up scrap tire collection sites that the Department has determined are a nuisance. The Department may use funds to clean up a nuisance tire collection site only if no other funds are available for that purpose.

(e) The Department shall include in the report to be delivered to the Environmental Review Commission on or before January 15 of each year pursuant to G.S. 130A-309.06(c) a description of the implementation of the North Carolina Scrap Tire Disposal Act under this Part for the fiscal year ending the preceding June 30. The description of the implementation of the North Carolina Scrap Tire Disposal Act shall include a list of the recipients of grants under subsection (a) of this section and the amount of each grant for the previous 12-month period. The report also shall include the amount of funds used to clean up nuisance sites under subsection (d) of this section.

(f) The Department may adopt any rules necessary to implement this section."

SECTION 14.16.(d) G.S. 130A-309.06(c) reads as rewritten:

"(c) The Department shall report to the Environmental Review Commission on or before 15 January of each year on the status of solid waste management efforts in the State. The report shall include:

...

(10) A description of the implementation of the North Carolina Scrap Tire Disposal Act that includes ~~the beginning and ending balances in the Scrap Tire Disposal Account for the reporting period, the amount credited to the Scrap Tire Disposal Account during the reporting period, and~~the amount of revenue used for grants and to clean up nuisance tire collection ~~sites, as required by G.S. 130A-309.63(e).~~under the provisions of G.S 130A-309.64.

...."

SECTION 14.16.(e) G.S. 130A-309.09C(g) reads as rewritten:

"(g) In addition to any other penalties provided by law, a unit of local government that does not comply with the requirements of G.S. 130A-309.09A(b) and G.S. 130A-309.09B(a) shall not be eligible for grants from the Solid Waste Management Trust ~~Fund, the Scrap Tire Disposal Account,~~Fund or the White Goods Management Account and shall not receive the proceeds of the scrap tire disposal tax imposed by Article 5B of Chapter 105 of the General Statutes or the proceeds of the white goods disposal tax imposed by Article 5C of Chapter 105 of the General Statutes to which the unit of local government would otherwise be entitled. The Secretary shall notify the Secretary of Revenue to withhold payment of these funds to any unit

of local government that fails to comply with the requirements of G.S. 130A-309.09A(b) and G.S. 130A-309.09B(a). Proceeds of the scrap tire disposal tax that are withheld pursuant to this subsection shall be credited to the ~~Scrap Tire Disposal Account~~General Fund and may be used as provided in ~~G.S. 130A-309.63.~~G.S. 130A-309.64. Proceeds of the white goods disposal tax that are withheld pursuant to this subsection shall be credited to the White Goods Management Account and may be used as provided in G.S. 130A-309.83."

SECTION 14.16.(f) The funds appropriated to the Department of Environment and Natural Resources for the 2013-2015 biennium for the Scrap Tire Disposal Program established under G.S. 130A-309.64, as enacted by subsection (b) of this section, shall be allocated as follows:

(1) Up to eighty thousand dollars ($80,000) shall be used by the Department of Environment and Natural Resources to support a position in the same manner as revenue in the Scrap Tire Disposal Account may be used under G.S. 130A-309.63(b)(3), and

(2) Four hundred twenty thousand dollars ($420,000) shall be used by the Department of Environment and Natural Resources in the same manner as revenue in the Scrap Tire Disposal Account may be used under G.S. 130A-309.63, as amended by this section.

SECTION 14.16.(g) Any tax proceeds remaining in the Scrap Tire Disposal Account, repealed under subsection (b) of this section, as of the effective date of this section shall continue to be used for the same purposes and in the same manner as the Scrap Tire Disposal Account, except the funds in the Scrap Tire Disposal Account shall not be used for grants to encourage the use of processed scrap tire materials.

PORTION OF WHITE GOODS DISPOSAL TAX CREDITED TO GENERAL FUND

SECTION 14.17.(a) G.S. 105-187.24 reads as rewritten:

"**§ 105-187.24. Use of tax proceeds.**

The Secretary shall distribute the taxes collected under this Article, less the Department of Revenue's allowance for administrative expenses, in accordance with this section. The Secretary may retain the Department's cost of collection, not to exceed four hundred twenty-five thousand dollars ($425,000) a year, as reimbursement to the Department.

Each quarter, the Secretary shall credit ~~eight percent (8%) of the net tax proceeds to the Solid Waste Management Trust Fund and shall credit twenty percent (20%) of the net tax proceeds to the White Goods Management Account.~~ twenty-eight percent (28%) of the net tax proceeds to the General Fund. The Secretary shall distribute the remaining seventy-two percent (72%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. The Department shall not distribute the tax proceeds to a county when notified not to do so by the Department of Environment and Natural Resources under G.S. 130A-309.87. If a county is not entitled to a distribution, the proceeds allocated for that county will be credited to the White Goods Management Account.

A county may use funds distributed to it under this section only as provided in G.S. 130A-309.82. A county that receives funds under this section and that has an interlocal agreement with another unit of local government under which the other unit provides for the disposal of solid waste for the county must transfer the amount received under this section to that other unit. A unit to which funds are transferred is subject to the same restrictions on use of the funds as the county."

SECTION 14.17.(b) G.S. 130A-309.83(a) reads as rewritten:

"(a) The White Goods Management Account is established within the Department. ~~The Account consists of revenue credited to the Account from the proceeds of the white goods disposal tax imposed by Article 5C of Chapter 105 of the General Statutes.~~"

SECTION 14.17.(c) G.S. 130A-309.87(a) reads as rewritten:

"(a) Receipt of Funds. – A county may not receive a quarterly distribution of the white goods disposal tax proceeds under G.S. 105-187.24 unless the undesignated balance in the county's white goods account at the end of its fiscal year is less than the threshold amount. Based upon the information in a county's Annual Financial Information Report, the Department must notify the Department of Revenue by March 1 of each year which counties may not receive a distribution of the white goods disposal tax for the current calendar year. The Department of Revenue will credit the undistributed tax proceeds to the ~~White Goods Management Account.~~General Fund."

SECTION 14.17.(d) G.S. 130A-309.09C(g) reads as rewritten:

"(g) In addition to any other penalties provided by law, a unit of local government that does not comply with the requirements of G.S. 130A-309.09A(b) and G.S. 130A-309.09B(a) shall not be eligible for grants from the Solid Waste Management Trust Fund, the Scrap Tire Disposal Account, or the White Goods Management Account and shall not receive the proceeds of the scrap tire disposal tax imposed by Article 5B of Chapter 105 of the General Statutes or the proceeds of the white goods disposal tax imposed by Article 5C of Chapter 105 of the General Statutes to which the unit of local government would otherwise be entitled. The Secretary shall notify the Secretary of Revenue to withhold payment of these funds to any unit of local government that fails to comply with the requirements of G.S. 130A-309.09A(b) and G.S. 130A-309.09B(a). Proceeds of the scrap tire disposal tax that are withheld pursuant to this subsection shall be credited to the Scrap Tire Disposal Account and may be used as provided in G.S. 130A-309.63. Proceeds of the white goods disposal tax that are withheld pursuant to this subsection shall be credited to the ~~White Goods Management Account~~General Fund and may be used as provided in G.S. 130A-309.83."

SECTION 14.17.(e) G.S. 130A-309.83 is repealed.

SECTION 14.17.(f) G.S. 130A-309.85(3) is repealed.

SECTION 14.17.(g) G.S. 130A-309.87, as amended by subsection (c) of this section, reads as rewritten:

"§ 130A-309.87. Eligibility for disposal tax proceeds.

...

(b) Annual Financial Information Report. – On or before November 1 of each year, a county must submit a copy of its Annual Financial Information Report, prepared in accordance with G.S. 159-33.1, to the Department. The Secretary of the Local Government Commission must require the following information in that report:

...

(2) The amount of revenue credited to its white goods account. This revenue should include all receipts derived from the white goods disposal tax, and the sale of white goods scrap metals and ~~freon, and a grant from the White Goods Management Account.~~freon.

...."

SECTION 14.17.(h) Subsection (e) through subsection (g) of this section become effective June 30, 2017.

PORTION OF SOLID WASTE DISPOSAL TAX CREDITED TO GENERAL FUND; REPEAL SOLID WASTE MANAGEMENT TRUST FUND

SECTION 14.18.(a) G.S. 105-187.63 reads as rewritten:

"§ 105-187.63. Use of tax proceeds.

From the taxes received pursuant to this Article, the Secretary may retain the costs of collection, not to exceed two hundred twenty-five thousand dollars ($225,000) a year, as reimbursement to the Department. The Secretary must credit or distribute taxes received pursuant to this Article, less the cost of collection, on a quarterly basis as follows:

(1) Fifty percent (50%) to the Inactive Hazardous Sites Cleanup Fund established by G.S. 130A-310.11.

(2) Thirty-seven and one-half percent (37.5%) to cities and counties in the State on a per capita basis, using the most recent annual estimate of population certified by the State Budget Officer. One-half of this amount must be distributed to cities, and one-half of this amount must be distributed to counties. For purposes of this distribution, the population of a county does not include the population of a city located in the county.

A city or county is excluded from the distribution under this subdivision if it does not provide solid waste management programs and services and is not responsible by contract for payment for these programs and services. The Department of Environment and Natural Resources must provide the Secretary with a list of the cities and counties that are excluded under this subdivision. The list must be provided by May 15 of each year and applies to distributions made in the fiscal year that begins on July 1 of that year.

Funds distributed under this subdivision must be used by a city or county solely for solid waste management programs and services.

(3) Twelve and one-half percent (12.5%) to the ~~Solid Waste Management Trust Fund established by G.S. 130A-309.12.~~General Fund."

SECTION 14.18.(b) G.S. 130A-309.12 is repealed.

SECTION 14.18.(c) Part 2A of Article 9 of Chapter 130A of the General Statutes is amended by adding a new section to read:

"**§ 130A-309.13. Solid Waste Management Outreach Program.**

(a) The Department shall develop an outreach program to promote waste reduction and recycling. From funds available to the Department for this program, the Department may engage in any of the following outreach activities:

(1) Provide public education regarding waste reduction and recycling.

(2) Provide technical assistance regarding waste reduction and recycling to units of local government.

(3) Conduct research on the solid waste stream in North Carolina.

(4) Develop secondary materials markets by providing technical and financial support, including providing technical and financial support to private recycling businesses, including use of processed scrap tire materials.

(5) Provide funding for the activities of the Division of Environmental Assistance and Outreach.

(b) The Department shall include in the report required by G.S. 130A-309.06(c) a description of the outreach program under this section. This report shall specify the type of outreach activity under each of subdivisions (1) through (5) under subsection (a) of this section and the amount of program funds the Department expended for each activity during the previous year."

SECTION 14.18.(d) Of the funds appropriated to the Department of Environment and Natural Resources for the 2013-2015 fiscal biennium for the Solid Waste Management Outreach Program, established under G.S. 130A-309.13, as enacted by subsection (c) of this section, up to one million one hundred thousand dollars ($1,100,000) may be used by the Department of Environment and Natural Resources for recycling grants.

SECTION 14.18.(e) Any tax proceeds remaining in the Solid Waste Management Trust Fund, repealed under subsection (b) of this section, as of the effective date of this section, shall be used only for one or more of the following purposes:

(1) Funding activities of the Department to promote waste reduction and recycling, including, but not limited to, public education programs and technical assistance to units of local government.

(2) Funding research on the solid waste stream in North Carolina.
(3) Funding activities related to the development of secondary materials markets.
(4) Providing funding for demonstration projects as provided by this Part.
(5) Providing funding for research by The University of North Carolina and independent nonprofit colleges and universities within the State which are accredited by the Southern Association of Colleges and Schools as provided by this Part.
(6) Providing funding for the activities of the Division of Environmental Assistance and Outreach.

REQUIRE DENR TO USE DWQ'S GROUNDWATER INVESTIGATION UNIT'S WELL-DRILLING SERVICES IN OTHER DENR DIVISIONS

SECTION 14.19.(a) The purposes of this section are (i) to assure that the well-drilling staff of the Groundwater Investigation Unit of the Division of Water Quality of the Department of Environment and Natural Resources are fully utilized by establishing a procedure whereby the Groundwater Investigation Unit may bid to contract to provide well-drilling services to other divisions of the Department of Environment and Natural Resources and by providing funding support by these divisions for the Unit's costs and travel expenses and (ii) to reduce the need for the Department of Environment and Natural Resources to enter into contracts with private well-drilling companies.

SECTION 14.19.(b) During the 2013-2014 fiscal year and the 2014-2015 fiscal year, the Groundwater Investigation Unit of the Division of Water Quality of the Department of Environment and Natural Resources shall bid on contracts to perform well-drilling services for any division within the Department of Environment and Natural Resources that needs to have wells drilled to monitor groundwater, as part of remediating a contaminated site, or as part of any other division or program responsibility, except for a particular instance when this would be impracticable. The provisions of Article 3 of Chapter 143 of the General Statutes apply to any contract entered into under this section.

SECTION 14.19.(c) The terms of any contract entered into under this section may include a provision whereby the division within the Department of Environment and Natural Resources that contracts for the well-drilling services of the Groundwater Investigation Unit may use available receipts for the 2013-2014 fiscal year and for the 2014-2015 fiscal year, as applicable, for the costs of the Groundwater Investigation Unit well-drilling staff that are incurred to perform the well-drilling services under the contract.

SECTION 14.19.(d) Other departments within State government that have well-drilling needs are encouraged to use the well-drilling services of the Groundwater Investigation Unit of the Division of Water Quality of the Department of Environment and Natural Resources when it is practicable and financially feasible to do so.

DRINKING WATER STATE REVOLVING FUND

SECTION 14.20. Notwithstanding G.S. 159G-22, the Department of Environment and Natural Resources may transfer State funds from the Drinking Water Reserve to the Drinking Water State Revolving Fund for the 2013-2014 fiscal year and shall use any such funds to match maximum available federal grant monies authorized by section 1453 of the federal Safe Drinking Water Act of 1996, 42 U.S.C. § 300j-12, as amended.

CREATE NEW DIVISION OF WATER INFRASTRUCTURE IN DENR; NEW STATE WATER INFRASTRUCTURE AUTHORITY; TRANSFER WATER INFRASTRUCTURE FUND TO NEW DIVISION

SECTION 14.21.(a) The Division of Water Infrastructure is established as a new division within the environmental area of the Department of Environment and Natural Resources. All functions, powers, duties, and obligations previously vested in the Division of Water Quality of the Department of Environment and Natural Resources pertaining to the implementation and administration of Chapter 159G of the General Statutes are transferred to and vested in the Division Water Infrastructure by a Type II transfer, as defined in G.S. 143A-6. All functions, powers, duties, and obligations previously vested in the Division of Water Resources of the Department of Environment and Natural Resources pertaining to the implementation and administration of Chapter 159G of the General Statutes are transferred to and vested in the Division Water Infrastructure by a Type II transfer, as defined in G.S. 143A-6. The Water Infrastructure Fund established under G.S. 159G-22 and all accounts within the Water Infrastructure Fund under G.S. 159G-22 shall be transferred to and administered by the Division of Water Infrastructure.

SECTION 14.21.(b) Chapter 159G of the General Statutes is amended by adding a new Article to read:

"Article 5.

"State Water Infrastructure Authority.

"**§ 159G-70. State Water Infrastructure Authority created.**

(a) Authority Established. – The State Water Infrastructure Authority is created within the Department of Environment and Natural Resources.

(b) Membership. – The Authority consists of nine members as follows:

(1) The Assistant Secretary of Infrastructure of the Department or the Assistant Secretary's designee who is familiar with the water infrastructure financing, regulatory, and technical assistance programs of the Department.

(2) The Secretary of Commerce or the Secretary's designee who is familiar with the State programs that fund water or other infrastructure improvements for the purpose of promoting economic development.

(3) The Director of the Local Government Commission or the Director's designee who is familiar with the functions of the Commission.

(4) One member who is a professional engineer in the private sector and is familiar with the development of infrastructure necessary for wastewater systems, to be appointed by the Governor to a term that expires on July 1 of even-numbered years.

(5) One member who is knowledgeable about, and has experience related to, direct federal funding programs for wastewater and public water systems, to be appointed by the Governor to a term that expires on July 1 of odd-numbered years.

(6) One member who is a representative of an urban local government wastewater system or public water system, to be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of even-numbered years.

(7) One member who is a representative of a rural local government wastewater system or public water system, to be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of odd-numbered years.

(8) One member who either (i) is a county commissioner of a rural county or (ii) resides in a rural county and is knowledgeable about, and has experience related to, public health services; to be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of even-numbered years.

(9) One member who is familiar with wastewater, drinking water, and stormwater issues and related State funding sources, to be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of odd-numbered years.

(c) Terms. – The members appointed by the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives shall serve two-year terms. The other members, who are ex officio members or designees of those members, shall serve until they are no longer in office or are replaced with another designee.

(d) Chair. – The Assistant Secretary of Infrastructure, or the Assistant Secretary's designee, shall serve as Chair of the Authority. The Chair must call the first meeting. The Chair shall serve as a nonvoting member, provided, however, that the Chair shall vote to break a tie.

(e) Meetings. – The Authority shall meet at least four times a year and may meet as often as needed. A majority of the members of the Authority constitutes a quorum for the transaction of business. The affirmative vote of a majority of the members present at a meeting of the Authority is required for action to be taken by the Authority.

(f) Vacancies. – A vacancy in the Authority or as Chair of the Authority resulting from the resignation of a member or otherwise is filled in the same manner in which the original appointment was made. The term of an appointment to fill a vacancy is for the balance of the unexpired term.

(g) Compensation. – Each member of the Authority shall receive no salary as a result of serving on the Authority but shall receive per diem, subsistence, and travel expenses in accordance with the provisions of G.S. 120-3.1, 138-5, and 138-6, as applicable.

"**§ 159G-71. State Water Infrastructure Authority; powers and duties.**

The Authority has the following additional duties:

(1) After reviewing the recommendations for grants and loans submitted to it by the Division, to determine the rank of applications and to select the applications that are eligible to receive grants and loans, consistent with federal law.

(2) To establish priorities for making loans and grants under this Chapter, consistent with federal law.

(3) To review the criteria for making loans and grants under G.S. 159G-23 and make recommendations, if any, to the Department for additional criteria or changes to the criteria, consistent with federal law.

(4) To develop guidelines for making loans and grants under this Chapter, consistent with federal law.

(5) To develop a master plan to meet the State's water infrastructure needs.

(6) To assess and make recommendations on the role of the State in the development and funding of wastewater, drinking water, and stormwater infrastructure in the State.

(7) To analyze the adequacy of projected funding to meet projected needs over the next five years.

(8) To make recommendations on ways to maximize the use of current funding resources, whether federal, State, or local, and to ensure that funds are used in a coordinated manner.

(9) To review the application of management practices in wastewater, drinking water, and stormwater utilities, and to determine the best practices.

(10) To assess the role of public-private partnerships in the future provision of utility service.

(11) To assess the application of the river basin approach to utility planning and management.

(12) To assess the need for a "troubled system" protocol.

"§ 159G-72. State Water Infrastructure Authority; reports.

No later than November 1 of each year, the Authority shall submit a report of its activity and findings, including any recommendations or legislative proposals, to the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division of the Legislative Services Commission."

SECTION 14.21.(c) Article 4 of Chapter 159G of the General Statutes is repealed.

SECTION 14.21.(d) G.S. 159G-20 reads as rewritten:

"**§ 159G-20. Definitions.**

The following definitions apply in this Chapter:

...

~~(5) Division of Water Quality. – The Division of Water Quality of the Department of Environment and Natural Resources.~~

~~(5a) Division of Water Resources. – The Division of Water Resources of the Department of Environment and Natural Resources.~~

(5b) Division. – Division of Water Infrastructure.

...."

SECTION 14.21.(e) G.S. 159G-23 reads as rewritten:

"**§ 159G-23. Common criteria for loan or grant from Wastewater Reserve or Drinking Water Reserve.**

The criteria in this section apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve. The Division of Water ~~Quality and the Division of Water Resources~~Infrastructure must each establish a system of assigning points to applications based on the following criteria:

(1) Public necessity. – An applicant must explain how the project promotes public health and protects the environment. A project 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.

...."

SECTION 14.21.(f) G.S. 159G-26(a) reads as rewritten:

"(a) Requirement. – The Department must publish a report each year on the accounts in the Water Infrastructure Fund that are administered by the Division of Water ~~Quality or the Division of Water Resources.~~Infrastructure. The report must be published by 1 November of each year and cover the preceding fiscal year. The Department must make the report available to the public and must give a copy of the report to the Environmental Review Commission and the Fiscal Research Division of the ~~General Assembly.~~Legislative Services Commission."

SECTION 14.21.(g) G.S. 159G-30 reads as rewritten:

"**§ 159G-30. Department's responsibility.**

The Department, through the Division of Water ~~Quality and the Division of Water Resources,~~Infrastructure, administers loans and grants made from the CWSRF, the DWSRF, the Wastewater Reserve, and the Drinking Water Reserve. ~~The Division of Water Quality administers loans and grants from the CWSRF and the Wastewater Reserve. The Division of Water Resources administers loans and grants from the DWSRF and the Drinking Water Reserve.~~"

SECTION 14.21.(h) G.S. 159G-32(b) reads as rewritten:

"(b) Wastewater Reserve. – The Department is authorized to make loans and grants from the Wastewater Reserve for the following types of projects:

(1) Wastewater collection system.

(2) Wastewater treatment works.

(3) Stormwater quality ~~project.~~projects, including innovative stormwater management projects and pilot projects.

(4) Nonpoint source pollution project."

SECTION 14.21.(i) G.S. 159G-37 reads as rewritten:

"**§ 159G-37. Application to CWSRF, Wastewater Reserve, DWSRF, and Drinking Water Reserve.**

An application for a loan or grant from the ~~CWSRF or the Wastewater Reserve~~CWSRF, the DWSRF, the Wastewater Reserve, or the Drinking Water Reserve must be filed with the Division of Water ~~Quality of the Department. An application for a loan or grant from the DWSRF or the Drinking Water Reserve must be filed with the Division of Water Resources~~Infrastructure of the Department. An application must be submitted on a form prescribed by the Division and must contain the information required by the Division. An applicant must submit to the Division any additional information requested by the Division to enable the Division to make a determination on the application. An application that does not contain information required on the application or requested by the Division is incomplete and is not eligible for consideration. An applicant may submit an application in as many categories as it is eligible for consideration under this Article."

SECTION 14.21.(j) G.S. 159G-38 reads as rewritten:

"**§ 159G-38. Environmental assessment and public hearing.**

(a) Required Information. – An application submitted under this Article for a loan or grant for a project must state whether the project requires an environmental assessment. If the application indicates that an environmental assessment is not required, it must identify the exclusion in the North Carolina Environmental Policy Act, Article 1 of Chapter 113A of the General Statutes, that applies to the project. If the application does not identify an exclusion in the North Carolina Environmental Policy Act, it must include an environmental assessment of the project's probable impacts on the environment.

(b) Division Review. – If, after reviewing an application, the Division of Water ~~Quality or the Division of Water Resources, as appropriate,~~ Infrastructure determines that a project requires an environmental assessment, the assessment must be submitted before the Division continues its review of the application. If, after reviewing an environmental assessment, the Division concludes that an environmental impact statement is required, the Division may not continue its review of the application until a final environmental impact statement has been completed and approved as provided in the North Carolina Environmental Policy Act.

(c) Hearing. – The Division of Water ~~Quality or the Division of Water Resources, as appropriate,~~ Infrastructure may hold a public hearing on an application for a loan or grant under this Article if it determines that holding a hearing will serve the public interest. An individual who is a resident of any county in which a proposed project is located may submit a written request for a public hearing. The request must set forth each objection to the proposed project or other reason for requesting a hearing and must include the name and address of the individual making the request. The Division may consider all written objections to the proposed project, any statement submitted with the hearing request, and any significant adverse effects the proposed project may have on the environment. The Division's decision on whether to hold a hearing is conclusive. The Division must keep all written requests for a hearing on an application as part of the records pertaining to the application."

SECTION 14.21.(k) G.S. 159G-39 reads as rewritten:

"**§ 159G-39. Review of applications and award of loan or grant.**

(a) Point Assignment. – The Division of Water ~~Quality or the Division of Water Resources, as appropriate,~~Infrastructure must review all applications filed for a loan or grant under this Article for an application period. The Division must rank each application in accordance with the points assigned to the evaluation criteria. The Division must make a written determination of an application's rank and attach the determination to the ~~application.~~

~~The Division's determination of rank is conclusive.~~application for the Authority's review. The Authority must consider the Division's determination of rank when the Authority determines an application's rank. The Authority's determination of rank is conclusive.

(b) Initial Consideration. – The Division may consider an application for an emergency loan from the Wastewater Reserve or the Drinking Water Reserve at any time. The Division must consider all other loan applications and all grant applications filed during an application period at the same time in order to rank the applications. The Division shall forward all applications received for the application period to the State Water Infrastructure Authority.

(c) Reconsideration. – When the Authority determines an application's rank is too low to receive an award of a loan or grant for an application period, the Division must include the application with those considered for the next application period. If the application's rank is again too low to receive an award, the application is not eligible for consideration in a subsequent application period. An applicant whose application does not receive an award after review in two application periods may file a new application.

(d) Notification of Decision. – When the ~~Division~~ Authority determines that an application's rank makes it eligible for an award of a loan or grant, the Division must send the applicant a letter of intent to award the loan or grant. The notice must set out any conditions the applicant must meet to receive an award of a loan or grant. When the applicant satisfies the conditions set out in the letter of intent, the Division must send the applicant an offer to award a loan or grant. The applicant must give the Division written notice of whether it accepts or rejects the offer. A loan or grant is considered awarded when an offer to award the loan or grant is issued."

SECTION 14.21.(l) G.S. 143-355.4(b) reads as rewritten:

"(b) To be eligible for State water infrastructure funds from the Drinking Water State Revolving Fund or the Drinking Water Reserve or any other grant or loan of funds allocated by the General Assembly whether the allocation of funds is to a State agency or to a nonprofit organization for the purpose of extending waterlines or expanding water treatment capacity, a local government or large community water system must demonstrate that the system:

(1) Has established a water rate structure that is adequate to pay the cost of maintaining, repairing, and operating the system, including reserves for payment of principal and interest on indebtedness incurred for maintenance or improvement of the water system during periods of normal use and periods of reduced water use due to implementation of water conservation measures. The funding agency shall apply guidelines developed by the State Water Infrastructure ~~Commission~~ Authority in determining the adequacy of the water rate structure to support operation and maintenance of the system.

...."

SECTION 14.21.(m) Of the funds appropriated to the Department of Environment and Natural Resources in this act, at least three million two hundred thousand dollars ($3,200,000) for the 2013-2014 fiscal year and at least four million seven hundred thousand dollars ($4,700,000) for the 2014-2015 fiscal year shall be used for grants to local government units for public water-system related projects and wastewater-related projects. The State Water Infrastructure Authority established by G.S. 159G-70, as enacted by subsection (b) of this section, shall determine the distribution of funds between public water-system related projects and wastewater-related projects, depending upon the number of applications for grants received and the priorities established by the State Water Infrastructure Authority. Grants awarded to local government units for public water-system related projects shall be credited to the Drinking Water Reserve established in G.S. 159G-22 to be used for grants to local government units in accordance with the provisions of Chapter 159G of the General Statutes, as amended by this section. Grants awarded to local government units for wastewater-related projects shall be credited to the Wastewater Reserve established in G.S. 159G 22 to be used for grants to

local government units in accordance with the provisions of Chapter 159G of the General Statutes, as amended by this section. The State Water Infrastructure Authority shall report no later than May 1, 2014, to the Environmental Review Commission, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division on the distribution of grant funds awarded under Chapter 159G of the General Statutes, as amended by the section, and whether changes are needed to the existing grant program under Chapter 159G of the General Statutes or other available grant programs to better facilitate the dissemination of funds and meet the project needs of rural, economically-distressed local governments.

SECTION 14.21.(n) The terms for the members who are appointed initially to the State Water Infrastructure Authority established by G.S. 159G-70, as enacted by subsection (b) of this section, shall commence July 1, 2013. Notwithstanding the provisions of G.S. 159G-70, as enacted by subsection (b) of this section, in order to establish staggered terms, the terms for the members who are appointed initially to the State Water Infrastructure Authority under G.S. 159G-70(b)(4), (6), and (8) shall expire July 1, 2016.

SECTION 14.21.(o) The Revisor of Statutes shall make any other necessary conforming changes in the General Statutes not included under the provisions of this section in order to effectuate the provisions of this section.

INCREASE FUNDING FOR DREDGING

SECTION 14.22.(a) G.S. 75A-3 reads as rewritten:

"**§ 75A-3. Wildlife Resources Commission to administer Chapter; Vessel Committee; funds for administration.**

(a) The Commission shall enforce and administer the provisions of this Chapter.

(b) The chair of the Commission shall designate from among the members of the Commission three members who shall serve as the Vessel Committee of the Commission, and who shall, in their activities with the Commission, place special emphasis on the administration and enforcement of this Chapter.

(c) The Boating Account is established within the Wildlife Resources Fund created under G.S. 143-250. Interest and other investment income earned by the Account accrues to the Account. All moneys collected pursuant to the numbering and titling provisions of this Chapter shall be credited to this Account. Motor fuel excise tax revenue is credited to the Account under G.S. 105-449.126. The Commission shall use revenue in the Account, subject to the Executive Budget Act and the Personnel Act, for the administration and enforcement of this Chapter; for activities relating to boating and water safety including education and waterway marking and improvement; and for boating access area acquisition, development, and maintenance. The Commission shall use at least three dollars ($3.00) of each one-year certificate of number fee and at least nine dollars ($9.00) of each three-year certificate of number fee collected under the numbering provisions of G.S. 75A-5 for boating access area acquisition, development, and maintenance. The Commission shall transfer on a quarterly basis forty-five percent (45%) of each one-year certificate of number fee and forty-five percent (45%) of each three-year certificate of number fee collected under the numbering provisions of G.S. 75A-5 to the Shallow Draft Navigation Channel Dredging Fund established by G.S. 143-215.73F."

SECTION 14.22.(b) G.S. 75A-5 reads as rewritten:

"**§ 75A-5. Application for certificate of ~~number and fees; number;~~ fees; reciprocity; change of ownership; conformity with federal regulations; records; award of certificates; renewal of certificates; transfer of partial interest; destroyed or junked vessels; abandonment; change of address; duplicate certificates; display.**

(a) Application for Certificate of ~~Number and Fees.~~Number. – The owner of each vessel requiring numbering by this State shall file an application for a certificate of number with the Commission. The Commission shall furnish application forms and shall prescribe the information contained in the application form. The application shall be signed by the owner of the vessel or the owner's agent and shall be accompanied by a ~~fee. The fee is fifteen dollars ($15.00) for a one-year period or forty dollars ($40.00) for a three-year period.~~fee, as set out in subsection (a1) of this section. The fee does not apply to vessels owned and operated by nonprofit rescue squads if they are operated exclusively for rescue purposes, including rescue training. The owner shall have the option of selecting a one-year numbering period or a three-year numbering period. Upon receipt of the application in approved form, the Commission shall enter the application in its records and issue the owner a certificate of number stating the identification number awarded to the vessel and the name and address of the owner, and a validation decal indicating the expiration date of the certificate of number. The owner shall paint on or attach to each side of the bow of the vessel the identification number in such manner as may be prescribed by rules of the Commission in order that it may be clearly visible. The identification number shall be maintained in legible condition. The validation decal shall be displayed on the starboard bow of the vessel immediately following the number. The certificate of number shall be pocket size and shall be available for inspection on the vessel for which the certificate is issued at all times the vessel is in operation. Any person charged with failing to so carry a certificate of number shall not be convicted if the person produces in court a certificate of number previously issued to the owner that was valid at the time of the alleged violation.

(a1) Fees. – The fees for certificates of number are as set out in this subsection:

(1) The fee for a certificate of number for a one-year period is:

a. Twenty-five dollars ($25.00) for a vessel that is less than 26 feet in length.

b. Fifty dollars ($50.00) for a vessel that is 26 feet or more in length.

(2) The fee for a certificate of number for a three-year period is:

a. Seventy-five dollars ($75.00) for a vessel that is less than 26 feet in length.

b. One hundred fifty dollars ($150.00) for a vessel that is 26 feet or more in length.

(b) Reciprocity. – The owner of any vessel already covered by a number in full force and effect pursuant to federal law or a federally approved numbering system of another state shall record the identification number prior to operating the vessel on the waters of this State in excess of the 90-day reciprocity period provided for in G.S. 75A-7(a)(1). The recordation shall be made pursuant to subsection (a) of this section, except that no additional or substitute identification number shall be issued.

(c) Change of Ownership. – Should the ownership of a vessel change, a new application form with a fee in the amount set in subsection ~~(a)~~(a1) of this section shall be filed with the Commission and a new certificate bearing the same identification number shall be awarded to the new owner in the same manner as an original certificate of number. Possession of the certificate shall in cases involving prosecution for violation of any provision of this Chapter be prima facie evidence that the person whose name appears on the certificate is the owner of the vessel referred to on the certificate.

(d) Conformity With Federal Regulations. – In the event that an agency of the federal government shall have in force an over-all system of identification numbering for vessels within the United States, the numbering system employed pursuant to this Chapter by the Commission shall be in conformity therewith.

(e) Repealed by Session Laws 2006-185, s. 1.

(f) Records. – All records of the Commission made or kept pursuant to this section shall be public records.

(g) Award of Certificates. – Each certificate of number awarded pursuant to this Chapter, unless sooner terminated or discontinued in accordance with the provisions of this Chapter, shall continue in full force and effect to and including the last day of the month during which the certificate was awarded after the lapse of one year in the case of a one-year certificate or three years in the case of a three-year certificate. No person shall willfully remove a validation decal from any vessel during the continuance of its validity or alter, counterfeit, or otherwise tamper with a validation decal attached to any vessel for the purpose of changing or obscuring the indicated date of expiration of the certificate of number of the vessel.

(h) Renewal of Certificates. – An owner of a vessel awarded a certificate of number pursuant to this Chapter shall renew the certificate on or before the first day of the month after which the certificate expires; otherwise, the certificate shall lapse and be void until such time as it may thereafter be renewed. Application for renewal shall be submitted on a form approved by the Commission and shall be accompanied by a fee in the amount set in subsection ~~(a)~~(a1) of this section. ~~No fee is required for a period of one year for renewal of certificates of number that have been previously issued to commercial fishing vessels as defined in G.S. 75A-5.1, upon compliance with all of the requirements of that section.~~

(i) Transfer of Partial Interest. – The owner shall furnish the Commission notice of the transfer of any part of the owner's interest other than the creation of a security interest in a vessel numbered in this State pursuant to subsections (a) and (b) of this section within 15 days of the transfer. A transfer of partial interest in a vessel shall not affect the owner's right to operate the vessel, nor shall a transfer of partial interest in a vessel terminate the certificate of number.

(i1) Destroyed or Junked Vessels. – The owner of any destroyed or junked vessel shall furnish the Commission notice of the destruction or junking of that vessel within 15 days of its occurrence. Destruction or junking terminates the certificate of number and renders the hull identification number invalid for that vessel.

(i2) Abandonment. – A person may acquire ownership of an abandoned vessel by providing proof to the Commission that the lawful owner has actually abandoned the vessel. The Commission shall adopt rules by which a person seeking to acquire ownership may demonstrate that the vessel is actually abandoned. At a minimum, the rules shall provide for a reasonable attempt to locate the lawful owner and, if the owner is located, notice by the claimant of an intention to claim ownership of the vessel.

(j) Change of Address. – Whenever any person, after applying for or obtaining the certificate of number of a vessel, moves from the address shown in the application or upon the certificate of number, that person shall notify the Commission of the change of address within 30 days of moving in a form acceptable to the Commission.

(j1) Duplicate Certificates. – The Commission shall issue a duplicate certificate of number for a vessel upon application by the person entitled to hold the certificate, if the Commission is satisfied that the original certificate of number has been lost, stolen, mutilated, or destroyed, or has become illegible. The Commission shall charge a fee of five dollars ($5.00) for issuance of each duplicate certificate.

(k) Display. – No number other than the identification number set forth in the certificate of number or granted reciprocity pursuant to this Chapter shall be painted, attached, or otherwise displayed on either side of the bow of a vessel, except the validation decal required by subsection (a) of this section.

(l) Repealed by Session Laws 2006-185, s. 1."

SECTION 14.22.(c) G.S. 75A-5.1 is repealed.

SECTION 14.22.(d) G.S. 75A-7 reads as rewritten:

"**§ 75A-7. Exemption from numbering requirements.**

(a) A vessel shall not be required to be numbered under this Chapter if it is:

(1) A vessel that is required to be awarded an identification number pursuant to federal law or a federally approved numbering system of another state, and for which an identification number has been so awarded: Provided, that any such vessel shall not have been within this State for a period in excess of 90 consecutive days.

(2) A vessel from a country other than the United States temporarily using the waters of this State.

(3) A vessel whose owner is the United States, a state or a subdivision thereof.

(4) A ship's lifeboat.

~~(5) A vessel that has a valid marine document issued by the federal Bureau of Customs or any federal agency successor thereto.~~

(6) A sailboat of not more than 14 feet on the load water line (LWL).

(7) A vessel with no means of propulsion other than drifting or manual paddling, poling, or rowing.

(b) The Commission is hereby empowered to permit the voluntary numbering of vessels owned by the United States, a state or a subdivision thereof.

(c) Those vessels owned by the United States, a state or a subdivision thereof and those owned by nonprofit rescue squads may be assigned a certificate of number bearing no expiration date but which shall be stamped with the word "permanent" and shall not be renewable so long as the vessel remains the property of the governmental entity or nonprofit rescue squad. If the ownership of any such vessel is transferred from one governmental entity to another or to a nonprofit rescue squad or if a vessel owned by a nonprofit rescue squad is transferred to another nonprofit rescue squad or governmental entity, the Commission shall issue a new permanent certificate of number, displaying the same identification number, without charge to the successor entity. When any such vessel is sold to a private owner or is otherwise transferred to private ownership, the applicable certificate of number shall be deemed to have expired immediately prior to the transfer. Prior to further use on the waters of this State, the new owner shall obtain a certificate of number pursuant to the provisions of this Chapter. The provisions of this subsection applicable to a vessel owned by a nonprofit rescue squad apply only to a vessel operated exclusively for rescue purposes, including rescue training."

SECTION 14.22.(e) G.S. 75A-34 reads as rewritten:

"**§ 75A-34. Who may apply for certificate of title; authority of employees of Commission.**

(a) Any owner of a motorized vessel or sailboat 14 feet or longer or any personal watercraft, as defined in G.S. 75A-13.3(a), that is applying for a certificate of number for the first time in this State pursuant to G.S. 75A-5(a), and any new owner of a motorized vessel or sailboat 14 feet or longer or any personal watercraft to whom ownership is being transferred under G.S. 75A-5(c) shall apply to the Commission for a certificate of title for that vessel. Any other vessel may be titled in this State at the owner's option. A vessel may not be titled in this State if it is titled in another state, unless the current title is surrendered along with the application for a certificate of title in this State. The Commission shall issue a certificate of title upon reasonable evidence of ownership, which may be established by affidavit, bill of sale, manufacturer's statement of origin, certificate of title in this State, certificate of number or title from another state, or other document satisfactory to the Commission. Only one certificate of title may be issued for any vessel in this State. A vessel may not be titled in this State if it is documented with the United States Coast ~~Guard.~~ Guard, unless the documentation has expired or been deleted by the United States Coast Guard. The Commission shall issue a certificate of title upon receipt of a completed application, along with the appropriate fee and reasonable evidence of ownership. The Commission shall require a manufacturer's statement of origin for all new vessels being issued a certificate of number and a certificate of title for the first time. The Commission may request a pencil tracing of the hull identification number (serial number)

for vessels being transferred, in order to positively identify the vessel before issuance of a certificate of title for that vessel.

(b) Employees of the Commission are vested with the power to administer oaths and to take acknowledgements and affidavits incidental to the administration and enforcement of this section. They shall receive no compensation for these services."

SECTION 14.22.(f) G.S. 75A-38 reads as rewritten:

"**§ 75A-38. Commission's records; fees.**

(a) The Commission shall maintain a record of any title it issues.

(b) The Commission shall charge a fee of ~~twenty dollars ($20.00)~~ thirty dollars ($30.00) to issue a new or transfer certificate of title. The Commission shall transfer on a quarterly basis at least ten dollars ($10.00) of each new or transfer certificate of title to the Shallow Draft Navigation Channel Dredging Fund established by G.S. 143-215.73F. The Commission shall charge a fee of ten dollars ($10.00) for each duplicate title it issues and for the recording of a supplemental lien."

SECTION 14.22.(g) G.S. 105-449.126 reads as rewritten:

"**§ 105-449.126. Distribution of part of Highway Fund allocation to Wildlife Resources ~~Fund.~~Fund and Shallow Draft Navigation Channel Dredging Fund.**

(a) The Secretary shall credit to the Wildlife Resources Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Wildlife Resources Fund under this section may be used only for the boating and water safety activities described in G.S. 75A-3(c). The Secretary must credit revenue to the Wildlife Resources Fund on an annual basis.

(b) The Secretary shall credit to the Shallow Draft Navigation Channel Dredging Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Shallow Draft Navigation Channel Dredging Fund under this section may be used only for the dredging activities described in G.S. 143-215.73F. The Secretary shall credit revenue to the Shallow Draft Navigation Channel Dredging Fund on an annual basis."

SECTION 14.22.(h) Article 21 of Chapter 143 of the General Statutes is amended by adding a new Part to read:

"Part 8B. Shallow Draft Navigation Channel Dredging Fund.

"**§ 143-215.73F. Shallow Draft Navigation Channel Dredging Fund.**

The Shallow Draft Navigation Channel Dredging Fund is established as a special revenue fund. The Fund consists of fees credited to it under G.S. 75A-3, 75A-38, and 105-449.126. Revenue in the Fund may only be used to provide the State's share of the costs associated with any dredging project designed to keep a shallow draft navigation channel located in State waters navigable and safe. Any project funded by revenue from the Fund must be cost-shared with non-State dollars on a one-to-one basis. For purposes of this section, "shallow draft navigation channel" means (i) a waterway connection, with a maximum depth of 14 feet, between the Atlantic Ocean and a bay or the Atlantic Intracoastal Waterway (ii) a river entrance to the Atlantic Ocean through which tidal and other currents flow or (iii) other interior coastal waterways."

SECTION 14.22.(i) Nothing in this section shall affect the validity, term, or cost of any certificate of number or certificate of title issued prior to July 1, 2013.

SECTION 14.22.(j) This section authorizes a Long Term Dredging Memorandum of Agreement with the U.S. Army Corps of Engineers which may last beyond the current fiscal biennium and which shall provide for all of the following:

(1) Prioritization of projects through joint consultation with the State, applicable units of local government, and the U.S. Army Corps of Engineers.

(2) Compliance with G.S. 143-215.73F. Funds in the Shallow Draft Navigation Channel Dredging Fund shall be used in accordance with that section.

(3) Annual reporting by the Department on the use of funds provided to the U.S. Army Corps of Engineers under the Long Term Dredging Memorandum of Agreement. These reports shall be made to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management and shall include all of the following:

a. A list of all projects commenced.
b. The estimated cost of each project.
c. The date that work on each project commenced or is expected to commence.
d. The date that work on each project was completed or is expected to be completed.
e. The actual cost of each project.

SECTION 14.22.(k) The Department of Environment and Natural Resources may use available funds for the 2013-2014 fiscal year and the 2014-2015 fiscal year in the Shallow Draft Navigation Channel Dredging Fund established in G.S. 143-215.73F, as enacted by subsection (h) of this section, to provide the State's share of costs associated with projects that comply with that section. These funds are hereby appropriated for that purpose, but the Department of Environment and Natural Resources shall approve a project before it is eligible to receive any funds under this section.

SECTION 14.22.(l) Subsection (b) of this section becomes effective October 1, 2013, and applies to applications submitted on or after that date. Subsection (f) of this section becomes effective October 1, 2013, and applies to new or transfer certificates of title issued on or after that date. The remainder of this section becomes effective October 1, 2013.

ENVIRONMENTAL MANAGEMENT COMMISSION

SECTION 14.23.(a) G.S. 143B-283 reads as rewritten:

"**§ 143B-283. Environmental Management Commission – members; selection; removal; compensation; quorum; services.**

~~(a) The Environmental Management Commission shall consist of 13 members appointed by the Governor. The Governor shall select the members so that the membership of the Commission shall consist of:~~

~~(1) One who shall be a licensed physician with specialized training and experience in the health effects of environmental pollution;~~
~~(2) One who shall, at the time of appointment, be actively connected with the Commission for Public Health or local board of health or have experience in health sciences;~~
~~(3) One who shall, at the time of appointment, be actively connected with or have had experience in agriculture;~~
~~(4) One who shall, at the time of appointment, be a registered engineer with specialized training and experience in water supply or water or air pollution control;~~
~~(5) One who shall, at the time of appointment, be actively connected with or have had experience in the fish and wildlife conservation activities of the State;~~
~~(6) One who shall, at the time of appointment, have special training and scientific expertise in hydrogeology or groundwater hydrology;~~
~~(7) Three members interested in water and air pollution control, appointed from the public at large;~~
~~(8) One who shall, at the time of appointment, be actively employed by, or recently retired from, an industrial manufacturing facility and knowledgeable in the field of industrial air and water pollution control;~~

~~(9) One who shall, at the time of appointment, be actively connected with or have had experience in pollution control problems of municipal or county government;~~

~~(10) One who shall, at the time of appointment, have special training and scientific expertise in air pollution control and the effects of air pollution; and~~

~~(11) One who shall, at the time of appointment, have special training and scientific expertise in freshwater, estuarine, marine biological, or ecological sciences.~~

(a1) The Environmental Management Commission shall consist of 15 members as follows:

(1) One appointed by the Governor who shall be a licensed physician.

(2) One appointed by the Governor who shall at the time of appointment have special training or scientific expertise in hydrology, water pollution control, or the effects of water pollution.

(3) One appointed by the Governor who shall at the time of appointment have special training or scientific expertise in hydrology, water pollution control, or the effects of water pollution.

(4) One appointed by the Governor who shall at the time of appointment have special training or scientific expertise in air pollution control or the effects of air pollution.

(5) One appointed by the Governor who shall at the time of appointment be actively connected with or have had experience in agriculture.

(6) One appointed by the Governor who shall at the time of appointment have special training and scientific expertise in freshwater, estuarine, marine biological, or ecological sciences or be actively connected with or have had experience in the fish and wildlife conservation activities of the State.

(7) One appointed by the Governor who shall at the time of appointment be actively employed by, or recently retired from, an industrial manufacturing facility and shall be knowledgeable in the field of industrial pollution control.

(8) One appointed by the Governor who shall at the time of appointment be a licensed engineer with specialized training and experience in water supply or water or air pollution control.

(9) One appointed by the Governor who shall serve at large.

(10) One appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121 who shall serve at large.

(11) One appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121 who shall serve at large.

(12) One appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121 who shall serve at large.

(13) One appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121 who shall serve at large.

(14) One appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121 who shall serve at large.

(15) One appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121 who shall serve at large.

(b) ~~Members appointed by the Governor shall serve terms of office of six years.~~ Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death or disability of a member shall be for the balance of the unexpired term. The Governor may reappoint a member of the Commission to an additional term if, at the time of the reappointment, the member qualifies for membership on the Commission under subdivisions (1) through (9) of subsection ~~(a)~~(a1) of this section. Appointments by the General Assembly shall be made in accordance with G.S. 120-121, and vacancies in those appointments shall be filled in accordance with G.S. 120-122.

(b1) The Governor shall have the power to remove any member of the Commission from office for misfeasance, malfeasance, or nonfeasance in accordance with the provisions of G.S. 143B-13 of the Executive Organization Act of 1973.

(b2) The members of the Commission shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5.

(b3) A majority of the Commission shall constitute a quorum for the transaction of business.

(b4) All clerical and other services required by the Commission shall be supplied by the Secretary of Environment and Natural Resources.

(c) ~~Nine of the members appointed by the Governor under this section shall be persons who do not derive any significant portion of their income from persons subject to permits or enforcement orders under this Chapter.~~ The Governor shall require adequate disclosure of potential conflicts of interest by members. The Governor, by executive order, shall promulgate criteria regarding conflicts of interest and disclosure thereof for determining the eligibility of persons under this ~~section,~~subsection, giving due regard to the requirements of federal legislation, and for this purpose may promulgate rules, regulations or guidelines in conformance with those established by any federal agency interpreting and applying provisions of federal law.

(c1) All members of the Commission are covered persons for the purposes of Chapter 138A of the General Statutes, the State Government Ethics Act. As covered persons, members of the Commission shall comply with the applicable requirements of the State Government Ethics Act, including mandatory training, the public disclosure of economic interests, and ethical standards for covered persons. Members of the Commission shall comply with the provisions of the State Government Ethics Act to avoid conflicts of interest.

~~(d) In addition to the members designated by subsection (a) of this section, the General Assembly shall appoint six members, three upon the recommendation of the Speaker of the House of Representatives, and three upon the recommendation of the President Pro Tempore of the Senate. Appointments by the General Assembly shall be made in accordance with G.S. 120-121, and vacancies in those appointments shall be filled in accordance with G.S. 120-122. Members appointed by the General Assembly shall serve terms of two years.~~

(e) Members of the Commission shall serve terms of four years."

SECTION 14.23.(b) Transition of Membership of the Environmental Management Commission. –

(a) The terms of all members of the Environmental Management Commission serving on January 1, 2013, shall expire on June 30, 2013. A new Commission of 15 members shall be appointed in the manner provided by G.S. 143B-283(a1), as enacted by subsection (a) of this section.

(b) Members of the Commission whose qualifications are described by subdivisions (3), (5), (7), (8), (9), (11), (13), and (15) of G.S. 143B-283(a1), as enacted by subsection (a) of this section, shall, notwithstanding G.S. 143B-283(e), as enacted by subsection (a) of this section,

be appointed for an initial term of two years and subsequent appointments shall be for four-year terms thereafter. Members of the Commission whose qualifications are described by subdivisions (1), (2), (4), (6), (10), (12), and (14) of G.S. 143B-283(a1), as enacted by subsection (a) of this section, shall be appointed for an initial term of four years and subsequent appointments shall be for four-year terms thereafter. Initial terms shall begin on July 1, 2013, and expire on June 30 of the year of expiration as set forth in this subsection.

(c) Members of the Commission appointed to any other State board or commission as a representative of the Commission shall no longer serve as a member of those boards or commissions after this section becomes law, and a new Commission representative shall be appointed as provided by law.

COASTAL RESOURCES COMMISSION

SECTION 14.24.(a) G.S. 113A-104 reads as rewritten:

"**§ 113A-104. Coastal Resources Commission.**

(a) Established. – The General Assembly hereby establishes within the Department of Environment and Natural Resources a commission to be designated the Coastal Resources Commission.

~~(b) Composition. – The Coastal Resources Commission shall consist of 15 members appointed by the Governor, as follows:~~

~~(1) One who shall at the time of appointment be actively connected with or have experience in commercial fishing.~~

~~(2) One who shall at the time of appointment be actively connected with or have experience in wildlife or sports fishing.~~

~~(3) One who shall at the time of appointment be actively connected with or have experience in marine ecology.~~

~~(4) One who shall at the time of appointment be actively connected with or have experience in coastal agriculture.~~

~~(5) One who shall at the time of appointment be actively connected with or have experience in coastal forestry.~~

~~(6) One who shall at the time of appointment be actively connected with or have experience in coastal land development.~~

~~(7) One who shall at the time of appointment be actively connected with or have experience in marine-related business (other than fishing and wildlife).~~

~~(8) One who shall at the time of appointment be actively connected with or have experience in engineering in the coastal area.~~

~~(9) One who shall at the time of appointment be actively associated with a State or national conservation organization.~~

~~(10) One who shall at the time of appointment be actively connected with or have experience in financing of coastal land development.~~

~~(11) Two who shall at the time of appointment be actively connected with or have experience in local government within the coastal area.~~

~~(12) Three at-large members.~~

(b1) Composition. – The Coastal Resources Commission shall consist of 13 members as follows:

(1) One appointed by the Governor who shall at the time of appointment be a coastal property owner or experienced in land development.

(2) One appointed by the Governor who shall at the time of appointment be a coastal property owner or experienced in land development.

(3) One appointed by the Governor who shall at the time of appointment be actively connected with or have experience in engineering in the coastal area or a marine-related science.

(4) One appointed by the Governor who shall at the time of appointment be actively connected with or have experience in engineering in the coastal area or a marine-related science.

(5) One appointed by the Governor who shall at the time of appointment be actively connected with or have experience in coastal-related business.

(6) One appointed by the Governor who shall at the time of appointment be actively connected with or have experience in local government within the coastal area.

(7) One appointed by the Governor who shall at the time of appointment be actively connected with or have experience in coastal agriculture.

(8) One appointed by the Governor who shall at the time of appointment be actively connected with or have experience in commercial fishing.

(9) One appointed by the Governor who shall at the time of appointment be actively connected with or have experience in coastal forestry.

(10) One appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121 who shall at the time of appointment be actively connected with or have experience in sports fishing.

(11) One appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121 who shall serve at large.

(12) One appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121 who shall at the time of appointment be actively connected with or have experience in wildlife.

(13) One appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121 who shall serve at large.

(c) Appointment of Members. – As used in this section, the term "appointing authority" means the Governor in the case of members appointed by the Governor and means the General Assembly in the case of members appointed by the General Assembly. Appointments to the Commission shall be made to provide knowledge and experience in a diverse range of coastal interests. The members of the Commission shall serve and act on the Commission solely for the best interests of the public and public trust, and shall bring their particular knowledge and experience to the Commission for that end alone. Counties and cities in the coastal area may designate and transmit to the appointing authorities no later than May 1 of each even-numbered year qualified persons in the categories set out in subsection (b1) of this section corresponding to the Commission positions to be filled that year.

~~The Governor shall appoint in his sole discretion those members of the Commission whose qualifications are described in subdivisions (6) and (10), and one of the three members described in subdivision (12) of subsection (b) of this section.~~

~~The remaining members of the Commission shall be appointed by the Governor after completion of the nominating procedures prescribed by subsection (d) of this section.~~

(c1) The members of the Commission whose qualifications are described in subdivisions ~~(1) through (5), (9), and (11),~~(3), (6), (7), (8), (9), (11), and (12) of subsection (b1) of this section shall be persons who do not derive any significant portion of their income from land development, construction, real estate sales, or lobbying and do not otherwise serve as agents for development-related business activities. The Governor shall require adequate disclosure of potential conflicts of interest by these members. The Governor, by executive order, shall promulgate criteria regarding conflicts of interest and disclosure thereof for determining the eligibility of persons under this ~~section.~~subsection.

(c2) All members of the Commission are covered persons for the purposes of Chapter 138A of the General Statutes, the State Government Ethics Act. As covered persons, members of the Commission shall comply with the applicable requirements of the State Government Ethics Act, including mandatory training, the public disclosure of economic interests, and ethical standards for covered persons. Members of the Commission shall comply with the provisions of the State Government Ethics Act to avoid conflicts of interest.

~~(d) Nominations for Membership. On or before May 1 in every even-numbered year the Governor shall designate and transmit to the board of commissioners in each county in the coastal area four nominating categories applicable to that county for that year. Said nominating categories shall be selected by the Governor from among the categories represented, respectively by subdivisions (1), (2), (3), (4), (5), (7), (8), (9), (11) two persons, and (12) two persons, of subsection (b) of this section (or so many of the above-listed paragraphs as may correspond to vacancies by expiration of term that are subject to being filled in that year). On or before June 1 in every even-numbered year the board of commissioners of each county in the coastal area shall nominate (and transmit to the Governor the names of) one qualified person in each of the four nominating categories that was designated by the Governor for that county for that year. In designating nominating categories from biennium to biennium, the Governor shall equitably rotate said categories among the several counties of the coastal area as in his judgment he deems best; and he shall assign, as near as may be, an even number of nominees to each nominating category and shall assign in his best judgment any excess above such even number of nominees. On or before June 1 in every even-numbered year the governing body of each incorporated city within the coastal area shall nominate and transmit to the Governor the name of one person as a nominee to the Commission. In making nominations, the boards of county commissioners and city governing bodies shall give due consideration to the nomination of women and minorities. The Governor shall appoint 12 persons from among said city and county nominees to the Commission. The several boards of county commissioners and city governing bodies shall transmit the names, addresses, and a brief summary of the qualifications of their nominees to the Governor on or before June 1 in each even-numbered year, beginning in 1974; provided, that the Governor, by registered or certified mail, shall notify the chairman or the mayors of the said local governing boards by May 20 in each such even-numbered year of the duties of local governing boards under this sentence. If any board of commissioners or city governing body fails to transmit its list of nominations to the Governor by June 1, the Governor may add to the nominations a list of qualified nominees in lieu of those that were not transmitted by the board of commissioners or city governing body; Provided however, the Governor may not add to the list a nominee in lieu of one not transmitted by an incorporated city within the coastal area that neither has a population of 2,000 or more nor is contiguous with the Atlantic Ocean. Within the meaning of this section, the "governing body" is the mayor and council of a city as defined in G.S. 160A-66. The population of cities shall be determined according to the most recent annual estimates of population as certified to the Secretary of Revenue by the Secretary of Administration.~~

~~(e) Residential Qualifications. All nominees of the several boards of county commissioners and city governing bodies must reside within the coastal area, but need not reside in the county from which they were nominated. No more than one of those members appointed by the Governor from among said nominees may reside in a particular county. No more than two members of the entire Commission, at any time, may reside in a particular county. No more than two members of the entire Commission, at any time, may reside outside the coastal area.~~

(f) Office May Be Held Concurrently with Others. – Membership on the Coastal Resources Commission is hereby declared to be an office that may be held concurrently with other elective or appointive offices in addition to the maximum number of offices permitted to be held by one person under G.S. 128-1.1.

(g) Terms. – The members shall serve staggered terms of office of four years. At the expiration of each member's term, the ~~Governor~~ appointing authority shall reappoint or replace the member with a new member of like qualification ~~(as~~as specified in subsection ~~(b)~~(b1) of this ~~section), in the manner provided by subsections (c) and (d) of this section. The initial term shall be determined by the Governor in accordance with customary practice but eight of the initial members shall be appointed for two years and seven for four years.~~section.

(h) Vacancies. – In the event of a vacancy arising otherwise than by expiration of term, the ~~Governor~~ appointing authority shall appoint a successor of like qualification ~~(as~~as specified in subsection ~~(b)~~(b1) of this ~~section)~~section who shall then serve the remainder of his predecessor's term. ~~When any such vacancy arises, the Governor shall immediately notify the board of commissioners of each county in the coastal area and the governing body of each incorporated city within the coastal area. Within 30 days after receipt of such notification each such county board and city governing body shall nominate and transmit to the Governor the name and address of one person who is qualified in the category represented by the position to be filled, together with a brief summary of the qualifications of the nominee. The Governor shall make the appointment from among said city and county nominees. If any county board or city governing body fails to make a timely transmittal of its nominee, the Governor may add to the nominations a qualified person in lieu of said nominee; Provided however, the Governor may not add to the list a nominee in lieu of one not transmitted by an incorporated city within the coastal area that neither has a population of 2,000 or more nor is contiguous with the Atlantic Ocean.~~

(i) Officers. – The chairman shall be designated by the Governor from among the members of the Commission to serve as chairman at the pleasure of the Governor. The vice-chairman shall be elected by and from the members of the Commission and shall serve for a term of two years or until the expiration of ~~his~~ the vice-chairman's regularly appointed term.

(j) Compensation. – The members of the Commission shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5.

~~(k) In making appointments to and filling vacancies upon the Commission, the Governor shall give due consideration to securing appropriate representation of women and minorities.~~

(l) Attendance. – Regular attendance at Commission meetings is a duty of each member. The Commission shall develop procedures for declaring any seat on the Commission to be vacant upon failure by a member to perform this duty.

(m) Quorum. – A majority of the Commission shall constitute a quorum."

SECTION 14.24.(b) Transition of Membership of the Coastal Resources Commission. – Except as otherwise provided in this section, the terms of all members of the Coastal Resources Commission serving on January 1, 2013, shall expire June 30, 2013. A new Commission of 13 members shall be appointed in the manner provided by G.S. 113A-104(b1), as enacted by subsection (a) of this section. Members appointed in the manner provided by G.S. 113A-104(b1), as enacted by subsection (a) of this section, shall be appointed no later than July 1, 2013.

(1) The member serving pursuant to G.S. 113A-104(b)(1) on January 1, 2013, shall continue to serve pursuant to G.S. 113A-104(b1)(8), as enacted by subsection (a) of this section, until June 30, 2014.

(2) The member serving pursuant to G.S. 113A-104(b)(2) on January 1, 2013, shall continue to serve pursuant to G.S. 113A-104(b1)(10), as enacted by subsection (a) of this section, until June 30, 2014.

(3) The member serving pursuant to G.S. 113A-104(b)(11) on January 1, 2013, whose term would otherwise expire on June 30, 2014, shall continue to serve pursuant to G.S. 113A-104(b1)(6), as enacted by subsection (a) of this section, until June 30, 2014.

(4) The member serving pursuant to G.S. 113A-104(b)(5) on January 1, 2013, whose term would otherwise expire on June 30, 2014, shall continue to serve pursuant to G.S. 113A-104(b1)(9), as enacted by subsection (a) of this section, until June 30, 2014.

Members of the Commission whose qualifications are described by subdivisions (1), (3), (5), (7), (11), and (13) of G.S. 113A-104(b1), as enacted by subsection (a) of this section, shall be appointed for an initial term of two years, and subsequent appointments shall be for four-year terms thereafter. Members of the Commission whose qualifications are described by subdivisions (2), (4), (6), (8), (9), (10), and (12) of G.S. 113A-104(b1), as enacted by subsection (a) of this section, shall be appointed for an initial term of one year, and subsequent appointments shall be for four-year terms thereafter. Initial terms shall expire on June 30 of the year of expiration.

COASTAL RESOURCES ADVISORY COMMISSION

SECTION 14.25. G.S. 113A-105 reads as rewritten:

"**§ 113A-105. Coastal Resources Advisory Council.**

(a) Creation. – There is hereby created and established a council to be known as the Coastal Resources Advisory Council.

(b) Membership and Terms. – The Coastal Resources Advisory Council shall consist of not more than ~~45~~ 20 members appointed or designated ~~as follows:~~

~~(1) Two individuals designated by the Secretary from among the employees of the Department;~~

~~(1a) The Secretary of Commerce or person designated by the Secretary of Commerce;~~

~~(2) The Secretary of Administration or person designated by the Secretary of Administration;~~

~~(3) The Secretary of Transportation or person designated by the Secretary of Transportation; and one additional member selected by the Secretary of Transportation from the Department of Transportation;~~

~~(4) The State Health Director or the person designated by the State Health Director;~~

~~(5) The Commissioner of Agriculture or person designated by the Commissioner of Agriculture;~~

~~(6) The Secretary of Cultural Resources or person designated by the Secretary of Cultural Resources;~~

~~(7) One member from each of the four multi-county planning districts of the coastal area to be appointed by the lead regional agency of each district;~~

~~(8) One representative from each of the counties in the coastal area to be designated by the respective boards of county commissioners;~~

~~(9) No more than eight additional members representative of cities in the coastal area and to be designated by the Commission;~~

~~(10) Three members selected by the Commission who are marine scientists or technologists;~~

~~(11) One member who is a local health director selected by the Commission upon the recommendation of the Secretary.~~

by the Coastal Resources Commission. Counties and cities in the coastal area may nominate candidates for consideration by the Commission. The terms of all Council members serving on the Council on January 1, 2013, shall expire on June 30, 2013. A new Council shall be appointed in the manner provided by this subsection with terms beginning on July 1, 2013, and expiring on June 30, 2015. Members may be reappointed at the discretion of the Commission,

provided that one-half of the membership at the beginning of any two-year term are residents of counties in the coastal area.

...."

SEVERANCE TAX ON ENERGY MINERALS; USE OF PROCEEDS

SECTION 14.26.(a) If Senate Bill 76, 2013 Session, becomes law, then Section 11 of Senate Bill 76 reads as rewritten:

"**SECTION 11.** Section 1(b) of this act becomes effective March 1, 2015. Section 3(b) of this act is effective when it becomes law and applies retroactively to October 1, 2012. Sections 5(a) through 5(c) of this act are effective for energy minerals sold on or after March 1, ~~2015, except that G.S. 105-187.76, as enacted by Section 5(a) of this act, becomes effective only if authorized by the General Assembly in the Current Operations and Capital Improvements Appropriations Act of 2013. G.S. 113B-30, enacted by Section 7 of this act, becomes effective only if authorized by the General Assembly in the Current Operations and Capital Improvements Appropriations Act of 2013.~~2015. The first report due pursuant to G.S. 113B-12, as amended by Section 9(m) of this act, shall be transmitted on or before January 1, 2014. Except as otherwise provided, the remainder of this act is effective when it becomes law."

SECTION 14.26.(b) If Senate Bill 76, 2013 Session, becomes law, the Department of Environment and Natural Resources may, notwithstanding the provisions of G.S. 105-187.76, as enacted by Senate Bill 76, use any proceeds the Department receives from the imposition of the tax on severance of energy minerals imposed under G.S. 105-187.72, as enacted by Senate Bill 76, for the 2013-2014 fiscal year and the 2014-2015 fiscal year for its costs to administer Article 27 of Chapter 113 of the General Statutes, and these funds are appropriated from the General Fund to the Department of Environment and Natural Resources for this purpose.

WILDLIFE ENDOWMENT FUND

SECTION 14.27. G.S. 143-250.1 reads as rewritten:

"**§ 143-250.1. Wildlife Endowment Fund.**

(a) Recognizing the inestimable importance to the State and its people of conserving the wildlife resources of North Carolina, and for the purpose of providing the opportunity for citizens and residents of the State to invest in the future of its wildlife resources, there is created the North Carolina Wildlife Endowment Fund, ~~the income and principal of~~ which shall be used only for the purpose of supporting wildlife conservation programs of the State in accordance with this section. This fund shall also be known as the Eddie Bridges Fund.

(b) There is created the Board of Trustees of the Wildlife Endowment Fund of the Wildlife Resources Commission, with full authority over the administration of the Wildlife Endowment Fund, whose ex officio chairman, vice-chairman, and members shall be the chairman, vice-chairman, and members of the Wildlife Resources Commission. The State Treasurer shall be the custodian of the Wildlife Endowment Fund and shall invest its assets in accordance with the provisions of G.S. 147-69.2 and 147-69.3.

(c) The assets of the Wildlife Endowment Fund shall be derived from the following:

(1) The proceeds of any gifts, grants and contributions to the State which are specifically designated for inclusion in the fund;

(2) The proceeds from the sale of lifetime sportsman combination licenses issued pursuant to G.S. 113-270.1D;

(3) The proceeds from the sale of lifetime hunting and lifetime fishing licenses pursuant to G.S. 113-270.2(c)(2) and G.S. 113-271(d)(3);

(4) The proceeds of lifetime subscriptions to the magazine Wildlife in North Carolina at such rates as may be established from time to time by the Wildlife Resources Commission;

(5) Any amount in excess of the statutory fee for a particular lifetime license or lifetime subscription shall become an asset of the fund and shall qualify as a tax exempt donation to the State;

(5a) The proceeds from the sale of lifetime combination hunting and fishing licenses for disabled residents pursuant to G.S. 113-270.1C(b)(4);

(6) Such other sources as may be specified by law.

(d) The Wildlife Endowment Fund is ~~declared to constitute~~ a special trust derived from a contractual relationship between the State and the members of the public whose investments contribute to the fund. In recognition of such special trust, the following limitations and restrictions are placed on expenditures from the funds:

(1) Any limitations or restrictions specified by the donors on the uses of the income derived from gifts, grants and voluntary contributions shall be respected but shall not be binding.

~~(2) No expenditures or disbursements from the income from the proceeds derived from the sale of Infant Lifetime Sportsman or Youth Lifetime Sportsman Licenses pursuant to G.S. 113-270.1D(b)(1) or (2) shall be made for any purpose until the respective holders of such licenses attain the age of 16 years. The State Treasurer, as custodian of the fund, shall determine actuarially from time to time the amount of income within the fund which remains encumbered by and which is free of this restriction. For such purpose, the executive director shall cause deposits of proceeds from Infant Lifetime Sportsman Licenses to be distinguished and deposits of proceeds from Youth Lifetime Sportsman Licenses to be accompanied by information as to the ages of the license recipients.~~

(3) ~~No expenditure or disbursement shall be made from the principal of the Wildlife Endowment Fund except as otherwise proved by law.~~Expenditures of principal may be made from the Wildlife Resources Endowment Fund once the balance of the Fund exceeds one hundred million dollars ($100,000,000).

(4) The income received and accruing from the investments of the Wildlife Endowment Fund must be spent only in furthering the conservation of wildlife resources and the efficient operation of the North Carolina Wildlife Resources Commission in accomplishing the purposes of the agency as set forth in G.S. 143-239.

(e) The Board of Trustees of the Wildlife Endowment Fund may accumulate the investment income of the fund until the income, in the sole judgment of the trustees, can provide a significant supplement to the budget of the Wildlife Resources Commission. After that time the trustees, in their sole discretion and authority, may direct expenditures from the income of the fund for the purposes set out in division (4) of subsection (d).

(f) Expenditure of the income derived from the Wildlife Endowment Fund shall be made through the State budget accounts of the Wildlife Resources Commission in accordance with the provisions of the Executive Budget Act. The Wildlife Endowment Fund is subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes.

(g) The Wildlife Endowment Fund and the income therefrom shall not take the place of State appropriations or agency receipts placed in the Wildlife Resources Fund, or any part thereof, but any portion of the income of the Wildlife Endowment Fund available for the purpose set out in division (4) of subsection (d) shall be used to supplement other income of and appropriations to the Wildlife Resources Commission to the end that the Commission may improve and increase its services and become more useful to a greater number of people.

(h) In the event of a future dissolution of the Wildlife Resources Commission, such State agency as shall succeed to its budgetary authority shall, ex officio, assume the trusteeship of the Wildlife Endowment Fund and shall be bound by all the limitations and restrictions placed by this section on expenditures from the Fund. No repeal or modification of this section or of G.S. 143-239 shall alter the fundamental purposes to which the Wildlife Endowment Fund may be applied. No future dissolution of the Wildlife Resources Commission or substitution of any agency in its stead shall invalidate any lifetime license issued in accordance with G.S. 113-270.1D(b), 113-270.2(c)(2), or 113-271(d)(3)."

PART XV. DEPARTMENT OF COMMERCE

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 15.1.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2013, and on or after July 1, 2014.

SECTION 15.1.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2013-2014 and the 2014-2015 fiscal year is two hundred thousand dollars ($200,000).

INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT

SECTION 15.2. For the 2013-2014 fiscal year and the 2014-2015 fiscal year, the Industrial Commission may, in consultation with the State Chief Information Officer, use up to one million eight hundred thousand dollars ($1,800,000) of available funds in Budget Code 24611 to replace the Electronic Document Management System (EDMS).

UNEMPLOYMENT INSURANCE RESERVE

SECTION 15.3.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer to the Unemployment Insurance Reserve within the Office of State Budget and Management any unencumbered cash balance as of June 30, 2013, of each of the following special funds within the Department of Commerce and then close each of these special funds:

(1) Worker Training Trust Fund (Special Fund Code 64654-6400).

(2) Training and Employment Account (Special Fund Code 64655-6601).

SECTION 15.3.(b) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the sum of ten million dollars ($10,000,000) for the 2013-2014 fiscal year from the Special Employment Security Administration Fund (Fund Code 64650-6100) to the Unemployment Insurance Reserve within the Office of State Budget and Management.

EMPLOYMENT SECURITY RESERVE FUND

SECTION 15.4.(a) There is appropriated from the Employment Security Reserve Fund to the Department of Commerce, Division of Employment Security, the amount needed for the 2014-2015 fiscal year to fund the interest payment due to the federal government for the debt owed to the U.S. Treasury for unemployment benefits.

SECTION 15.4.(b) Of the funds credited to and held in the State of North Carolina's account in the Unemployment Trust Fund by the Secretary of the Treasury of the United States pursuant to and in accordance with section 903 of the Social Security Act and pursuant to Title II of Division B of P.L. 111-5, the Assistance for Unemployed Workers and Struggling Families Act, the Department of Commerce, Division of Employment Security, may expend the sum of two hundred five million sixty-three thousand five hundred fifty-two dollars

($205,063,552) as follows: (i) one hundred million dollars ($100,000,000) shall be used to design and build the integrated unemployment insurance benefit and tax accounting system and (ii) the remaining funds shall be used for the operation of the unemployment insurance program.

WORKFORCE INVESTMENT ACT FUNDS/TRANSFER OF FUNDS TO DEPARTMENT OF LABOR

SECTION 15.5. Of the Workforce Investment Act funds awarded to the Department of Commerce by the United States Department of Labor, the sum of three hundred fifty thousand dollars ($350,000) shall be transferred to the Department of Labor for the Apprenticeship Program on a recurring basis for the 2013-2015 biennium.

SPECIAL FUNDS TRANSFER/OFFSET COMMERCE ADMINISTRATION GENERAL FUND APPROPRIATION

SECTION 15.6.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the unencumbered cash balances in the following funds as of June 30, 2013, to Commerce Administration (Budget Code 14600-1111):

(1) 24609-2537 – Energy Research Grants

(2) 24609-2535 – NC Green Business Fund

SECTION 15.6.(b) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the unencumbered cash balance in the International Trade Show Special Fund (Budget Code 24610-2431) as of June 30, 2013, to Commerce Administration (Budget Code 14600-1111) and, upon the transfer, close the Fund.

SECTION 15.6.(c) The transfers in subsections (a) and (b) of this section are to offset General Fund appropriations to the Department of Commerce for administration.

SECRETARY DESIGNATE SUPERVISOR OF BLNC & INTERNATIONAL TRADE DIVISION EMPLOYEES

SECTION 15.7. The Secretary of Commerce shall designate the person or persons who shall supervise the employees in the following agency or division within the Department: (i) Business Link North Carolina; and (ii) International Trade Division. The person or persons designated under this section shall have the powers and duties authorized by the Secretary.

COMMON FOLLOW-UP/CONTINUATION REVIEW

SECTION 15.8.(a) The Department of Commerce, Labor and Economic Analysis Division (LEAD), shall conduct a continuation review of the Common Follow-Up Information Management System (hereinafter "Common Follow-Up") created pursuant to G.S. 96-32. LEAD shall report the preliminary findings of the continuation review to the Fiscal Research Division no later than December 1, 2013, and shall submit a final report to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Natural and Economic Resources, and the House Appropriations Subcommittee on Natural and Economic Resources no later than March 1, 2014.

SECTION 15.8.(b) The continuation review report required by subsection (a) of this section shall include the following information:

(1) A description of Common Follow-Up and the goals of the program.

(2) The statutory objectives for Common Follow-Up and the problem or need addressed.

(3) The extent to which the objectives of Common Follow-Up have been achieved.

(4) Any functions or programs of Common Follow-Up performed without specific statutory authority.
(5) The performance measures for Common Follow-Up and the process by which the performance measures determine efficiency and effectiveness.
(6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.
(7) The consequences of discontinuing funding.
(8) Recommendations for improving services or reducing costs or duplication.
(9) The identification of policy issues that should be brought to the attention of the General Assembly.

MARKETING STRATEGY TO PROMOTE NC

SECTION 15.9. The Department of Commerce, Division of Tourism, Film, and Sports Development, shall revise its current marketing strategies to develop and execute a comprehensive national and international advertising, promotion, and public relations strategy to promote the State as a great place to live, work, and play. The Division shall continue to work closely with tourism destination marketing organizations, private businesses, including hotels, restaurants, and attractions, nonprofits, other State agencies, and other organizations and entities to collaborate, plan, and leverage resources in order to accomplish the goals of the comprehensive advertising and promotions strategy.

RURAL ECONOMIC DEVELOPMENT DIVISION CREATED

SECTION 15.10.(a) Article 10 of Chapter 143B of the General Statutes is amended by adding a new Part to read as follows:

"Part 22. Rural Economic Development Division.

"**§ 143B-472.126. Rural Economic Development Division created.**

There is hereby created in the Department of Commerce a division to be known as the Rural Economic Development Division. The Secretary shall appoint an Assistant Secretary to administer this Division, who shall be subject to the direction and supervision of the Secretary. The Assistant Secretary, subject to the approval of the Secretary, shall select a professional staff of qualified and competent employees to assist in the administration of the duties and responsibilities prescribed in this Part.

"**§ 143B-472.127. Programs administered.**

(a) The Rural Economic Development Division shall be responsible for administering the program whereby economic development grants or loans are awarded by the Rural Infrastructure Authority as provided in G.S. 143B-472.128 to local government units of the counties that have one of the 80 highest rankings under G.S. 143B-437.08 after the adjustment of that section. The funds available for grants or loans under this program may be used as follows:

(1) To construct critical water and wastewater facilities or to provide other infrastructure needs, including, but not limited to, natural gas, broadband, and rail, to sites where these facilities will generate private job-creating investment. The grants under this subdivision shall not be subject to the provisions of G.S. 143-355.4.
(2) To provide matching grants or loans to local government units in an economically distressed county that will productively reuse vacant buildings and properties or construct or expand rural health care facilities, with priority given to towns or communities with populations of less than 5,000. For purposes of this section, the term "economically distressed county" has the same meaning as in G.S. 143B-437.01.

(3) Recipients of grant funds under this Part shall contribute a cash match for the grant that is equivalent to at least five percent (5%) of the grant amount. The cash match shall come from local resources and may not be derived from other State or federal grant funds.

(4) In awarding grants under this Part, preference shall be given to a project involving a resident company. For purposes of this Part, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does not. A grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4.

(5) Under no circumstances shall a grant for a project be awarded in excess of twelve thousand five hundred dollars ($12,500) per projected job created or saved.

(b) In addition to the duties under subsection (a) of this section, the Rural Economic Development Division shall also be responsible for (i) administering the program whereby local government units are awarded funds by the Rural Infrastructure Authority from the Utility Account under G.S. 143B-437.01 and (ii) administering the program whereby local government units are awarded funds by the Rural Infrastructure Authority for economic development projects from community development block grant funds.

(c) The Rural Economic Development Division may make recommendations to the Rural Infrastructure Authority as to any matters related to the administration of the programs under subsections (a) and (b) of this section.

"**§ 143B-472.128. Rural Infrastructure Authority created; powers.**

(a) Creation. – The Rural Infrastructure Authority is created within the Department of Commerce.

(b) Membership. – The Authority shall consist of 10 members, who shall be appointed as follows:

(1) The Secretary of Commerce, who shall be chair. However, the Secretary shall vote on matters before the Authority only in the case of a tie.

(2) Three members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate; one of whom shall represent a rural county in the eastern part of the State and shall serve for a term of one year; one of whom shall represent a rural county in the central part of the State and shall serve for a term of two years; and one of whom shall represent a rural county in the western part of the State and shall serve for a term of three years.

(3) Three members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives; one of whom shall represent a rural county in the eastern part of the State and shall serve for a term of three years; one of whom shall represent a rural county in the central part of the State and shall serve for a term of one year; and one of whom shall represent a rural county in the western part of the State and shall serve for a term of two years.

(4) Three members appointed by the Governor; one of whom shall represent a rural county in the eastern part of the State and shall serve for a term of two years; one of whom shall represent a rural county in the central part of the State and shall serve for a term of three years; and one of whom shall represent a rural county in the western part of the State and shall serve for a term of one year.

(c) Terms. – Upon the expiration of the terms provided for in subsection (b) of this section, each member shall serve for a term of three years. No member of the Authority shall serve for more than two consecutive terms, but a person who has been a member for two consecutive terms may be reappointed after being off the Authority for a period of at least three years. An initial term as provided in subsection (b) of this section that is two years or less shall not be counted in determining the limitation on consecutive terms. Initial terms shall commence on July 1, 2013.

(d) Compensation. – Authority members shall receive no salary as a result of serving on the Authority, but are entitled to per diem and allowances in accordance with G.S. 138-5 and G.S. 138-6, as appropriate.

(e) Meetings. – The Secretary shall convene the first meeting of the Authority within 30 days after the appointment of Authority members under subsection (b) of this section. Meetings shall be held as necessary as determined by the Authority.

(f) Quorum. – A majority of the members of the Authority constitutes a quorum for the transaction of business. A vacancy in the membership of the Authority does not impair the right of the quorum to exercise all rights and to perform all duties of the Authority.

(g) Vacancies. – A vacancy on the Authority shall be filled in the same manner in which the original appointment was made, and the term of the member filling the vacancy shall be for the balance of the unexpired term. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122.

(h) Removal. – Members may be removed in accordance with G.S. 143B-13. A member who misses three consecutive meetings of the Authority may be removed for nonfeasance.

(i) Powers and Duties. – The Authority has the following powers and duties:

(1) To receive and review applications from local government units for grants or loans authorized under G.S. 143B-472.127.

(2) To award grants or loans as provided in G.S. 143B-472.127.

(3) To formulate policies and priorities for grant and loan making under G.S. 143B-472.127.

(4) To determine ways in which the Rural Economic Development Division can aid local government units in meeting the costs for preliminary project planning needed for making an application for a grant or loan under G.S. 143B-472.127.

(5) To determine ways in which the Rural Economic Development Division can effectively disseminate information to local government units about the availability of grants or loans under G.S. 143B-472.127, the application and review process, and any other information that may be deemed useful to local government units in obtaining grants or loans.

(6) To review from time to time the effectiveness of the grant or loan programs under G.S. 143B-472.127 and to determine ways in which the programs may be improved to better serve local government units.

(7) No later than September 1 of each year, to submit a report to the Senate Appropriations Committee on Natural and Economic Resources, the House Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division that details all of the following:

a. Total number of awards made in the previous fiscal year.

b. Geographic display of awards made.

c. Total number of jobs created in the previous fiscal year.

d. Recommended policy changes that would benefit economic development in rural areas of the State."

SECTION 15.10.(b) For the 2013-2015 biennium, the Department of Commerce, Rural Economic Development Division, as established in subsection (a) of this section, may

use up to three percent (3%) of the funds appropriated in this act to the programs to be administered by the Division, and described in subsection (a) of this section, to cover the Division's expenses in administering those programs.

SECTION 15.10.(c) G.S. 120-123 reads as rewritten:

"**§ 120-123. Service by members of the General Assembly on certain boards and commissions.**

No member of the General Assembly may serve on any of the following boards or commissions:

...

(80) The Rural Infrastructure Authority, as created by G.S. 143B-472.128."

SECTION 15.10.(d) G.S. 126-5 reads as rewritten:

"**§ 126-5. Employees subject to Chapter; exemptions.**

...

(c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to:

...

(30) Employees of the Department of Commerce employed in the Rural Economic Development Division.

...."

SECTION 15.10.(e) G.S. 143B-433 reads as rewritten:

"**§ 143B-433. Department of Commerce – organization.**

The Department of Commerce shall be organized to include:

(1) The following agencies:

...

w. The Rural Economic Development Division.

x. The Rural Infrastructure Authority.

...."

PROSPERITY ZONES/RURAL SATELLITE OFFICES WITHIN ZONES

SECTION 15.11.(a) If Senate Bill 127, 2013 Regular Session, becomes law, of the funds appropriated in this act to the Department of Commerce for the Rural Economic Development Division, the Department shall use up to one million four hundred thousand dollars ($1,400,000) in each year of the 2013-2015 biennium to establish one primary office in each of the Collaboration for Prosperity Zones described in Senate Bill 127 for the purpose of enhancing collaboration and cooperation between governmental agencies, planning, use of resources, and improved efficiency at a regional level.

SECTION 15.11.(b) If Senate Bill 127, 2013 Regular Session, becomes law, of the funds appropriated in this act to the Department of Commerce for the Rural Economic Development Division, the Department shall use up to one million nine hundred twenty thousand dollars ($1,920,000) in the 2013-2014 fiscal year and up to two million three hundred twenty thousand dollars ($2,320,000) in the 2014-2015 fiscal year to establish at least one satellite office in a rural area within each Collaboration for Prosperity Zone. The primary office and rural satellite office in the Zone shall collaborate to support new business recruitment and existing business and industry in the rural areas of the Zone.

SECTION 15.11.(c) If Senate Bill 127, 2013 Regular Session, becomes law, the Secretary of Commerce shall determine the person or persons to whom the Department of Commerce employees working in the Collaboration for Prosperity Zones, including rural satellite offices, shall report. The Secretary shall also determine the appropriate staffing requirements for each rural satellite office.

SECTION 15.11.(d) If Senate Bill 127, 2013 Regular Session, does not become law, the Secretary of Commerce, in conjunction with the Assistant Secretary of Commerce in

charge of the Rural Economic Development Division shall establish regional offices in rural areas across the State to support new business recruitment and existing business and industry in those rural areas. Each regional office shall have at least one full-time employee, who shall report to the Assistant Secretary of Commerce, Rural Economic Development Division.

LEAD/DEVELOP STANDARDIZED PERFORMANCE METRIC FOR NONPROFITS

SECTION 15.12. The Department of Commerce, Labor and Economic Analysis Division (LEAD), shall develop a standardized performance metric to evaluate whether a nonprofit allocated State funds by the Department in the 2013-2015 biennium has achieved its own goals or performance standards. The metric shall include standards for determining whether jobs were actually created, grants were awarded, or loans were made. The information obtained as a result of the metric shall be used by the General Assembly in determining whether to fund the nonprofits in future fiscal years. In order to be eligible to receive State funds, each nonprofit surveyed shall provide to LEAD any information requested to help develop the metric provided for in this section.

CDBG FUNDS/COMMERCE REPEAL RULES MORE RESTRICTIVE THAN HUD RULES

SECTION 15.13. Rules adopted by the Department of Commerce related to the receipt, distribution, or use of Community Development Block Grant (CDBG) funds shall not be more restrictive than rules and regulations promulgated by the United States Department of Housing and Urban Development (HUD) related to the receipt, distribution, or use of CDBG funds. The Department of Commerce shall review all rules adopted by the Department related to the receipt, distribution, or use of CDBG funds, and shall repeal any rules that are more restrictive than HUD rules related to the receipt, distribution, or use of CDBG funds. During the period in which rules are being reviewed as provided in this section, the Department shall not enforce any rules related to the receipt, distribution, or use of CDBG funds that are more restrictive than HUD rules related to the receipt, distribution, or use of CDBG funds.

NER BLOCK GRANTS/2014 AND 2015 PROGRAM YEARS

SECTION 15.14.(a) Appropriations from federal block grant funds are made for the fiscal years ending June 30, 2014, and June 30, 2015, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01. State Administration	$ 1,275,000
02. Economic Development	10,737,500
03. Infrastructure	30,937,500
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2014 Program Year	**$42,950,000**
2015 Program Year	**$42,950,000**

SECTION 15.14.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 15.14.(c) Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each

program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 15.14.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million two hundred seventy-five thousand dollars ($1,275,000) may be used for State Administration; up to ten million seven hundred thirty-seven thousand five hundred dollars ($10,737,500) may be used for Economic Development; and up to thirty million nine hundred thirty-seven thousand five hundred dollars ($30,937,500) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 15.14.(e) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

(1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made, the Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

SECTION 15.14.(f) By September 1, 2013, and September 1, 2014, the Division of Community Assistance, Department of Commerce, shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 15.14.(g) For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category.

NER BLOCK GRANTS/2013 PROGRAM YEAR

SECTION 15.15.(a) Section 14.1 of S.L. 2011-145, as amended by Section 13.1 of S.L. 2012-142, reads as rewritten:

"**SECTION 14.1.(a)** Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	~~$1,000,000~~ $1,275,000
~~03.~~	~~Scattered Site Housing~~	~~7,200,000~~
04.	Economic Development	~~7,000,000~~ 10,625,000
~~05.~~	~~Small Business/Entrepreneurship~~	~~2,500,000~~
~~06.~~	~~NC Catalyst~~	~~4,500,000~~
07.	Infrastructure	~~20,300,000~~ 30,600,000
	TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2013 Program Year	$42,500,000

"**SECTION 14.1.(b)** Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

"**SECTION 14.1.(c)** Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

"**SECTION 14.1.(d)** Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to ~~one million dollars ($1,000,000)~~ one million two hundred seventy-five thousand dollars ($1,275,000) may be used for State Administration; ~~up to seven million two hundred thousand dollars ($7,200,000) may be used for Scattered Site Housing;~~up to ~~seven million dollars ($7,000,000)~~ ten million six hundred twenty-five thousand dollars ($10,625,000) may be used for Economic Development; ~~up to two million five hundred thousand dollars ($2,500,000) may be used for Small Business/Entrepreneurship; up to four million five hundred thousand dollars ($4,500,000) shall be used for NC Catalyst;~~ and up to ~~twenty million three hundred thousand dollars ($20,300,000)~~thirty million six hundred thousand dollars ($30,600,000) 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 14.1.(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 14.1.(f)** By ~~September 1, 2012,~~September 1, 2013, the Division of Community Assistance, Department of Commerce, shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

"**SECTION 14.1.(g)** For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category."

SECTION 15.15.(b) This section becomes effective June 30, 2013.

ONE NORTH CAROLINA FUND

SECTION 15.16. Of the funds appropriated in this act to the One North Carolina Fund for the 2013-2015 biennium, the Department of Commerce may use up to two hundred fifty thousand dollars ($250,000) in each year of the biennium to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs. The Department of Commerce shall not use more than two hundred fifty thousand dollars ($250,000) for administrative costs in any one fiscal year.

INDUSTRIAL DEVELOPMENT FUND UTILITY ACCOUNT/USE OF FUNDS

SECTION 15.17. Notwithstanding the provisions of G.S. 143B-437.01, of the funds credited to the Industrial Development Fund Utility Account (Utility Account) in the 2013-2015 biennium, the sum of five million dollars ($5,000,000) for each year of the biennium may be used for the operating expenses of the Department of Commerce on a nonrecurring basis. The remainder of the funds in the Utility Account in each year of the biennium shall be awarded by the Rural Infrastructure Authority within the Department of Commerce, as established by this act, for the purposes authorized in G.S. 143B-437.01.

MODIFY INDUSTRIAL DEVELOPMENT FUND AND UTILITY ACCOUNT

SECTION 15.18.(a) G.S. 143B-437.01 reads as rewritten:

"**§ 143B-437.01. Industrial Development ~~Fund.~~Fund Utility Account.**

(a) Creation and Purpose of Fund. – There is created in the Department of Commerce ~~the Industrial Development Fund~~ a special account to be known as the Industrial Development Fund Utility Account ("Utility Account") to provide funds to assist the local government units of the most economically distressed counties in the State in creating ~~and retaining jobs in certain industries.~~jobs. The Department of Commerce shall adopt rules providing for the administration of the program. Those rules shall include the following provisions, which shall apply to each grant from the ~~fund:~~account:

(1) The funds shall be used for ~~(i) installation of or purchases of equipment for eligible industries, (ii) structural repairs, improvements, or renovations of existing buildings to be used for expansion of eligible industries, or (iii)~~construction of or improvements to new or existing water, sewer, gas, telecommunications, high-speed broadband, electrical utility distribution lines or equipment, or transportation infrastructure for existing or new or proposed ~~industrial buildings to be used for eligible industries.~~buildings. To be eligible for funding, the water, gas, telecommunications, high-speed broadband, electrical utility lines or facilities, or transportation infrastructure shall be located on the site of the building or, if not located on the site, shall be directly related to the operation of the ~~specific eligible industrial~~job creation activity. To be eligible for funding, the sewer infrastructure shall be located on the site of the building or, if not located on the site, shall be directly related to the operation of the specific eligible industrial activity, even if the sewer infrastructure is located in a county other than the county in which the building is located.

(1a) The funds shall be used for projects located in economically distressed counties except that the Secretary of Commerce may use up to one hundred thousand dollars ($100,000) to provide emergency economic development assistance in any county that is documented to be experiencing a major economic dislocation.

(2) The funds shall be used by the city and county governments for projects that ~~will directly~~are reasonably anticipated to result in the creation ~~or retention~~ of new jobs. ~~The funds shall be expended at a maximum rate of ten thousand dollars ($10,000) per new job created or per job retained up to a maximum of five hundred thousand dollars ($500,000) per project.~~There shall be no maximum funding amount per new job to be created or per project.

(3) There shall be no local match requirement if the project is located in a county that has one of the 25 highest rankings under ~~G.S. 143B-437.08 or that has a population of less than 50,000 and more than nineteen percent (19%) of its population below the federal poverty level according to the most recent federal decennial census.~~G.S. 143B-437.08.

(4) The Department may authorize a local government that receives funds under this section to use up to two percent (2%) of the funds, if necessary, to verify that the funds are used only in accordance with law and to otherwise administer the grant or loan.

(5) No project subject to the Environmental Policy Act, Article 1 of Chapter 113A of the General Statutes, shall be funded unless the Secretary of Commerce finds that the proposed project will not have a significant adverse effect on the environment. The Secretary of Commerce shall not make this finding unless the Secretary has first received a certification from the Department of Environment and Natural Resources that concludes, after

consideration of avoidance and mitigation measures, that the proposed project will not have a significant adverse effect on the environment.

(6) The funds shall not be used for any nonmanufacturing project that does not meet the wage standard set out in ~~G.S. 105-129.4(b).~~G.S. 105-129.4(b) or for any retail, entertainment, or sports projects.

(7) Priority for the use of funds shall be given to eligible industries.

(a1) Definitions. – The following definitions apply in this section:

(1) Air courier services. – ~~Defined in G.S. 105-129.81.~~The furnishing of air delivery of individually addressed letters and packages for compensation, in interstate commerce, except by the United States Postal Service.

(2) Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.

(2a) Company headquarters. – ~~Defined in G.S. 105-129.81.~~A corporate, subsidiary, or regional managing office, as defined by NAICS in United States industry 551114, that is responsible for strategic or organizational planning and decision making for the business on an international, national, or multistate regional basis.

(3) Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.

(4) Economically distressed county. – A county that ~~has one of the 65 highest rankings~~is defined as a development tier one or two area under G.S. 143B-437.08 after the adjustments of that section are applied.

(5) Eligible industry. – A company headquarters or a person engaged in the business of air courier services, information technology and services, manufacturing, or warehousing and wholesale trade.

(6) Information technology and services. – ~~Defined in G.S. 105-129.81.~~An industry in one of the following, as defined by NAICS:

a. Data processing industry group 518.

b. Software publishers industry group 5112.

c. Computer systems design and related services industry group 5415.

d. An Internet activity included in industry group 519130.

(7) Major economic dislocation. – The actual or imminent loss of 500 or more manufacturing jobs in the county or of a number of manufacturing jobs equal to at least ten percent (10%) of the existing manufacturing workforce in the county.

(8) Manufacturing. – ~~Defined in G.S. 105-129.81.~~An industry in manufacturing sectors 31 through 33, as defined by NAICS, but not including quick printing or retail bakeries.

(9) Reserved.

(10) Warehousing. – ~~Defined in G.S. 105-129.81.~~An industry in warehousing and storage subsector 493 as defined by NAICS.

(11) Wholesale trade. – ~~Defined in G.S. 105-129.81.~~An industry in wholesale trade sector 42 as defined by NAICS.

(b) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5.

~~(b1) There is created within the Industrial Development Fund a special account to be known as the Utility Account to provide funds to assist the local government units of the counties that have one of the 65 highest rankings under G.S. 143B-437.08 after the adjustments of that section are applied in creating jobs in eligible industries. The Department of Commerce shall adopt rules providing for the administration of the program. Except as otherwise provided in this subsection, those rules shall be consistent with the rules adopted with respect to the Industrial Development Fund. The rules shall provide that the funds in the Utility Account may be used only for construction of or improvements to new or existing water, sewer, gas, telecommunications, high-speed broadband, electrical utility distribution lines or equipment, or~~

~~transportation infrastructure for existing or new or proposed industrial buildings to be used for eligible industrial operations. To be eligible for funding, the water, sewer, gas, telecommunications, high-speed broadband, electrical utility lines or facilities, or transportation infrastructure shall be located on the site of the building or, if not located on the site, shall be directly related to the operation of the specific industrial activity. There shall be no maximum funding amount per new job to be created or per project.~~

(c), (c1) Repealed by Session Laws 2012-142, s. 13.4(c), effective July 1, 2012.

(d) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5."

SECTION 15.18.(b) G.S. 105-129.81 reads as rewritten:

"**§ 105-129.81. Definitions.**

The following definitions apply in this Article:

...

(2) Air courier services. – ~~The furnishing of air delivery of individually addressed letters and packages for compensation, in interstate commerce, except by the United States Postal Service.~~Defined in G.S. 143B-437.01.

...

(5) Company headquarters. – ~~A corporate, subsidiary, or regional managing office, as defined by NAICS in United States industry 551114, that is responsible for strategic or organizational planning and decision making for the business on an international, national, or multistate regional basis.~~Defined in G.S. 143B-437.01.

...

(13) Information technology and services. – Defined in G.S. 143B-437.01.~~An industry in one of the following, as defined by NAICS:~~

~~a. Data processing industry group 518.~~

~~b. Software publishers industry group 5112.~~

~~c. Computer systems design and related services industry group 5415.~~

~~d. An Internet activity included in industry group 519130.~~

...

(15) Manufacturing. – ~~An industry in manufacturing sectors 31 through 33, as defined by NAICS, but not including quick printing or retail bakeries.~~Defined in G.S. 143B-437.01.

...

(25) Warehousing. – ~~An industry in warehousing and storage subsector 493 as defined by NAICS.~~Defined in G.S. 143B-437.01.

(26) Wholesale trade. – ~~An industry in wholesale trade sector 42 as defined by NAICS.~~Defined in G.S. 143B-437.01."

SECTION 15.18.(c) G.S. 143B-437.012(d) reads as rewritten:

"(d) Eligibility. – A business is eligible for consideration for a grant under this section if it satisfies the conditions of either subdivision (1) or (2) of this subsection and satisfies the conditions of both subdivisions (3) and (4) of this subsection:

...

(2) The business is a large manufacturing employer. A business is a large manufacturing employer if the business meets the following requirements:

a. The business is in manufacturing, as defined in ~~G.S. 105-129.81,~~G.S. 143B-437.01, and is converting its manufacturing process to change the product it manufactures.

b. The Department certifies that the business has invested or intends to invest at least sixty-five million dollars ($65,000,000) of private funds in improvements to real property and additions to tangible

personal property in the project within a three-year period beginning with the time the investment commences.

c. The business employs at least 320 full-time employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 320 full-time employees at the project for the full term of the grant.

...."

SECTION 15.18.(d) G.S. 143B-435.1(d) reads as rewritten:

"(d) Report. – By April 1 and October 1 of each year, the Department of Commerce shall report to the Revenue Laws Study Committee, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division of the ~~General Assembly~~Legislative Services Commission on (i) all clawbacks that have been triggered under the One North Carolina Fund established pursuant to G.S. 143B-437.71, the Job Development Investment Grant Program established pursuant to G.S. 143B-437.52, Job Maintenance and Capital Development Fund established pursuant to G.S. 143B-437.012, the ~~Industrial Development Fund and~~ Utility Account established pursuant to G.S. 143B-437.01, and the Site Infrastructure Fund established pursuant to G.S. 143B-437.02 and (ii) its progress on obtaining repayments. The report must include the name of each business, the event that triggered the clawback, and the amount forfeited or to be repaid."

SECTION 15.18.(e) G.S. 143B-437.07(c) reads as rewritten:

"(c) Economic Development Incentive. – An economic development incentive includes any grant from the following programs: Job Development Investment Grant Program; the Job Maintenance and Capital Development Fund; One North Carolina Fund; and the ~~Industrial Development Fund, including the~~ Utility Account. The State also incents economic development through the use of tax expenditures in the form of tax credits and refunds. The Department of Revenue must report annually on these statutory economic development incentives, as required under G.S. 105-256."

SECTION 15.18.(f) G.S. 143B-437.55(c) reads as rewritten:

"(c) Annual Reports. – The Committee shall publish a report on the Job Development Investment Grant Program on or before April 30 of each year. The Committee shall submit the report electronically to the House of Representatives Finance Committee, the Senate Finance Committee, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. The report shall include the following:

...

(13) The total amount transferred to the Utility Account ~~of the Industrial Development Fund~~ under this Part during the preceding year."

SECTION 15.18.(g) G.S. 143B-437.61 reads as rewritten:

"**§ 143B-437.61. Transfer to Industrial Development ~~Fund.~~Fund Utility Account.**

At the time the Department of Commerce remits a check to a business under G.S. 143B-437.60, the Department of Commerce shall transfer to the Utility Account ~~of the Industrial Development Fund~~ an amount equal to the amount certified by the Committee as the difference between the amount of the grant and the amount of the grant for which the business would be eligible without regard to G.S. 143B-437.56(d)."

SECTION 15.18.(h) The Department of Commerce, in conjunction with the Office of the State Controller, shall close the Industrial Development Fund and the Utility Account and shall transfer the remaining fund balances of each to the Industrial Development Fund Utility Account.

SECTION 15.18.(i) This section becomes effective July 1, 2013, and applies to projects for which funds are initially provided on or after that date.

JOB DEVELOPMENT INVESTMENT GRANT PROGRAM MODIFICATIONS

SECTION 15.19.(a) G.S. 143B-437.52 reads as rewritten:

"**§ 143B-437.52. Job Development Investment Grant Program.**

...

(b) Cap and Priority. – The maximum number of grants the Committee may award in each calendar year is 25. In selecting between applicants, a project that is located in an Eco-Industrial Park certified under G.S. 143B-437.08 has priority over a comparable project that is not located in a certified Eco-Industrial Park.

(c) Awards. – The maximum amount of total annual liability for grants awarded in any single calendar year under this Part, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is fifteen million dollars ($15,000,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during a single calendar year, could cause the State's potential total annual liability for grants awarded in a single calendar year to exceed this amount. The Department shall make every effort to ensure that the average percentage of withholdings of eligible positions for grants awarded under this Part does not exceed the average of the range provided in G.S. 143B-437.56(a).

...."

SECTION 15.19.(b) G.S. 143B-437.55(b) reads as rewritten:

"(b) Application Fee. – When filing an application under this section, the business must pay the Committee a fee of five thousand dollars ($5,000). The fee is due at the time the application is filed. The Secretary of Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and Management shall determine the allocation of the fee imposed by this section among their agencies. The proceeds of the fee are receipts of the agency to which they are credited. Within 30 days of receipt of an application under this section but prior to any award being made, the Department of Commerce shall notify each governing body of an area where a submitted application proposes locating a project of the information listed in this subsection, provided that the governing body agrees, in writing, to any confidentiality requirements imposed by the Department under G.S. 132-6(d). The information required by this subsection includes all of the following:

(1) The estimated amount of the grant anticipated to be awarded to the applicant for the project.

(2) Any economic impact data submitted with the application or prepared by the Department.

(3) Any economic impact estimated by the Department to result from the project."

SECTION 15.19.(c) This section becomes effective July 1, 2013, and applies to applications and awards made on or after that date.

JOB DEVELOPMENT INVESTMENT GRANT PROGRAM APPLICATION FEE INCREASE

SECTION 15.20.(a) G.S. 143B-437.55(b) reads as rewritten:

"(b) Application Fee. – When filing an application under this section, the business must pay the Committee a fee of ~~five thousand dollars ($5,000).~~ ten thousand dollars ($10,000). The fee is due at the time the application is filed. The Secretary of Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and Management shall determine the allocation of the fee imposed by this section among their agencies. The proceeds of the fee are receipts of the agency to which they are credited."

SECTION 15.20.(b) This section becomes effective July 1, 2013, and applies to applications filed on or after that date.

JOB DEVELOPMENT INVESTMENT GRANT PROGRAM REPORTING FEE INCREASE

SECTION 15.21.(a) G.S. 143B-437.58(a) reads as rewritten:

"(a) No later than March 1 of each year, for the preceding grant year, every business that is awarded a grant under this Part shall submit to the Committee an annual payroll report showing withholdings as a condition of its continuation in the grant program and identifying eligible positions that have been created during the base period that remain filled at the end of each year of the grant. Annual reports submitted to the Committee shall include social security numbers of individual employees identified in the reports. Upon request of the Committee, the business shall also submit a copy of its State and federal tax returns. Payroll and tax information, including social security numbers of individual employees and State and federal tax returns, submitted under this subsection is tax information subject to G.S. 105-259. Aggregated payroll or withholding tax information submitted or derived under this subsection is not tax information subject to G.S. 105-259. When making a submission under this section, the business must pay the Committee a fee of ~~one thousand five hundred dollars ($1,500).~~ the greater of two thousand five hundred dollars ($2,500) or three one-hundredths of one percent (.03%) of an amount equal to the grant less the maximum amount to be transferred pursuant to G.S. 143B-437.61. The fee is due at the time the submission is made. The Secretary of Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and Management shall determine the allocation of the fee imposed by this section among their agencies. The proceeds of the fee are receipts of the agency to which they are credited."

SECTION 15.21.(b) This section becomes effective July 1, 2013, and applies to fees submitted for awards granted on or after that date.

TRANSFER STATE ENERGY OFFICE FROM COMMERCE TO DENR

GENERAL

SECTION 15.22.(a) The State Energy Office is hereby transferred from the Department of Commerce to the Department of Environment and Natural Resources. This transfer shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6.

ENERGY LOAN FUND

SECTION 15.22.(b) Part 2C of Article 10 of Chapter 143B of the General Statutes, G.S. 143B-437.14 through G.S. 143B-437.16, is recodified as Part 32 of Article 7 of Chapter 143B of the General Statutes, G.S. 143B-344.42 through G.S. 143B-344.44.

SECTION 15.22.(c) G.S. 143B-437.16, recodified as G.S. 143B-344.44 in subsection (b) of this section, reads as rewritten:

"**§ 143B-344.44. Lead agency; powers and duties.**

(a) For the purposes of this Part, the Department of ~~Commerce,~~Environment and Natural Resources, State Energy Office, is designated as the lead State agency in matters pertaining to energy efficiency.

...."

GUARANTEED ENERGY SAVINGS CONTRACTS

SECTION 15.22.(d) G.S. 143-64.17F reads as rewritten:

"**§ 143-64.17F. State agencies to use contracts when feasible; rules; recommendations.**

...

(b) The Department of Administration, in consultation with the Department of ~~Commerce~~ Environment and Natural Resources, through the State Energy Office, shall adopt rules for: (i) agency evaluation of guaranteed energy savings contracts; (ii) establishing time periods for consideration of guaranteed energy savings contracts by the Office of State Budget and Management, the Office of the State Treasurer, and the Council of State, and (iii) setting measurements and verification criteria, including review, audit, and precertification. Prior to adopting any rules pursuant to this section, the Department shall consult with and obtain approval of those rules from the State Treasurer. The rules adopted pursuant to this subsection shall not apply to energy conservation measures implemented pursuant to G.S. 143-64.17L.

(c) The Department of Administration, and the Department of ~~Commerce~~ Environment and Natural Resources through the State Energy Office, may provide to the Council of State its recommendations concerning any energy savings contracts being considered."

SECTION 15.22.(e) G.S. 143-64.17G reads as rewritten:

"**§ 143-64.17G. Report on guaranteed energy savings contracts entered into by local governmental units.**

A local governmental unit that enters into a guaranteed energy savings contract must report the contract and the terms of the contract to the Local Government Commission and the State Energy Office of the Department of ~~Administration.~~Environment and Natural Resources. The Commission shall compile the information and report it biennially to the Joint Commission on Governmental Operations. In compiling the information, the Local Government Commission shall include information on the energy savings expected to be realized from a contract and, with the assistance of the Office of State Construction and the State Energy Office, shall evaluate whether expected savings have in fact been realized."

SECTION 15.22.(f) G.S. 143-64.17H reads as rewritten:

"**§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State governmental units.**

A State governmental unit that enters into a guaranteed energy savings contract or implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i) the contract and the terms of the contract or (ii) the implementation of the measure to the State Energy Office of the Department of ~~Commerce~~ Environment and Natural Resources within 30 days of the date the contract is entered into or the measure is implemented. In addition, within 60 days after each annual anniversary date of a guaranteed energy savings contract, the State governmental unit must report the status of the contract to the State Energy Office, including any details required by the State Energy Office. The State Energy Office shall compile the information for each fiscal year and report it to the Joint Legislative Commission on Governmental Operations and to the Local Government Commission annually by December 1. In compiling the information, the State Energy Office shall include information on the energy savings expected to be realized from a contract or implementation and shall evaluate whether expected savings have in fact been realized."

ENERGY ASSISTANCE FOR LOW-INCOME PERSONS

SECTION 15.22.(g) The programs administered under the North Carolina Energy Assistance Act for Low-Income Persons, being the Weatherization Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement Program, and any other energy-related assistance program for the benefit of low-income persons in existing housing, are transferred from the Department of Commerce to the State Energy Office in the Department of Environment and Natural Resources. The transfer under this subsection shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6.

SECTION 15.22.(h) Part 9 of Article 2 of Chapter 108A of the General Statutes, G.S. 108A-70.30, is recodified as Part 33 of Article 7 of Chapter 143B of the General Statutes, G.S. 143B-344.46.

SECTION 15.22.(i) G.S. 108A-70.30, recodified as G.S. 143B-344.46 in subsection (h) of this section, reads as rewritten:

"**§ 143B-344.46. Weatherization Assistance Program and Heating/Air Repair and Replacement Program.**

The State Energy Office within the Department may administer the Weatherization Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement Program functions. Nothing in this Part shall be construed as obligating the General Assembly to appropriate funds for the Program or as entitling any person to services under the Program."

SECTION 15.22.(j) Part 21 of Article 10 of Chapter 143B of the General Statutes, G.S. 143B-472.121 through 143B-472.123, is recodified as Part 34 of Article 7 of Chapter 143B of the General Statutes, G.S. 143B-344.48 through G.S. 143B-344.50.

SECTION 15.22.(k) G.S. 143B-472.122, recodified as G.S. 143B-344.49 in subsection (j) of this section, and G.S. 143B-472.123, recodified as G.S. 143B-344.50 in subsection (j) of this section, read as rewritten:

"**§ 143B-344.49. Definitions.**

The following definitions apply to this Part:

...

(2) Department. – The Department of ~~Commerce.~~Environment and Natural Resources.

(3) Secretary. – The Secretary of ~~Commerce.~~the Department of Environment and Natural Resources.

....

"**§ 143B-344.50. The ~~Office of Economic Opportunity~~State Energy Office designated agency; powers and duties.**

(a) The ~~Office of Economic Opportunity of the Department~~State Energy Office in the Department of Environment and Natural Resources shall administer the Weatherization Assistance Program for Low-Income Families established by 42 U.S.C. § 6861, et seq., and 42 U.S.C. § 7101, et seq.; the Heating/Air Repair and Replacement Program established by the Secretary under ~~G.S. 108A-70.30;~~G.S. 143B-344.46; and any other energy-related assistance program for the benefit of low-income persons in existing housing. The ~~Office of Economic Opportunity~~State Energy Office shall exercise the following powers and duties:

...

(8) Create a Policy Advisory Council within the ~~Office of Economic Opportunity~~State Energy Office that shall advise the ~~Office of Economic Opportunity~~State Energy Office with respect to the development and implementation of a Weatherization Program for Low-Income Families, the Heating/Air Repair and Replacement Program, and any other energy-related assistance program for the benefit of low-income persons in existing housing.

...."

ENERGY POLICY COUNCIL

SECTION 15.22.(l) G.S. 113B-2 reads as rewritten:

"**§ 113B-2. Creation of Energy Policy Council; purpose of Council.**

(a) There is hereby created a council to advise and make recommendations on energy policy to the Governor and the General Assembly to be known as the Energy Policy Council which shall be located within the Department of ~~Commerce.~~Environment and Natural Resources.

(b) Except as otherwise provided in this Chapter, the powers, duties and functions of the Energy Policy Council shall be as prescribed by the Secretary of ~~Commerce.~~the Department of Environment and Natural Resources.

(c) The Energy Policy Council shall serve as the central energy policy planning body of the State and shall communicate and cooperate with federal, State, regional and local bodies and agencies to the end of effecting a coordinated energy policy."

SECTION 15.22.(m) G.S. 113B-11 reads as rewritten:

"**§ 113B-11. Powers and authority.**

...

(c) The Council shall have authority to apply for and utilize grants, contributions and appropriations in order to carry out its duties as defined in Articles 1 and 2 of this Chapter, provided, however, that all such applications and requests are made through and administered by the Department of ~~Commerce.~~Environment and Natural Resources.

...

(e) The Department of ~~Commerce~~ Environment and Natural Resources shall provide the staffing capability to the Energy Policy Council so as to fully and effectively develop recommendations for a comprehensive State energy policy as contained in the provisions of this Article. The Utilities Commission is hereby authorized to make its staff available to the Council to assist in the development of a State energy policy."

PURCHASES AND CONTRACTS

SECTION 15.22.(n) G.S. 143-58.4 reads as rewritten:

"**§ 143-58.4. Energy credit banking and selling program.**

(a) The following definitions apply in this section:

...

(4) Department. – The Department of ~~Commerce.~~The Department of Environment and Natural Resources.

...

(c) Adopt Rules. – The Secretary of ~~Commerce~~ Environment and Natural Resources shall adopt rules as necessary to implement this section."

ENERGY POLICY AND LIFE-CYCLE COST ANALYSIS

SECTION 15.22.(o) G.S. 143-64.11 reads as rewritten:

"**§ 143-64.11. Definitions.**

For purposes of this Article:

...

(2a) "Energy Office" means the State Energy Office of the Department of ~~Commerce.~~Environment and Natural Resources.

...."

SECTION 15.22.(p) G.S. 143-64.12 reads as rewritten:

"**§ 143-64.12. Authority and duties of the Department; State agencies and State institutions of higher learning.**

(a) The Department of ~~Commerce~~ Environment and Natural Resources through the State Energy Office shall develop a comprehensive program to manage energy, water, and other utility use for State agencies and State institutions of higher learning and shall update this program annually. Each State agency and State institution of higher learning shall develop and implement a management plan that is consistent with the State's comprehensive program under this subsection to manage energy, water, and other utility use, and that addresses any findings or recommendations resulting from the energy audit required by subsection (b1) of this section. The energy consumption per gross square foot for all State buildings in total shall be reduced by twenty percent (20%) by 2010 and thirty percent (30%) by 2015 based on energy consumption for the 2002-2003 fiscal year. Each State agency and State institution of higher learning shall update its management plan annually and include strategies for supporting the energy consumption reduction requirements under this subsection. Each community college

shall submit to the State Energy Office an annual written report of utility consumption and costs. Management plans submitted annually by State institutions of higher learning shall include all of the following:

...."

SECTION 15.22.(q) The Revisor of Statutes shall make any other conforming statutory changes that are necessary to reflect the transfer under subsection (a) of this section.

STAFF FOR RURAL ECONOMIC DEVELOPMENT DIVISION AND WATER INFRASTRUCTURE DIVISION

SECTION 15.23. The Departments of Commerce and Environment and Natural Resources shall work together to determine a way in which to equitably distribute the employees within the Department of Commerce, Division of Community Assistance, responsible for the CDBG program between the Rural Economic Development Division, as established by this act, and the Water Infrastructure Division, as established by this act.

OREGON INLET LAND ACQUISITION TASK FORCE

SECTION 15.24.(a) There is hereby created the Oregon Inlet Land Acquisition Task Force for the purpose of determining, reviewing, and considering the State's options for acquiring the federal government's right, title, and interest in Oregon Inlet and the real property adjacent thereto, including submerged lands. A more particular description of the property to be acquired is provided in subsection (h) of this section. Acquiring the property described in subsection (h) of this section will allow the State to preserve Oregon Inlet and to develop long-term management solutions for preserving and enhancing the navigability of Oregon Inlet, which is both a critical transportation corridor and a critical source of commerce for the State's Outer Banks. The Task Force shall have duties including the following:

(1) Consulting with the State Property Office and agencies and departments of the federal government, including the United States Department of Fish and Wildlife, United States National Park Service, Congressional Budget Office, and members of the North Carolina congressional delegation to establish the monetary value of Oregon Inlet and the real property adjacent thereto.

(2) Determining whether and to what degree the federal government will sell to the State Oregon Inlet and the real property adjacent thereto or exchange the property for State-owned real property. If the federal government expresses a willingness to exchange the property for State-owned property, the Task Force shall determine the identity of the State-owned property and the monetary value of the property.

(3) Exploring any and all options for acquiring Oregon Inlet and the real property adjacent thereto, including condemnation of the coastal lands conveyed to the federal government in a deed dated August 7, 1958, and recorded September 3, 1958, in the Dare County Registry of Deeds.

(4) Considering any other issues deemed relevant by the Task Force that are related to the acquisition of Oregon Inlet and the real property adjacent thereto.

SECTION 15.24.(b) The Task Force shall consist of the following 13 members:

(1) The Governor or the Governor's designee, who shall be chair.

(2) The Commissioner of Agriculture and Consumer Services or the Commissioner's designee.

(3) The Secretary of the Department of Administration or the Secretary's designee.

(4) The Secretary of the Department of Commerce or the Secretary's designee.

(5) The Secretary of the Department of Environment and Natural Resources or the Secretary's designee.
(6) The Secretary of the Department of Public Safety or the Secretary's designee.
(7) The Secretary of the Department of Transportation or the Secretary's designee.
(8) The Attorney General or the Attorney General's designee.
(9) Two members of the Senate appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate.
(10) Two members of the House of Representatives appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives.
(11) The chair of the Dare County Board of Commissioners or the chair's designee.

SECTION 15.24.(c) The terms of the members appointed under subsection (b) of this section shall commence on July 1, 2013. A vacancy on the Task Force shall be filled by the Governor, except that a vacancy in an appointment by the General Assembly shall be filled by the original appointing authority.

SECTION 15.24.(d) The Task Force shall meet at the call of the Governor. All members of the Task Force are voting members. A majority of the members of the Task Force constitutes a quorum.

SECTION 15.24.(e) Members of the Task Force shall receive no compensation for their service, but may receive per diem, travel, and subsistence allowances in accordance with G.S. 120-3.1, 138-5, and 138-6, as appropriate. No State funds shall be appropriated to the Task Force or to any State agency or department for the Task Force.

SECTION 15.24.(f) The Department of Commerce shall provide staff to the Task Force. All State agencies and departments shall provide assistance to the Task Force upon request.

SECTION 15.24.(g) By May 1, 2014, the Task Force shall submit a report detailing its findings and recommendations to the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the General Assembly. The Task Force shall terminate upon the filing of the report required by this subsection.

SECTION 15.24.(h) The federally owned property to be acquired by the State shall include all of the federal government's right, title, and interest in the real property, including submerged lands, located within the area described by connecting the following latitude and longitude points:

Latitude:	Longitude:
35.78867341400	-75.53323291600
35.78099563900	-75.52953510600
35.78178528500	-75.52513394400
35.78141354400	-75.52334019100
35.77887390700	-75.52025162500
35.77857436500	-75.51969654900
35.77781290800	-75.51900873900
35.77734893400	-75.51884305500
35.77110009400	-75.51641608800
35.76633568000	-75.51356516200
35.76116258500	-75.51036495800
35.75751496100	-75.50801176500
35.75608651600	-75.51228522200
35.75777480300	-75.51379949200

1	35.75860596900	-75.51451482100
2	35.75960484700	-75.51540263600
3	35.76100041400	-75.51665469900
4	35.76117351400	-75.51681019600
5	35.76212525300	-75.51767780700
6	35.76287562800	-75.51836186100
7	35.76316770200	-75.51862812200
8	35.76381492400	-75.51921814800
9	35.76415098700	-75.51955669900
10	35.76445468400	-75.51995078300
11	35.76485826900	-75.52059025200
12	35.76505577400	-75.52094720300
13	35.76528160600	-75.52142243500
14	35.76548548000	-75.52198988800
15	35.76556574300	-75.52341266800
16	35.76566877400	-75.52523906000
17	35.76454632200	-75.52902085700
18	35.76357138700	-75.53246190700
19	35.76337226200	-75.53339199600
20	35.76333441200	-75.53364756500
21	35.76332909000	-75.53390886900
22	35.76335819500	-75.53458675100
23	35.76341367100	-75.53498008200
24	35.76354478800	-75.53535025300
25	35.76361737400	-75.53547511500
26	35.76383009500	-75.53584104000
27	35.76425804000	-75.53655388200
28	35.76471137600	-75.53740653000
29	35.76502225800	-75.53875413900
30	35.76521060100	-75.54081681300
31	35.76523404100	-75.54194712400
32	35.76525043500	-75.54273769600
33	35.76526768700	-75.54353888100
34	35.76532715800	-75.54394387700
35	35.76541340600	-75.54428520100
36	35.76550080400	-75.54463107400
37	35.76577010000	-75.54534161500
38	35.76597248500	-75.54579049600
39	35.76632062300	-75.54620555000
40	35.76655164400	-75.54635947100
41	35.76725670200	-75.54660003000
42	35.76764041200	-75.54670534600
43	35.76795847900	-75.54670661900
44	35.77077784300	-75.54629895400
45	35.77115918300	-75.54624921300
46	35.77148150500	-75.54619720600
47	35.77234520600	-75.54605784500
48	35.77377517700	-75.54582711000
49	35.77469339200	-75.54566942900
50	35.77590248800	-75.54531166000
51	35.77673545200	-75.54571296000

35.77711645600 -75.54582301200
35.77742981800 -75.54581293600
35.77771608200 -75.54572387500
35.77791539100 -75.54559449800
35.77810904100 -75.54546879500
35.77904847600 -75.54478184500
35.77912430900 -75.54486803600
35.77981427400 -75.54534862400
35.78042966800 -75.54567367500
35.78135818100 -75.54600030500
35.78175635200 -75.54606539500
35.78221194600 -75.54612839200
35.78279713100 -75.54636296300
35.78378882800 -75.54668308800
35.78766932400 -75.54709605000
35.79082109200 -75.54691243300
35.79820587700 -75.54665906000
35.79859286600 -75.54249624600
35.80046065100 -75.53877586500
35.79408521600 -75.53252823100
35.79248815800 -75.53183764800
35.79151104100 -75.53197071600
35.78867341400 -75.53323291600
35.76886839300 -75.52536743000
35.76724598100 -75.52438052100
35.76805629700 -75.52240411900
35.76966632600 -75.52339266000
35.76886839300 -75.52536743000.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS AND USE OF STATE FUNDS

SECTION 15.25.(a) High Point Furniture Market Authority and RTI International shall do the following:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

SECTION 15.25.(b) No more than one hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one employee of an entity listed in subsection (a) of this section. For purposes of this section, the term "State funds" means funds appropriated or allocated to an entity and interest earned on those funds.

SECTION 15.25.(c) No State funds shall be used by an entity listed in subsection (a) of this section (i) to hire or facilitate the hiring of a lobbyist or any person performing the duties or activities of a lobbyist, without regard to the person's title or (ii) to facilitate any lobbying efforts.

SECTION 15.25.(d) Funds appropriated in this act to RTI International shall be used to support new research that is conducted in the State of North Carolina. Funds

appropriated to RTI International for the 2013-2014 fiscal year that are unexpended and unencumbered as of June 30, 2014, shall revert to the General Fund on June 30, 2014.

RURAL CENTER/REPEAL STATUTORY REFERENCES

SECTION 15.26.(a) G.S. 106-744 reads as rewritten:

"**§ 106-744. Purchase of agricultural conservation easements; establishment of North Carolina Agricultural Development and Farmland Preservation Trust Fund and Advisory Committee.**

...

(g) There is established the Agricultural Development and Farmland Preservation Trust Fund Advisory Committee. The Advisory Committee shall be administratively located within the Department of Agriculture and Consumer Services and shall advise the Commissioner on the prioritization and allocation of funds, the development of criteria for awarding funds, program planning, and other areas where monies from the Trust Fund can be used to promote the growth and development of family farms in North Carolina. The Advisory Committee shall be composed of 19 members as follows:

...

~~(7) The Executive Director of the North Carolina Rural Economic Development Center, Inc., or the Executive Director's designee.~~The Assistant Secretary for the Rural Economic Development Division within the Department of Commerce or the Assistant Secretary's designee.

...."

SECTION 15.26.(b) The Revisor of Statutes may, where necessitated by this section, correct any reference in the General Statutes and make any other conforming changes.

RURAL CENTER/EXPENSES FOR ADMINISTERING STATE-FUNDED GRANT PROGRAMS

SECTION 15.27.(a) The North Carolina Rural Economic Development Center, Inc. (Rural Center), may repurpose funds previously appropriated by the General Assembly for grant and loan programs to administer State-funded programs. Up to three million dollars ($3,000,000) in the 2013-2014 fiscal year and up to three million dollars ($3,000,000) in the 2014-2015 fiscal year of any unencumbered funds appropriated to the Rural Center in prior fiscal years may be repurposed to cover administrative expenses associated with State-funded programs. However, prior to repurposing funds to cover administrative expenses as provided in this subsection, the Rural Center shall first expend all State funds appropriated in prior fiscal years for administrative expenses.

SECTION 15.27.(b) No more than one hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one employee of the Rural Center. For purposes of this section, the term "State funds" means funds appropriated or allocated to an entity and interest earned on those funds.

SECTION 15.27.(c) No State funds shall be appropriated or allocated to the Rural Center for the 2013-2015 biennium, including grants, loans, or any other awards made by a State agency, department, or other entity. No nonprofit to whom State funds were appropriated or allocated in prior fiscal years or the 2013-2015 biennium shall grant, loan, or give any of those State funds to the Rural Center.

REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/STATUTES CREATING COMMISSIONS REPEALED

SECTION 15.28.(a) Articles 2 and 4 of Chapter 158 of the General Statutes are repealed.

SECTION 15.28.(b) Upon the dissolution of North Carolina's Eastern Region, the North Carolina's Eastern Region Development Commission, the governing body of North Carolina's Eastern Region, shall liquidate the assets of the Region to the extent possible and distribute all Region assets to the counties of the Region in proportion to the amount of the vehicle registration tax levied by the Commission and collected in each county. The assets of the Region that exceed the amount of the vehicle registration tax collected by the counties and are attributable to an appropriation made to the Region by the General Assembly shall revert to the General Fund and may not be distributed to the counties. A county may use funds distributed to it pursuant to this subsection only for economic development projects and infrastructure construction projects. In calculating the amount to be refunded to each county, the Region shall first allocate amounts loaned and not yet repaid as follows:

(1) Amounts loaned for a project in a county will be allocated to that county to the extent of its beneficial ownership of the principal of the interest-bearing trust account in which the proceeds of the vehicle registration tax levied by the Commission were placed, and the county will become the owner of the right to repayment of the amount loaned to the extent of its beneficial ownership of the principal of the trust account.

(2) Amounts not allocated pursuant to subdivision (1) of this subsection shall be allocated among the remaining counties in proportion to the amount of the vehicle registration tax collected in each county, and the remaining counties shall become the owners of the right to repayment of the amounts loaned in proportion to the amount of the vehicle registration tax collected in each county.

Notes and other instruments representing the right to repayment shall, upon dissolution of the Region, be held and collected by the State Treasurer, who shall disburse the collections to the counties as provided in this subsection.

The Commission shall distribute those assets that it is unable to liquidate among the Region counties insofar as practical on an equitable basis, as determined by the Commission. Upon dissolution, the State of North Carolina shall succeed to any remaining rights, obligations, and liabilities of the Region not assigned to the Region counties.

SECTION 15.28.(c) G.S. 120-123 reads as rewritten:

"**§ 120-123. Service by members of the General Assembly on certain boards and commissions.**

No member of the General Assembly may serve on any of the following boards or commissions:

...

~~(62) The North Carolina's Northeast Commission, as established by G.S. 158-8.2.~~

...."

SECTION 15.28.(d) G.S. 143-215.42 reads as rewritten:

"**§ 143-215.42. Acquisition of lands.**

...

(h) This section shall not authorize acquisition by condemnation of interests in land within the boundaries of any project to be constructed by the Tennessee Valley Authority, its agents or subdivision or any project licensed by the Federal Power Commission or interests in land owned or held for use by a public utility, as defined in G.S. 62-3. ~~No commission created pursuant to G.S. 158-8 shall condemn or acquire any property to be used by the Tennessee Valley Authority, its agents or subdivision.~~"

SECTION 15.28.(e) G.S. 143-506.10 reads as rewritten:

"**§ 143-506.10. Designation of growth centers; achieving balanced growth.**

It shall be the policy of the State of North Carolina to support the expansion of the State and to designate growth areas or centers with the potential, capacity and desire for growth. The

Governor, with the advice of county and municipal government officials and citizens, is charged with designating growth areas or centers, which shall include at least one center in each North Carolina county. Designation of growth areas or centers shall be reviewed annually. These designations may be used for the purpose of establishing priority consideration for State and federal assistance for growth.

Progress toward achieving balanced growth shall be measured by the strengthening of economic activity and the adequacy of public services within each of the State's multi-county ~~regions and, as to the geographical area included, the Southeastern Economic Development Commission.~~regions. The Governor, with the advice of county and municipal government officials and citizens, shall develop measures of progress toward achieving balanced growth."

SECTION 15.28.(f) G.S. 153A-398 reads as rewritten:

"**§ 153A-398. Regional planning and economic development commissions.**

Two or more counties, cities, or counties and cities may create a regional planning and economic development commission by adopting identical concurrent resolutions to that effect. Such a commission has the powers granted by this ~~Article and the powers granted by Chapter 158, Article 2.~~Article. If such a commission is created, it shall maintain separate books of account for appropriations and expenditures made pursuant to this ~~Article and for appropriations and expenditures made pursuant to Chapter 158, Article 2.~~Article."

SECTION 15.28.(g) The Revisor of Statutes may, where necessitated by this section, correct any reference in the General Statutes and make any other conforming changes.

HIGH POINT MARKET AUTHORITY/HOUSE COMMERCE ECONOMIC DEVELOPER POSITION

SECTION 15.29. To receive State funds, the High Point Market Authority shall provide suitable work space for a Department of Commerce economic developer position.

NC BIOTECHNOLOGY CENTER

SECTION 15.30.(a) Of the funds appropriated in this act to the North Carolina Biotechnology Center (hereinafter "Center"), the sum of eight million six hundred thousand three hundred thirty-eight dollars ($8,600,338) for each fiscal year in the 2013-2015 biennium shall be allocated as follows:

(1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development, and related activities – $1,852,063;

(2) Science and Commercialization: Science and Technology Development, Centers of Innovation, Business and Technology Development, Education and Training, and related activities – $5,566,743; and

(3) Center Operations: Administration, Professional and Technical Assistance and Oversight, Corporate Communications, Human Resource Management, Financial and Grant Administration, Legal, and Accounting – $1,181,532.

SECTION 15.30.(b) Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

SECTION 15.30.(c) The Center shall comply with the following reporting requirements:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the Center's annual audited financial statement within 30 days of issuance of the statement.

SECTION 15.30.(d) No more than one hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one employee of the Center. For purposes of this section, the term "State funds" means funds appropriated or allocated to an entity and interest earned on those funds.

SECTION 15.30.(e) No State funds shall be used by the Center (i) to hire or facilitate the hiring of a lobbyist or any person performing the duties or activities of a lobbyist, without regard to the person's title or (ii) to facilitate any lobbying efforts.

NC BIOTECHNOLOGY CENTER/CHALLENGE GRANT

SECTION 15.31.(a) It is the intent of the General Assembly that the North Carolina Biotechnology Center (hereinafter "Center") raise at least one million dollars ($1,000,000) in non-State funds for the 2013-2014 fiscal year and at least two million dollars ($2,000,000) in non-State funds for the 2014-2015 fiscal year. Receipts collected in prior fiscal years, State funds previously appropriated to the Center, and interest earned on State funds appropriated to the Center cannot be used as matching funds required by this section.

SECTION 15.31.(b) For the 2013-2014 fiscal year, the Center shall receive allocations as follows:

(1) Three-fourths of the funds appropriated in this act for the 2013-2014 fiscal year will be distributed to the Center in regular installments between July 1, 2013, and March 31, 2014.

(2) The remaining one-fourth of the funds appropriated in this act for the 2013-2014 fiscal year will be distributed in the fourth quarter of the fiscal year after demonstrating to the Department of Commerce that it has received at least the sum of one million dollars ($1,000,000) in non-State funds to match this allotment.

SECTION 15.31.(c) For the 2014-2015 fiscal year, the Center shall receive allocations as follows:

(1) One-half of the funds appropriated in this act for the 2014-2015 fiscal year will be distributed to the Center in regular installments between July 1, 2014, and December 31, 2014.

(2) One-fourth of the funds appropriated in this act for the 2014-2015 fiscal year will be distributed in the third quarter of the fiscal year after demonstrating to the Department of Commerce that it has received at least the sum of one million dollars ($1,000,000) in non-State funds to match this allotment.

(3) The remaining one-fourth of the funds appropriated in this act for the 2014-2015 fiscal year will be distributed in the fourth quarter of the fiscal year after demonstrating to the Department of Commerce that it has received at least the sum of one million dollars ($1,000,000) in non-State funds in addition to the requirements provided in subdivision (2) of this subsection.

NORTH CAROLINA BIOTECHNOLOGY CENTER/EXAMINE CENTER OPERATIONS

SECTION 15.32.(a) The Board of Directors (hereinafter "Board") of the North Carolina Biotechnology Center (hereinafter "Center") shall review and examine each aspect of the Center's operations to determine ways in which efficiencies and cost savings can be achieved. The review required by this section shall include evaluating:

(1) The activities conducted at the Center's headquarters in Research Triangle Park to determine how each and every activity is necessary to achieve the

goals for which State funds are appropriated. Any unnecessary or duplicative activities shall be reduced or eliminated.

(2) The activities conducted at the Center's regional offices and how those activities can be consolidated and performed in fewer locations.

(3) Staffing requirements at the Center's headquarters and at the regional offices to determine whether some staff positions are duplicated and, if so, whether those duplications can be reduced or eliminated.

(4) Whether State funds would be better used to provide additional grants and loans rather than to support current staffing levels and whether reducing current staffing levels to increase the amount of funds available for grants and loans would provide a positive return on investment. The Center shall determine the appropriate percentage of State funds that should be disbursed for grants, loans, and staff to maximize the return on State funds appropriated to the Center.

(5) The administration of grant and loan programs funded in any way with State funds to ensure that the programs are conducted in a cost-efficient manner.

(6) Any and all cash balances on hand to determine ways in which those cash balances can be used quickly to make grants and loans.

(7) The size of the Board and the overall governance of the Center to determine whether changes in either or both can be made to make the Center more cost-efficient and effective in providing grants or loans.

SECTION 15.32.(b) By March 1, 2014, the Center shall report the findings of the review required by subsection (a) of this section to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. The report shall include the steps taken by the Center to implement any changes made to the Center's operations as a result of the review and shall include the Center's anticipated funding requirements from the General Assembly.

SECTION 15.32.(c) Remaining allotments after March 1, 2014, shall not be released to the Center if it does not conduct the review and report its findings as provided in this section.

PART XVI. DEPARTMENT OF PUBLIC SAFETY

SUBPART XVI-A. GENERAL PROVISIONS

FEDERAL GRANT REPORTING AND MATCHING FUNDS

SECTION 16A.1.(a) The Department of Public Safety, the Department of Justice, and the Judicial Department shall report by May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the House of Representatives Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety on federal grant funds received or preapproved for receipt by those departments. The report shall include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the State match expended to receive the funds, and the period to be covered by each grant. If the department intends to continue the program beyond the end of the grant period, the department shall report on the proposed method for continuing the funding of the program at the end of the grant period. Each department shall also report on any information it may have indicating that the State will be requested to provide future funding for a program presently supported by a local grant.

SECTION 16A.1.(b) Notwithstanding the provisions of G.S. 143C-6-9, the Department of Public Safety may use up to the sum of one million two hundred thousand

dollars ($1,200,000) during the 2013-2014 fiscal year and up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2014-2015 fiscal year from funds available to the Department to provide the State match needed in order to receive federal grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

EXEMPT DPS FROM MOTOR FLEET MANAGEMENT

SECTION 16A.2.(a) G.S. 143-341 reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

...

(8) General Services:

...

i. To establish and operate a central motor pool and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

...

3. To require on a schedule determined by the Department all State agencies to transfer ownership, custody or control of any or all passenger motor vehicles within the ownership, custody or control of that agency to the Department, except those motor vehicles under the ownership, custody or control of ~~the Highway Patrol, the State Bureau of Investigation,~~(i) the Department of Public Safety; or (ii) the constituent institutions of The University of North Carolina which are used primarily for law-enforcement ~~purposes, and except those motor vehicles under the ownership, custody or control of the Department of Public Safety for Butner Public Safety which are used primarily for law enforcement, fire, or emergency purposes.~~purposes."

SECTION 16A.2.(b) Unexpended funds previously transferred from the Department of Public Safety to Fund Code 74100-7211 shall be reallocated to the Department of Public Safety to support the Department of Public Safety Motor Fleet and are hereby appropriated for that purpose.

SECTION 16A.2.(c) Of the funds appropriated to the Department of Public Safety in the 2012-2013 fiscal year, and subject to the approval of the State Chief Information Officer, the sum of ten million dollars ($10,000,000) shall be reallocated for the purchase and implementation of an enterprise resource planning (ERP) system that is to be part of a statewide ERP initiative.

SECTION 16A.2.(d) Subsection (c) of this section becomes effective June 30, 2013.

USE OF CLOSED FACILITIES

SECTION 16A.3. In conjunction with the closing of prison facilities, youth detention centers, and youth development centers, the Department of Public Safety shall consult with the county or municipality in which the facility is located, with the elected State and local officials, and with State and federal agencies about the possibility of converting that facility to other use. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the facility to other use. In developing a proposal for future use of each facility, the Department shall give priority to converting the facility to other

criminal justice use. Consistent with existing law and the future needs of the Department of Public Safety, the State may provide for the transfer or the lease of any of these facilities to counties, municipalities, State agencies, federal agencies, or private firms wishing to convert them to other use. The Department of Public Safety may also consider converting some of the facilities recommended for closing from one security custody level to another, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.

LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS

SECTION 16A.4. Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of the Department of Public Safety may reclassify or eliminate existing administrative positions that are not specifically addressed in this act as needed for the efficient operation of the Department. The Secretary of the Department of Public Safety shall report any position reclassification undertaken pursuant to this section to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and to the Fiscal Research Division, within 30 days of the reclassification. The report shall include the position number, original title, original fund code, original budgeted salary, new title, new fund code, and new budgeted salary for each reclassified position.

SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT

USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 16B.1.(a) Assets transferred to the Department of Justice or to the Department of Public Safety during the 2013-2015 fiscal biennium pursuant to applicable federal law shall be credited to the budgets of the respective departments and shall result in an increase of law enforcement resources for those departments. The Departments of Justice and Public Safety shall report to the Joint Legislative Commission on Governmental Operations, the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety upon receipt of the assets and, before using the assets, shall report on the intended use of the assets and the departmental priorities on which the assets may be expended.

SECTION 16B.1.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice and the Department of Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 16B.1.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

TRANSFER ABC PERMIT APPLICATION INVESTIGATION FUNCTION FROM ALE TO ABC COMMISSION

SECTION 16B.2. G.S. 18B-902(b) reads as rewritten:

"(b) Investigation. – Before issuing a new permit, the ~~Commission, with the assistance of the ALE Section,~~Commission shall investigate the applicant and the premises for which the permit is requested. The Commission may request the assistance of local ABC officers or other law enforcement officials in investigating applications. An applicant shall cooperate fully with the investigation. The Commission may delegate the duty to conduct investigations under this section to local boards.

The ~~Department of Justice~~Department of Public Safety may provide a criminal record check to the ~~ALE Section~~Commission or to the appropriate local board for a person who has applied for a permit through the Commission. The ~~ALE Section~~Commission or the appropriate local board shall provide to the ~~Department of Justice,~~Department of Public Safety, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Justice,~~Department of Public Safety, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The ~~ALE Section and the~~ Commission and local boards shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Justice~~Department of Public Safety may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

CREATION OF REGIONAL SBI/ALE OFFICES

SECTION 16B.3. The Department of Public Safety shall create eight regional offices in the Division of Law Enforcement at each of which shall be collocated personnel and property of the Alcohol Law Enforcement Section and the State Bureau of Investigation. Specifically, each regional office shall house one district of personnel and equipment for the Alcohol Law Enforcement Section, and appropriate personnel and equipment for the State Bureau of Investigation. These regional offices shall be operational by July 1, 2014, and on or before March 1, 2014, the Department shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the following:

(1) The amount of savings the Department anticipates achieving as a result of collocating personnel and property of the Alcohol Law Enforcement Section and the State Bureau of Investigation at the eight regional offices.

(2) The counties that will be included in each district and the regional office that will serve each district.

(3) The staffing levels anticipated at each regional office.

(4) Any statutory or regulatory changes that will be required as a prerequisite to or consequence of housing personnel and property of the Alcohol Law Enforcement Section and the State Bureau of Investigation within the same regional offices.

ELIMINATE BUTNER PUBLIC SAFETY AUTHORITY

SECTION 16B.4.(a) G.S. 122C-408 is repealed and the Butner Public Safety Authority hereby abolished.

SECTION 16B.4.(b) The town of Butner shall file articles of dissolution for the Butner Public Safety Authority with the Secretary of State. Upon filing those articles, all of the

property of the former Butner Public Safety Authority shall be distributed to the Town of Butner.

SECTION 16B.4.(c) G.S. 143-341(8)(i)(3) reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

...

(8) General Services:

...

i. To establish and operate a central motor pool and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

...

3. To require on a schedule determined by the Department all State agencies to transfer ownership, custody or control of any or all passenger motor vehicles within the ownership, custody or control of that agency to the Department, except those motor vehicles under the ownership, custody or control of the Highway Patrol, the State Bureau of Investigation, or the constituent institutions of The University of North Carolina which are used primarily for law-enforcement ~~purposes, and except those motor vehicles under the ownership, custody or control of the Department of Public Safety for Butner Public Safety which are used primarily for law-enforcement, fire, or emergency purposes.~~ purposes."

SECTION 16B.4.(d) G.S. 160A-288(d) reads as rewritten:

"(d) For purposes of this section, the following shall be considered the equivalent of a municipal police department:

(1) Campus law-enforcement agencies established pursuant to G.S. 115D-21.1(a) or G.S. 116-40.5(a).

(2) Colleges or universities which are licensed, or exempted from licensure, by G.S. 116-15 and which employ company police officers commissioned by the Attorney General pursuant to Chapter 74E or Chapter 74G of the General Statutes.

(3) Law enforcement agencies operated or eligible to be operated by a municipality pursuant to G.S. 63-53(2).

~~(4) Butner Public Safety Authority.~~

(5) A Company Police agency of the Department of Agriculture and Consumer Services commissioned by the Attorney General pursuant to Chapter 74E of the General Statutes."

SECTION 16B.4.(e) G.S. 160A-288.2(d) reads as rewritten:

"(d) For the purposes of this section, the following shall be considered the equivalent of a municipal police department:

(1) Campus law-enforcement agencies established pursuant to G.S. 116-40.5(a).

(2) Colleges or universities which are licensed, or exempted from licensure, by G.S. 116-15 and which employ company police officers commissioned by the Attorney General pursuant to Chapter 74E or Chapter 74G of the General Statutes.

~~(3) Butner Public Safety Authority.~~"

VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER) SYSTEM

SECTION 16B.5.(a) It is the intent of the General Assembly to continue to support development and implementation of the State's Voice Interoperability Plan for Emergency Response (VIPER) system in subsequent fiscal years. The Department is hereby authorized to spend up to five million dollars ($5,000,000) during the 2013-2014 fiscal year and ten million dollars ($10,000,000) during the 2014-2015 fiscal year to continue development and implementation of the State's VIPER system by constructing towers that will facilitate system expansion. Notwithstanding any other provision of law, State agencies, offices, commissions, and non-State entities shall not spend more than the amount of State funds authorized in this section for this purpose during the 2013-2015 fiscal biennium. This prohibition shall not be construed to prevent the expenditure of federal funds. This section does not impair or authorize the breach of any contract and instead affects the availability of appropriated funds within the meaning of G.S. 143C-6-8 and the terms of the North Carolina Information Technology Procurement Office General Terms and Conditions for Goods and Related Services related to availability of funds as specified in the applicable contract or contract extension.

SECTION 16B.5.(b) The Department of Public Safety shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on a quarterly basis on the progress of the State's VIPER system.

SUBPART XVI-C. DIVISION OF ADULT CORRECTION

LIMIT USE OF OPERATIONAL FUNDS

SECTION 16C.1. Funds appropriated in this act to the Department of Public Safety for operational costs for additional facilities shall be used for personnel and operating expenses set forth in the budget approved by the General Assembly. These funds shall not be expended for any other purpose, except as provided for in this act, and shall not be expended for additional prison personnel positions until the new facilities are within 120 days of projected completion, except that the Department may establish critical positions prior to 120 days of completion representing no more than twenty percent (20%) of the total estimated number of positions.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 16C.2. Notwithstanding G.S. 143C-6-9, the Department of Public Safety may use funds available to the Department for the 2013-2015 fiscal biennium to pay the sum of forty dollars ($40.00) per day as reimbursement to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The Department shall report quarterly to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and Senate Appropriations Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail backlog.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 16C.3. The Department of Public Safety may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2013-2015 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate

and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Public Safety.

INMATE MEDICAL COSTS

SECTION 16C.4.(a) The Department of Public Safety shall reimburse those providers and facilities providing approved inmate medical services outside the correctional facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care.

SECTION 16C.4.(b) The Department of Public Safety shall make every effort to contain inmate medical costs by making use of its own hospital and health care facilities to provide health care services to inmates. To the extent that the Department of Public Safety must utilize other facilities and services to provide health care services to inmates, the Department shall make reasonable efforts to make use of hospitals or other providers with which it has a contract or, if none is reasonably available, hospitals with available capacity or other health care facilities in a region to accomplish that goal. The Department shall make reasonable efforts to equitably distribute inmates among all hospitals or other appropriate health care facilities.

SECTION 16C.4.(c) The Department of Public Safety shall report to the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of Representative Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety no later than November 1, 2013, and quarterly thereafter on:

(1) The percentage of the total inmates requiring hospitalization or hospital services who receive that treatment at each hospital.

(2) The volume of services provided by community medical providers that can be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.

(3) The volume of services provided by community medical providers that cannot be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.

(4) The volume of services provided by community medical providers that are emergent cases requiring hospital admissions and emergent cases not requiring hospital admissions.

(5) The volume of inpatient medical services provided to Medicaid-eligible inmates, the cost of treatment, and the estimated savings of paying the nonfederal portion of Medicaid for the services.

(6) The status of the Division's efforts to contract with hospitals to provide secure wards in each of the State's five prison regions.

ANNUAL REPORT ON SAFEKEEPERS

SECTION 16C.5. The Department of Public Safety shall report by October 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and

Public Safety on county prisoners housed in the State prison system pursuant to safekeeping orders under G.S. 162-39(b) to avoid security risks in county jails or due to insufficient or inadequate county facilities. The report shall include:

(1) The number of safekeepers currently housed by the Department.
(2) A list of the facilities where safekeepers are housed and the population of safekeepers by facility.
(3) The average length of stay by a safekeeper in one of those facilities.
(4) The amount paid by counties for housing and extraordinary medical care of safekeepers.
(5) A list of the counties in arrears for safekeeper payments owed to the Department at the end of the fiscal year.

STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM

SECTION 16C.6.(a) G.S. 148-10.4(e) reads as rewritten:

"(e) Operating and Administrative Expenses. ~~Ten percent (10%)~~Five percent (5%) of the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund shall be transferred on a monthly basis to the Sheriffs' Association to be used to support the Program and for administrative and operating expenses of the Association and its staff. ~~One percent (1%)~~Five percent (5%) of the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund shall be transferred on a monthly basis to the General Fund to be allocated to the Division of Adult Correction for its administrative and operating expenses for the Program."

SECTION 16C.6.(b) The North Carolina Sheriffs' Association shall report by October 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and to the Joint Legislative Oversight Committee on Justice and Public Safety on the Statewide Misdemeanant Confinement Program. The report shall include the following with respect to the prior fiscal year:

(1) Revenue collected by the Statewide Misdemeanant Confinement Program.
(2) The cost of housing prisoners by county under the Program.
(3) The cost of transporting prisoners by county under the Program.
(4) Personnel costs by county.
(5) Inmate medical care costs by county.
(6) The number of counties that volunteer to house inmates under the Program.
(7) The administrative costs paid to the Sheriffs' Association and to the Department of Public Safety.

INMATE CONSTRUCTION PROGRAM

SECTION 16C.7. Notwithstanding G.S. 66-58 or any other provision of law, during the 2013-2015 fiscal biennium, the State Construction Office may, wherever feasible, utilize inmates in the custody of the Division of Adult Correction of the Department of Public Safety through the Inmate Construction Program for repair and renovation projects on State-owned facilities, with priority given to Department of Public Safety construction projects.

TRANSFER OF POSITIONS FROM WESTERN YOUTH INSTITUTION TO FOOTHILLS CORRECTIONAL INSTITUTION

SECTION 16C.8. The Division of Adult Correction shall transfer 55 positions from Western Youth Institution to Foothills Correctional Institution to supervise the youthful offenders being transferred from Western Youth Institution to Foothills Correctional Institution.

LEGAL RESEARCH SOFTWARE AND COMPUTER FACILITIES AVAILABLE TO INMATES

SECTION 16C.9. The Department of Public Safety shall develop and implement a system for the provision of legal research software on computer facilities available to inmates in the State prison system, in order to fulfill the State's responsibility to provide inmates in the custody of the Division of Adult Correction with legal assistance and access to the courts. The system shall make use of the most cost-effective legal research software available to meet the State's responsibility and shall be ready for use by inmates no later than July 1, 2013.

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 16C.10. Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-707.1. Report on probation and parole caseloads.**

(a) The Department of Public Safety shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on caseload averages for probation and parole officers. The report shall include:

(1) Data on current caseload averages and district averages for probation/parole officer positions.

(2) Data on current span of control for chief probation officers.

(3) An analysis of the optimal caseloads for these officer classifications.

(4) The number and role of paraprofessionals in supervising low-risk caseloads.

(5) The process of assigning offenders to an appropriate supervision level based on a risk/needs assessment.

(6) Data on cases supervised solely for the collection of court-ordered payments.

(b) The Department of Public Safety shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on the following:

(1) The number of sex offenders enrolled on active and passive GPS monitoring.

(2) The caseloads of probation officers assigned to GPS-monitored sex offenders.

(3) The number of violations.

(4) The number of absconders.

(5) The projected number of offenders to be enrolled by the end of the fiscal year."

PAROLE ELIGIBILITY REPORT/MUTUAL AGREEMENT PAROLE PROGRAM/MEDICAL RELEASE PROGRAM

SECTION 16C.11.(a) The Post-Release Supervision and Parole Commission shall, with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the Department of Public Safety, analyze the amount of time each inmate who is eligible for parole on or before July 1, 2014, has served compared to the time served by offenders under Structured Sentencing for comparable crimes. The Commission shall determine if the person has served more time in custody than the person would have served if sentenced to the maximum sentence under the provisions of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence," for the purposes of this section, shall be calculated as set forth in subsection (b) of this section.

SECTION 16C.11.(b) For the purposes of this section, the following rules apply for the calculation of the maximum sentence:

(1) The offense upon which the person was convicted shall be classified as the same felony class as the offense would have been classified if committed after the effective date of Article 81B of Chapter 15A of the General Statutes.

(2) The minimum sentence shall be the maximum number of months in the presumptive range of minimum durations in Prior Record Level VI of G.S. 15A-1340.17(c) for the felony class determined under subdivision (1) of this subsection. The maximum sentence shall be calculated using G.S. 15A-1340.17(d), (e), or (e1).

(3) If a person is serving sentences for two or more offenses that are concurrent in any respect, then the offense with the greater classification shall be used to determine a single maximum sentence for the concurrent offenses. The fact that the person has been convicted of multiple offenses may be considered by the Commission in making its determinations under subsection (a) of this section.

SECTION 16C.11.(c) The Post-Release Supervision and Parole Commission shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety by April 1, 2014. The report shall include the following: the class of the offense for which each parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions. The Commission shall reinitiate the parole review process for each offender who has served more time than that person would have under Structured Sentencing as provided by subsections (a) and (b) of this section.

The Commission shall also report on the number of parole-eligible inmates reconsidered in compliance with this section and the number who were actually paroled.

SECTION 16C.11.(d) Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-707.2. Mutual agreement parole program report; medical release program report.**

(a) The Department of Correction and the Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the number of inmates enrolled in the mutual agreement parole program, the number completing the program and being paroled, and the number who enrolled but were terminated from the program. The information should be based on the previous calendar year.

(b) The Department of Public Safety and the Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the number of inmates proposed for release, considered for release, and granted release under Chapter 84B of Chapter 15A of the General Statutes, providing for the medical release of inmates who are either permanently and totally disabled, terminally ill, or geriatric."

REPORT ON TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION

SECTION 16C.12. The Division of Community Corrections shall report by March 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Oversight Committee on Justice and Public Safety on

the status of the Treatment for Effective Community Supervision (TECS) program. The report shall include the following information:

(1) The amount of funds carried over from the prior fiscal year.
(2) The dollar amount and purpose of contracts awarded to vendors for the current fiscal year.
(3) An update on efforts to ensure that all counties make use of the electronic reporting system, including the number of counties submitting offender participation via the system.
(4) An analysis of offender participation data received, including data on each program's utilization, capacity, and completion rates.
(5) The number of offenders served by each contracted vendor.
(6) The outcome measures for program participants, including the rates of recidivism, employment status, and educational progress of participants.

JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY VACANT POSITIONS

SECTION 16C.13.(a) Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of Public Safety may reclassify vacant positions within the Department to create up to 25 new chief probation/parole officer positions in order to meet the increasing caseloads resulting from the implementation of the Justice Reinvestment Act of 2011, S.L. 2011-192, as amended.

SECTION 16C.13.(b) The Department of Public Safety shall report to the Chairs of the Senate Appropriations Committee on Justice and Public Safety and the House Appropriations Subcommittee on Justice and Public Safety by March 1, 2014, on the following:

(1) The position number, position type, salary, and position location of each new position created under the authority of this section.
(2) The position number, position type, fund code, and position location of each vacant position used to create new positions under the authority of this section.

SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE

ANNUAL EVALUATION OF COMMUNITY PROGRAMS AND MULTIPLE PURPOSE GROUP HOMES

SECTION 16D.1. Subpart B of Part 3 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-811. Annual evaluation of community programs and multiple purpose group homes.**

The Department of Public Safety shall conduct an annual evaluation of the community programs and of multipurpose group homes. In conducting the evaluation of each of these, the Department shall consider whether participation in each program results in a reduction of court involvement among juveniles. The Department shall also determine whether the programs are achieving the goals and objectives of the Juvenile Justice Reform Act, S.L. 1998-202.

The Department shall report the results of the evaluation to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the Senate and House of Appropriations Subcommittees on Justice and Public Safety by March 1 of each year."

JUVENILE CRIME PREVENTION COUNCIL FUNDS

SECTION 16D.2.(a) Subpart F of Part 3 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-852. Department of Public Safety to report on Juvenile Crime Prevention Council grants.

(a) On or before February 1 of each year, the Department of Public Safety shall submit to the Chairs of the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety a list of the recipients of the grants awarded, or preapproved for award, from funds appropriated to the Department for local Juvenile Crime Prevention Council (JCPC) grants, including the following information:

(1) The amount of the grant awarded.

(2) The membership of the local committee or council administering the award funds on the local level.

(3) The type of program funded.

(4) A short description of the local services, programs, or projects that will receive funds.

(5) Identification of any programs that received grant funds at one time but for which funding has been eliminated by the Department.

(6) The number of at-risk, diverted, and adjudicated juveniles served by each county.

(7) The Department's actions to ensure that county JCPCs prioritize funding for dispositions of intermediate and community-level sanctions for court-adjudicated juveniles under minimum standards adopted by the Department.

(8) The total cost for each funded program, including the cost per juvenile and the essential elements of the program.

(b) On or before February 1 of each year, the Department of Public Safety shall send to the Fiscal Research Division of the Legislative Services Commission an electronic copy of the list and information required under subsection (a) of this section."

SECTION 16D.2.(b) Of the funds appropriated by this act for the 2013-2015 fiscal biennium to the Department of Public Safety for Juvenile Crime Prevention Council grants, the sum of one hundred twenty-one thousand six hundred dollars ($121,600) for the 2013-2014 fiscal year and the sum of one hundred twenty-one thousand six hundred dollars ($121,600) for the 2014-2015 fiscal year shall be transferred to Project Challenge North Carolina, Inc., to be used for the continued support of Project Challenge programs throughout the State.

YOUTH DEVELOPMENT CENTER ANNUAL REPORT

SECTION 16D.3. Subpart B of Part 3 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-810. Youth Development Center annual report.**

The Department of Public Safety shall report by October 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and the Fiscal Research Division of the Legislative Services Commission on the Youth Development Center (YDC) population, staffing, and capacity in the preceding fiscal year. Specifically, the report shall include all of the following:

(1) The on-campus population of each YDC, including the county the juveniles are from.

(2) The housing capacity of each YDC.

(3) A breakdown of staffing for each YDC, including number, type of position, position title, and position description.

(4) The per-bed and average daily population cost for each facility.

(5) The operating cost for each facility, including personnel and nonpersonnel items.
(6) A brief summary of the treatment model, education, services, and plans for reintegration into the community offered at each facility.
(7) The average length of stay in the YDCs.
(8) The number of incidents of assaults and attacks on staff at each facility."

JUVENILE FACILITY MONTHLY COMMITMENT REPORT

SECTION 16D.4. Subpart C of Part 3 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-822. Juvenile facility monthly commitment report.**

The Department of Public Safety shall report electronically on the first day of each month to the Fiscal Research Division regarding each juvenile correctional facility and the average daily population for the previous month. The report shall include (i) the average daily population for each detention center and (ii) the monthly summary of the Committed Youth Report."

LIMIT USE OF COMMUNITY PROGRAM FUNDS

SECTION 16D.5.(a) Funds appropriated in this act to the Department of Public Safety for the 2013-2015 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 grants fund to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

SECTION 16D.5.(b) Under no circumstances shall funds appropriated by this act to the Department of Public Safety for the 2013-2015 fiscal biennium for community programs be used for staffing, operations, maintenance, or any other expenses of youth development centers or detention facilities.

SECTION 16D.5.(c) The Department of Public Safety shall submit an electronic report by October 1, 2013, on all expenditures made from the miscellaneous contract line in Fund Code 1230 to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the 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 Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund.

MULTIPURPOSE GROUP HOME

SECTION 16D.6. Of the funds appropriated in this act to the Department of Public Safety for the Division of Juvenile Justice for the 2013-2015 fiscal biennium, the sum of five hundred fifty thousand dollars ($550,000) for the 2013-2014 fiscal year and the sum of five

hundred fifty thousand dollars ($550,000) for the 2014-2015 fiscal year shall be used to continue operating a multipurpose group home in Craven County.

DIRECTOR/ADMINISTRATIVE HEAD OF JUVENILE JUSTICE DIVISION

SECTION 16D.7.(a) G.S. 143B-806 reads as rewritten:

"**§ 143B-806. Duties and powers of the Division of Juvenile Justice of the Department of Public Safety.**

(a) The head of the Division is a ~~Chief Deputy Secretary~~Director appointed by the Secretary of Public Safety. The ~~Chief Deputy Secretary~~ Director shall have the powers and duties conferred by this ~~Chapter,~~ Part, delegated by the Secretary of Public Safety or the Governor, and conferred by the Constitution and laws of this State. The Secretary of Public Safety shall be responsible for effectively and efficiently organizing the Division to promote the policy of the State as set forth in this Part and to promote public safety and to prevent the commission of delinquent acts by juveniles.

(b) The ~~Chief Deputy Secretary~~Director shall have the following powers and duties:

...

...."

SECTION 16D.7.(b) G.S. 153A-221.1 reads as rewritten:

"**§ 153A-221.1. Standards and inspections.**

The legal responsibility of the ~~Chief Deputy Secretary of~~ Director of the Division of Juvenile Justice of the Department of Public Safety for State services to county juvenile detention homes under this Article is hereby confirmed and shall include the following: development of State standards under the prescribed procedures; inspection; consultation; technical assistance; and training.

The Secretary of Health and Human Services, in consultation with the ~~Chief Deputy Secretary~~Director of the Division of Juvenile Justice of the Department of Public Safety, shall also develop standards under which a local jail may be approved as a holdover facility for not more than five calendar days pending placement in a juvenile detention home which meets State standards, providing the local jail is so arranged that any child placed in the holdover facility cannot converse with, see, or be seen by the adult population of the jail while in the holdover facility. The personnel responsible for the administration of a jail with an approved holdover facility shall provide close supervision of any child placed in the holdover facility for the protection of the child."

PART XVII. DEPARTMENT OF JUSTICE

BIANNUAL REPORTING ON ATTORNEY ACTIVITY

SECTION 17.1. Beginning on August 1, 2013, and every six months thereafter, the Attorney General shall report on the work of Department of Justice attorneys during the previous two quarters. The reports required by this section shall be filed with the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, with the Chairs of the Senate Appropriations Committee on Justice and Public Safety, with the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and with the Fiscal Research Division as follows:

(1) Agency-specific work. – A report on the work of Department of Justice attorneys for State agencies. This report shall include at least all of the following information:

a. The amount of time spent working for each State department and agency.

b. The amount of time spent on each case for each State department and agency.

c. The amount billed to each State agency for the legal services provided.

(2) Other work. – A report on the work of Department of Justice attorneys that is not on behalf of a particular State agency. The report required by this subdivision shall include all of the information required by subdivision (1) of this section and all of the following information:

a. The amount of time spent by each unit of the Department of Justice.

b. The amount of time spent on each particular matter for each unit of the Department of Justice.

ANNUAL CRIME LAB REPORT

SECTION 17.2. Beginning on October 1, 2013, and yearly thereafter, the Attorney General shall report on the work of the North Carolina State Crime Laboratory during the previous fiscal year. The reports required by this section shall be filed with the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and with the Fiscal Research Division. Each report shall include at least the following:

(1) Summary information about the workload of the Laboratory.

(2) Information about the number and type of different procedures and analyses performed by the Laboratory.

(3) A geographical breakdown by county of the number and type of requests for the various procedures and analyses performed by the Laboratory.

(4) An estimate of the dollar and time cost to perform each type of procedure and analysis performed by the Laboratory.

DEVELOPMENT OF TRAINING PROGRAM ON PROPER PROCEDURES FOR SUBMISSION OF EVIDENCE TO THE CRIME LAB

SECTION 17.3.(a) The North Carolina State Crime Laboratory, in conjunction with The University of North Carolina School of Government and the Conference of District Attorneys, shall develop a training program for district attorneys on proper procedures for submitting evidence to the North Carolina State Crime Laboratory. In order to ensure that it will be practicable to require all district attorneys in the State to receive the training in the future, the program shall be (i) designed with the time and resource constraints of district attorneys in mind and (ii) designed in a way that makes the program suitable for regional distribution and distribution through distance learning facilities at community colleges.

SECTION 17.3.(b) No later than October 1, 2013, the North Carolina State Crime Laboratory shall report its progress on developing the training program to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, to the Senate Appropriations Committee on Justice and Public Safety, to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and to the Fiscal Research Division.

USE OF TOXICOLOGY ANALYSIS FUNDS

SECTION 17.4. If the Attorney General determines that it is not appropriate to outsource toxicology cases due to legal or fiscal concerns involving analyst testimony, funds appropriated in this act for that purpose shall be reallocated to increase toxicology analysis capabilities within the North Carolina State Crime Laboratory.

NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE CRIME LABORATORY

SECTION 17.5. The Department of Justice shall not hire sworn personnel to fill vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be

construed to require the termination of sworn personnel, but as vacant positions in the State Laboratory are filled, they shall be filled only with non-sworn personnel.

TRANSFER MOST OF THE SBI TO THE DEPARTMENT OF PUBLIC SAFETY

TRANSFER OF STATE BUREAU OF INVESTIGATION AND DIVISION OF CRIMINAL INFORMATION

SECTION 17.6.(a) The North Carolina State Crime Laboratory, the State DNA Database and Databank, the Public Corruption Section of the Professional Standards Division of the State Bureau of Investigation, and the 16 information technology positions that currently serve the information technology needs of the Department of Justice are hereby transferred from the State Bureau of Investigation and shall be relocated elsewhere within the Department of Justice as determined by the Attorney General.

SECTION 17.6.(b) Except for the components transferred pursuant to subsection (a) of this section, the State Bureau of Investigation is hereby transferred to the Department of Public Safety as a new section within the Law Enforcement Division. This transfer shall have all of the elements of a Type I transfer, as described in G.S. 143A-6.

SECTION 17.6.(c) The Division of Criminal Information is hereby transferred to the Department of Public Safety. This transfer shall have all of the elements of a Type I transfer, as described in G.S. 143A-6.

CREATION OF STATUTORY SUBPARTS

SECTION 17.6.(d) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart A. General Provisions."

SECTION 17.6.(e) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart B. State Capitol Police."

SECTION 17.6.(f) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart C. State Bureau of Investigation – General Powers and Duties."

REPEAL OF CERTAIN STATUTES AND RECODIFICATION OF OTHER AFFECTED STATUTES

SECTION 17.6.(h) G.S. 114-13 is repealed.

SECTION 17.6.(i) G.S. 114-2.7 is recodified as G.S. 143B-901 under Subpart A of Article 13 of Chapter 143B of the General Statutes, as created by subsection (d) of this section.

SECTION 17.6.(j) G.S. 114-10 through G.S. 114-10.1 are recodified as G.S. 143B-902 through G.S. 143B-905 under Subpart A of Article 13 of Chapter 143B of the General Statutes, as created by subsection (d) of this section.

SECTION 17.6.(k) G.S. 143B-900 is recodified as G.S. 143B-906 under Subpart B of Article 13 of Chapter 143B of the General Statutes, as created by subsection (e) of this section.

SECTION 17.6.(l) The following statutes are recodified as G.S. 143B-907 through G.S. 143B-917 under Subpart C of Article 13 of Chapter 143B of the General Statutes, as created by subsection (f) of this section: G.S. 114-12, 114-12.1, 114-14 through 114-15.3, and 114-17 through 114-19.

SECTION 17.6.(m) Part 2 of Article 4 of Chapter 114 of the General Statutes is recodified as Subpart D of Article 13 of Chapter 143B of the General Statutes, "State Bureau of Investigation – Criminal History Record Checks," G.S. 143B-920 through G.S. 143B-972.

Statutory sections of the former statutes that were reserved for future codification shall have corresponding sections that are reserved for future codification in the recodified statutes.

SECTION 17.6.(n) Part 3 of Article 4 of Chapter 114 of the General Statutes is recodified as Subpart E of Article 13 of Chapter 143B of the General Statutes, "State Bureau of Investigation – Protection of Public Officials," G.S. 143B-975 through G.S. 143B-976.

OTHER CHANGES

SECTION 17.6.(o) The following statutes, as recodified by subsections (i) through (n) of this section, as applicable, are amended by deleting the language "Department of Justice" wherever it appears and substituting "Department of Public Safety": G.S. 14-208.15A, 53-244.050, 58-71-51, 58-89A-60, 66-407, 74C-8.1, 74D-2.1, 84-24, 90-11, 90-30, 90-85.15, 90-102.1, 90-143.3, 90-210.25, 90-224, 90-652, 90D-7, 93A-4, 95-47.2, 106-65.26, 110-90.2, 114-12.1, 114-19.1 through 114-19.32, 115C-238.29K, 115C-238.73, 131D-10.3A, 143-166.13, and 160A-304.

SECTION 17.6.(p) The following statute is amended by deleting the language "State Bureau of Investigation" wherever it appears and substituting "North Carolina State Crime Laboratory": G.S. 14-269.1.

SECTION 17.6.(q) The following statutes, as recodified by subsections (i) through (n) of this section, as applicable, are amended by deleting the language "Attorney General" wherever it appears and substituting "Secretary of Public Safety": G.S. 15A-1475, 58-79-1, 114-15.2, and 163-278.

SECTION 17.6.(r) The following statutes, as recodified by subsections (i) through (n) of this section, as applicable, are amended by deleting the language "Director of the State Bureau of Investigation" or "Director of the Bureau" wherever it appears and substituting "Secretary of Public Safety": G.S. 7A-375, 7B-1402, 7B-1404, 15A-1383, 20-39.1, 114-14.1, 114-15.1, 114-15.3.

SECTION 17.6.(s) The following statutes, as recodified by subsections (i) through (n) of this section, as applicable, are amended by deleting the language "Division of Criminal Information" and "State Bureau of Investigation's Division of Criminal Information" wherever it appears and substituting "Department of Public Safety": G.S. 7B-2507, 15A-1340.14, 15A-1340.21, 20-26, 85B-3.2, 114-19.6, 114-19.12, 114-19.23, 114-19.50, 122C-80.

SECTION 17.6.(t) The following statutes, as recodified by subsections (i) through (n) of this section, as applicable, are amended by deleting the language "Division" wherever it appears and substituting "Department of Public Safety": G.S. 14-208.7, 14-208.8, 14-208.8A, 14-208.9, 14-208.9A, 14-208.12A, 14-208.15, 14-208.15A, 14-208.22, and 14-208.27. However, no substitution shall be made under this subsection to instances of the word "Division" that appear in the phrase "Division of Adult Correction."

SECTION 17.6.(t1) The following statutes are amended by deleting "SBI" wherever it appears and substituting "Department of Justice": G.S. 15A-146 and G.S. 15A-148.

SECTION 17.6.(t2) The following statutes are amended by deleting "SBI" wherever it appears and substituting "Department": G.S. 15A-266.3, 15A-266.3A, 15A-266.5, 15A-266.6, 15A-266.7, 15A-266.8, 15A-266.9, 15A-266.12, 15A-267, and 15A-268.

SECTION 17.6.(u) 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 subdivisions (7) or (8) of this section.

...

(7) For the services of the North Carolina State Crime Laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the ~~State Bureau of Investigation.~~Laboratory. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed DNA analysis of the crime, tests of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent.

(8) For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for law enforcement purposes. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed DNA analysis of the crime, test of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The costs shall be assessed only if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the ~~State Bureau of Investigation~~North Carolina State Crime Laboratory under subdivision (7) of this subsection.

(9) For the support and services of the ~~State Bureau of Investigation~~State DNA Database and DNA Databank, the sum of two dollars ($2.00). This amount is annually appropriated to the Department of Justice for this purpose. Notwithstanding the provisions of subsection (e) of this section, this cost does not apply to infractions.

...."

SECTION 17.6.(v) G.S. 7A-349 reads as rewritten:

"**§ 7A-349. Criminal history record check; denial of employment, contract, or volunteer opportunity.**

The Judicial Department may deny employment, a contract, or a volunteer opportunity to any person who refuses to consent to a criminal history check authorized under G.S. 114-19.19 and may dismiss a current employee, terminate a contractor, or terminate a volunteer relationship if that employee, contractor, or volunteer refuses to consent to a criminal history record check authorized under ~~G.S. 114-19.19.~~G.S. 143B-941."

SECTION 17.6.(w) G.S. 7B-1904 reads as rewritten:

"**§ 7B-1904. Order for secure or nonsecure custody.**

The custody order shall be in writing and shall direct a law enforcement officer or other authorized person to assume custody of the juvenile and to make due return on the order. The official executing the order shall give a copy of the order to the juvenile's parent, guardian, or custodian. If the order is for nonsecure custody, the official executing the order shall also give a copy of the petition and order to the person or agency with whom the juvenile is being placed. If the order is for secure custody, copies of the petition and custody order shall accompany the juvenile to the detention facility or holdover facility of the jail. A message of ~~the Division of Criminal Information, State Bureau of Investigation,~~the Department of Public Safety, stating that a juvenile petition and secure custody order relating to a specified juvenile are on file in a particular county shall be authority to detain the juvenile in secure custody until a copy of the juvenile petition and secure custody order can be forwarded to the juvenile detention facility.

The copies of the juvenile petition and secure custody order shall be transmitted to the detention facility no later than 72 hours after the initial detention of the juvenile.

An officer receiving an order for custody which is complete and regular on its face may execute it in accordance with its terms and need not inquire into its regularity or continued validity, nor does the officer incur criminal or civil liability for its execution."

SECTION 17.6.(x) G.S. 14-16.9 reads as rewritten:

"**§ 14-16.9. Officers-elect to be covered.**

Any person who has been elected to any office covered by this Article but has not yet taken the oath of office shall be considered to hold the office for the purpose of this Article and ~~G.S. 114-15.~~G.S. 143B-911."

SECTION 17.6.(y) G.S. 14-132(c)(3) reads as rewritten:

"(3) Designated by the ~~Attorney General~~Secretary of Public Safety in accordance with ~~G.S. 114-20.1.~~G.S. 143B-976."

SECTION 17.6.(z) G.S. 14-208.6 reads as rewritten:

"**§ 14-208.6. Definitions.**

The following definitions apply in this Article:

...

(1c) ~~"Division"~~"Department" means the ~~Division of Criminal Information of the Department of Justice.~~Department of Public Safety.

...

(8) "Statewide registry" means the central registry compiled by the ~~Division~~ Department in accordance with G.S. 14-208.14.

...."

SECTION 17.6.(aa) G.S. 14-208.13 reads as rewritten:

"**§ 14-208.13. File with ~~Police~~ Criminal Information Network.**

(a) The ~~Division~~ Department of Public Safety shall include the registration information in the ~~Police~~ Criminal Information Network as set forth in ~~G.S. 114-10.1.~~G.S. 143B-905.

(b) The ~~Division~~ Department of Public Safety shall maintain the registration information permanently even after the registrant's reporting requirement expires."

SECTION 17.6.(bb) G.S. 14-208.14 reads as rewritten:

"**§ 14-208.14. Statewide registry; ~~Division of Criminal Statistics~~Department of Public Safety designated custodian of statewide registry.**

(a) The ~~Division of Criminal Statistics~~ Department of Public Safety shall compile and keep current a central statewide sex offender registry. The ~~Division~~ Department is the State agency designated as the custodian of the statewide registry. As custodian the ~~Division~~ Department has the following responsibilities:

(1) To receive from the sheriff or any other law enforcement agency or penal institution all sex offender registrations, changes of address, changes of academic or educational employment status, and prerelease notifications required under this Article or under federal law. The ~~Division~~ Department shall also receive notices of any violation of this Article, including a failure to register or a failure to report a change of address.

(2) To provide all need-to-know law enforcement agencies (local, State, campus, federal, and those located in other states) immediately upon receipt by the ~~Division~~ Department of any of the following: registration information, a prerelease notification, a change of address, a change of academic or educational employment status, or notice of a violation of this Article.

(2a) To notify the appropriate law enforcement unit at an institution of higher education as soon as possible upon receipt by the ~~Division~~ Department of relevant information based on registration information or notice of a change

of academic or educational employment status. If an institution of higher education does not have a law enforcement unit, then the ~~Division~~Department shall provide the information to the local law enforcement agency that has jurisdiction for the campus.

(3) To coordinate efforts among law enforcement agencies and penal institutions to ensure that the registration information, changes of address, change of name, prerelease notifications, and notices of failure to register or to report a change of address are conveyed in an appropriate and timely manner.

(4) To provide public access to the statewide registry in accordance with this Article.

(4a) To maintain the system for public access so that a registrant's full name, any aliases, and any legal name changes are cross-referenced and a member of the public may conduct a search of the system for a registrant under any of those names.

(5) To maintain a system allowing an entity to access a list of online identifiers of persons in the central sex offender registry.

(b) The statewide registry shall include the following:

(1) Registration information obtained by a sheriff or penal institution under this Article or from any other local or State law enforcement agency.

(2) Registration information received from a state or local law enforcement agency or penal institution in another state.

(3) Registration information received from a federal law enforcement agency or penal institution."

SECTION 17.6.(cc) G.S. 14-208.31 reads as rewritten:

"**§ 14-208.31. File with ~~Police~~ Criminal Information Network.**

(a) The ~~Division~~ Department of Public Safety shall include the registration information in the ~~Police~~ Criminal Information Network as set forth in ~~G.S. 114-10.1.~~G.S. 143B-905.

(b) The ~~Division~~ Department of Public Safety shall maintain the registration information permanently even after the registrant's reporting requirement expires; however, the records shall remain confidential in accordance with Article 32 of Chapter 7B of the General Statutes."

SECTION 17.6.(dd) G.S. 14-415.4(d)(5) reads as rewritten:

"(5) The petitioner submits his or her fingerprints to the sheriff of the county in which the petitioner resides for a criminal background check pursuant to ~~G.S. 114-19.28.~~G.S. 143B-950."

SECTION 17.6.(ee) G.S. 15A-1341(d) reads as rewritten:

"(d) Search of Sex Offender Registration Information Required When Placing a Defendant on Probation. – When the court places a defendant on probation, the probation officer assigned to the defendant shall conduct a search of the defendant's name or other identifying information against the registration information regarding sex offenders compiled by the ~~Division of Criminal Statistics of the Department of Justice~~Department of Public Safety in accordance with Article 27A of Chapter 14 of the General Statutes. The probation officer may conduct the search using the Internet site maintained by the ~~Division of Criminal Statistics.~~Department of Public Safety."

SECTION 17.6.(ee1) G.S. 15A-266.2 reads as rewritten:

"**§ 15A-266.2. Definitions.**

As used in this Article, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:

...

(1e) Department. – The Department of Justice.

...

~~(6) "SBI" means the State Bureau of Investigation. The SBI is responsible for the policy, management, and administration of the State DNA identification record system to support law enforcement and other criminal justice agencies.~~

...

(8) "State DNA Database" means the ~~SBI's~~ Department of Justice's DNA identification record system to support law enforcement. It is administered by the ~~SBI~~ Department of Justice and provides DNA records to the FBI for storage and maintenance in CODIS. The ~~SBI's~~ Department's DNA Database system is the collective capability provided by computer software and procedures administered by the ~~SBI~~ Department to store and maintain DNA records related to: forensic casework; convicted offenders and arrestees required to provide a DNA sample under this Article; persons required to register as sex offenders under G.S. 14-208.7; unidentified persons or body parts; missing persons; relatives of missing persons; and anonymous DNA profiles used for forensic validation, forensic protocol development, or quality control purposes or establishment of a population statistics database for use by criminal justice agencies."

SECTION 17.6.(ee2) G.S. 15A-266.3A(d) reads as rewritten:

"(d) After taking a DNA sample from an arrested person required to provide a DNA sample pursuant to this section, the person taking the DNA sample shall provide the arrested person with a written notice of the procedures for seeking an expunction of the DNA sample pursuant to subsections (h), (i), (j), (k), and (l) of this section. The Department ~~of Justice~~ shall provide the written notice required by this subsection."

SECTION 17.6.(ee3) G.S. 15A-266.3A(h) reads as rewritten:

(h) The ~~State Bureau of Investigation~~Department shall remove a person's DNA record, and destroy any DNA biological samples that may have been retained, from the State DNA Database and DNA Databank if both of the following are determined pursuant to subsection (i) of this section:

...."

SECTION 17.6.(ee4) G.S. 15A-269(b1) reads as rewritten:

"(b1) If the court orders DNA testing, such testing shall be conducted by an ~~SBI-approved~~ Department-approved testing facility, mutually agreed upon by the petitioner and the State and approved by the court. If the parties cannot agree, the court shall designate the testing facility and provide the parties with reasonable opportunity to be heard on the issue."

SECTION 17.6.(gg) G.S. 18C-151(a)(3) reads as rewritten:

"(3) All proposals shall be accompanied by a bond or letter of credit in an amount equal to not less than five percent (5%) of the proposal and the fee to cover the cost of the criminal record check conducted under ~~G.S. 114-19.6.~~G.S. 143B-926."

SECTION 17.6.(hh) G.S. 48-3-309 reads as rewritten:

"**§ 48-3-309. Mandatory preplacement criminal checks of prospective adoptive parents seeking to adopt a minor who is in the custody or placement responsibility of a county department of social services and mandatory preplacement criminal checks of all individuals 18 years of age or older who reside in the prospective adoptive home.**

...

(c) The ~~Department of Justice~~Department of Public Safety shall provide to the Department of Health and Human Services the criminal history of any individual required to be checked under subsection (a) of this section as requested by the Department and obtained from the State and National Repositories of Criminal Histories. The Department shall provide to the

~~Department of Justice,~~Department of Public Safety, along with the request, the fingerprints of any individual to be checked, any additional information required by the ~~Department of Justice,~~Department of Public Safety, and a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the State or National Repositories signed by the individual to be checked. The fingerprints of any individual to be checked shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check.

...

(h) The ~~Department of Justice~~Department of Public Safety shall perform the State and national criminal history checks on prospective adoptive parents seeking to adopt a minor in the custody or placement responsibility of a county department of social services and all individuals 18 years of age or older who reside in the prospective adoptive home and shall charge the Department of Health and Human Services a reasonable fee only for conducting the checks of the national criminal history records authorized by this section. The Division of Social Services, Department of Health and Human Services, shall bear the costs of implementing this section."

SECTION 17.6.(ii) G.S. 74F-6(16) reads as rewritten:

"(16) Request that the Department of Justice conduct criminal history record checks of applicants for licensure and apprenticeships pursuant to ~~G.S. 114-19.15.~~G.S. 143B-937."

SECTION 17.6.(jj) G.S. 90-113.33(10) reads as rewritten:

"(10) Request that the Department of Justice conduct criminal history record checks of applicants for registration, certification, or licensure pursuant to ~~G.S. 114-19.11A.~~G.S. 143B-932."

SECTION 17.6.(kk) G.S. 90-171.23(b)(19) reads as rewritten:

"(19) Request that the Department of Justice conduct criminal history record checks of applicants for licensure pursuant to ~~G.S. 114-19.11.~~G.S. 143B-931."

SECTION 17.6.(ll) G.S. 90-270.63(b) reads as rewritten:

"(b) The Board may request that an applicant for licensure, an applicant seeking reinstatement of a license, or a licensee under investigation by the Board for alleged criminal offenses in violation of this Article consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny licensure to an applicant, deny reinstatement of a license to an applicant, or revoke the license of a licensee. The Board shall ensure that the State and national criminal history of an applicant is checked. The Board shall be responsible for providing to the North Carolina Department of Justice the fingerprints of the applicant or licensee to be checked, a form signed by the applicant or licensee consenting to the criminal history record check and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories, and any additional information required by the Department of Justice in accordance with ~~G.S. 114-19.27.~~G.S. 143B-949. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the Department of Justice and shall remit the fees to the Department of Justice for expenses associated with conducting the criminal history record check."

SECTION 17.6.(mm) G.S. 90-345(b) reads as rewritten:

"(b) The Board may request that an applicant for licensure, an applicant seeking reinstatement of a license, or a licensee under investigation by the Board for alleged criminal offenses in violation of this Article consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny licensure to an applicant, deny reinstatement of a license to an applicant, or revoke the license

of a licensee. The Board shall ensure that the State and national criminal history of an applicant is checked. The Board shall be responsible for providing to the North Carolina Department of Justice the fingerprints of the applicant or licensee to be checked, a form signed by the applicant or licensee consenting to the criminal record check and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories, and any additional information required by the Department of Justice in accordance with ~~G.S. 114-19.26.~~G.S. 143B-948. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the Department of Justice and shall remit the fees to the Department of Justice for expenses associated with conducting the criminal history record check."

SECTION 17.6.(nn) G.S. 93E-2-11(b) reads as rewritten:

"(b) The Board may require that an applicant for registration as an appraisal management company or a registrant consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny registration to an applicant or registrant. The Board shall ensure that the State and national criminal history of an applicant or registrant is checked. The Board shall be responsible for providing to the North Carolina Department of Justice the fingerprints of the applicant or registrant to be checked, a form signed by the applicant or registrant consenting to the criminal record check and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories, and any additional information required by the Department of Justice in accordance with ~~G.S. 114-19.30.~~G.S. 143B-952. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the Department of Justice and shall remit the fees to the Department of Justice for expenses associated with conducting the criminal history record check."

SECTION 17.6.(oo) G.S. 101-5 reads as rewritten:

"**§ 101-5. Name change application requirements; grounds for clerk to order or deny name change; certificate and record.**

...

(e) The clerk shall forward the order granting the name change to:

(1) The State Registrar of Vital Statistics on a form provided by the Registrar. If the applicant was born in North Carolina, the State Registrar shall note the change of name of the individual or individuals specified in the order on the birth certificate of that individual or those individuals and shall notify the register of deeds in the county of birth. If the applicant was born in another state of the United States, the State Registrar shall forward the notice of change of name to the registration office of the state of birth.

(2) The ~~Division of Criminal Information at the State Bureau of Investigation,~~Department of Public Safety, which shall update its records to show the name change.

...

(g) Upon information obtained by the clerk of fraud or material misrepresentation in the application for a name change, the clerk on his or her own motion may set aside the order granting the name change after notice to the applicant and opportunity to be heard. If the clerk sets aside the name change order, the clerk shall notify the State Registrar of Vital Statistics and the ~~Division of Criminal Information.~~Department of Public Safety."

SECTION 17.6.(pp) G.S. 110-90.2(g) reads as rewritten:

"(g) The child care provider shall pay the cost of the fingerprinting and the federal criminal history record check in accordance with ~~G.S. 114-19.5.~~G.S. 143B-925. The Department of Justice shall perform the State criminal history record check. The Department of Health and Human Services shall pay for and conduct the county criminal history record check. Child care providers who reside outside the State bear the cost of the county criminal history

record check and shall provide the county criminal history record check to the Division of Child Development as required by this section."

SECTION 17.6.(qq) G.S. 113-172(a) reads as rewritten:

"(a) The Secretary shall designate license agents for the Department. At least one license agent shall be designated for each county that contains or borders on coastal fishing waters. The Secretary may designate additional license agents in any county if the Secretary determines that additional agents are needed to provide efficient service to the public. The Division and license agents designated by the Secretary under this section shall issue licenses authorized under this Article in accordance with this Article and the rules of the Commission. The Secretary may require license agents to enter into a contract that provides for their duties and compensation, post a bond, and submit to reasonable inspections and audits. If a license agent violates any provision of this Article, the rules of the Commission, or the terms of the contract, the Secretary may initiate proceedings for the forfeiture of the license agent's bond and may summarily suspend, revoke, or refuse to renew a designation as a license agent and may impound or require the return of all licenses, moneys, record books, reports, license forms and other documents, ledgers, and materials pertinent or apparently pertinent to the license agency. The Secretary shall report evidence or misuse of State property, including license fees, by a license agent to the State Bureau of Investigation as provided by ~~G.S. 114-15.1.~~G.S. 143B-912."

SECTION 17.6.(rr) G.S. 114-2.7, as recodified by subsection (i) of this section, reads as rewritten:

"**§ 143B-901. Reporting system and database on certain domestic-violence-related homicides; reports by law enforcement agencies required; annual report to the General Assembly.**

The ~~Attorney General's Office,~~Department of Public Safety, in consultation with the North Carolina Council for Women/Domestic Violence Commission, the North Carolina Sheriffs' Association, and the North Carolina Association of Chiefs of Police, shall develop a reporting system and database that reflects the number of homicides in the State where the offender and the victim had a personal relationship, as defined by G.S. 50B-1(b). The information in the database shall also include the type of personal relationship that existed between the offender and the victim, whether the victim had obtained an order pursuant to G.S. 50B-3, and whether there was a pending charge for which the offender was on pretrial release pursuant to G.S. 15A-534.1. All State and local law enforcement agencies shall report information to the ~~Attorney General's Office~~Department of Public Safety upon making a determination that a homicide meets the reporting system's criteria. The report shall be made in the format adopted by the ~~Attorney General's Office.~~Department of Public Safety. The ~~Attorney General's Office~~ Department of Public Safety shall report to the ~~Joint Legislative Committee on Domestic Violence,~~Joint Legislative Oversight Committee on Justice and Public Safety, no later than February 1 of each year, with the data collected for the previous calendar year."

SECTION 17.6.(ss) Article 1 of Chapter 114 of the General Statutes is amended by adding a new section to read:

"**§ 114-8.6. Power of arrest.**

Law enforcement officers of the Attorney General's office who are engaged in the investigation of public corruption are given the same power of arrest as is now vested in the sheriffs of the several counties, and their jurisdiction shall be statewide. Such law enforcement officers shall, at the request of the Governor, give assistance to sheriffs, police officers, district attorneys, and judges when called upon by them and so directed."

SECTION 17.6.(tt) G.S. 114-10, as recodified by subsection (j) of this section, reads as rewritten:

"**§ 143B-902. ~~Division of Criminal Information.~~Powers and duties of the Department of Public Safety with respect to criminal information.**

~~The Attorney General shall set up in the Department of Justice a division to be designated as the Division of Criminal Information. There shall be assigned to this Division by the Attorney General duties as follows:~~In addition to its other duties, it shall be the duty of the Department of Public Safety to do all of the following:

...

(2) To collect, correlate, and maintain access to information that will assist in the performance of duties required in the administration of criminal justice throughout the State. This information may include, but is not limited to, motor vehicle registration, drivers' licenses, wanted and missing persons, stolen property, warrants, stolen vehicles, firearms registration, sexual offender registration as provided under Article 27A of Chapter 14 of the General Statutes, drugs, drug users and parole and probation histories. In performing this function, the ~~Division~~ Department may arrange to use information available in other agencies and units of State, local and federal government, but shall provide security measures to insure that such information shall be made available only to those whose duties, relating to the administration of justice, require such information.

...

~~(5) To perform such other duties as may be from time to time prescribed by the Attorney General.~~

(6) To promulgate rules and regulations for the administration of this Article."

SECTION 17.6.(uu) G.S. 114-10.01, as recodified by subsection (j) of this section, reads as rewritten:

"§ 143B-903. Collection of traffic law enforcement statistics.

(a) ~~In addition to the duties set forth in G.S. 114-10, the Division of Criminal Information~~ In addition to its other duties, the Department of Public Safety shall collect, correlate, and maintain the following information regarding traffic law enforcement by law enforcement officers:

...

(b) For purposes of this section, "law enforcement officer" means any of the following:

(1) All State law enforcement officers.

(2) Law enforcement officers employed by county sheriffs or county police departments.

(3) Law enforcement officers employed by police departments in municipalities with a population of 10,000 or more persons.

(4) Law enforcement officers employed by police departments in municipalities employing five or more full-time sworn officers for every 1,000 in population, as calculated by the ~~Division~~ Department for the calendar year in which the stop was made.

...

(d) Each law enforcement officer making a stop covered by subdivision (1) of subsection (a) of this section shall be assigned an anonymous identification number by the officer's employing agency. The anonymous identifying number shall be public record and shall be reported to the ~~Division~~ Department to be correlated along with the data collected under subsection (a) of this section. The correlation between the identification numbers and the names of the officers shall not be a public record, and shall not be disclosed by the agency except when required by order of a court of competent jurisdiction to resolve a claim or defense properly before the court.

(d1) Any agency subject to the requirements of this section shall submit information collected under subsection (a) of this section to the ~~Division~~ Department within 60 days of the close of each month. Any agency that does not submit the information as required by this

subsection shall be ineligible to receive any law enforcement grants available by or through the State until the information which is reasonably available is submitted.

(e) The ~~Division~~ Department shall publish and distribute by December 1 of each year a list indicating the law enforcement officers that will be subject to the provisions of this section during the calendar year commencing on the following January 1."

SECTION 17.6.(vv) G.S. 114-10.02, as recodified by subsection (j) of this section, reads as rewritten:

"**§ 143B-904. Collection of statistics on the use of deadly force by law enforcement officers.**

(a) In addition to ~~the duties set forth in G.S. 114-10, the Division of Criminal Information~~its other duties, the Department of Public Safety shall collect, maintain, and annually publish the number of deaths, by law enforcement agency, resulting from the use of deadly force by law enforcement officers in the course and scope of their official duties.

(b) For purposes of this section, "law enforcement officer" means sworn law enforcement officers with the power of arrest, both State and local."

SECTION 17.6.(ww) G.S. 114-10.1, as recodified by subsection (j) of this section, reads as rewritten:

"**§ 143B-905. ~~Police~~ Criminal Information Network.**

(a) The ~~Division of Criminal Information~~Department of Public Safety is authorized to establish, devise, maintain and operate a system for receiving and disseminating to participating agencies information collected, maintained and correlated under authority of ~~G.S. 114-10 of this Article.~~G.S. 143B-902. The system shall be known as the ~~Division of~~ Criminal Information Network.

(b) The ~~Division of Criminal Information~~ Department of Public Safety is authorized to cooperate with the Division of Motor Vehicles, Department of Administration, ~~the Department of Public Safety,~~ and other State, local and federal agencies and organizations in carrying out the purpose and intent of this section, and to utilize, in cooperation with other State agencies and to the extent as may be practical, computers and related equipment as may be operated by other State agencies.

(c) The ~~Division of Criminal Information,~~Department of Public Safety, after consultation with participating agencies, shall adopt rules and regulations governing the organization and administration of the ~~Division of~~ Criminal Information Network, including rules and regulations governing the types of information relating to the administration of criminal justice to be entered into the system, and who shall have access to such information. The rules and regulations governing access to the ~~Division of~~ Criminal Information Network shall not prohibit an attorney who has entered a criminal proceeding in accordance with G.S. 15A-141 from obtaining information relevant to that criminal proceeding. The rules and regulations governing access to the ~~Division of~~ Criminal Information Network shall not prohibit an attorney who represents a person in adjudicatory or dispositional proceedings for an infraction from obtaining the person's driving record or criminal history.

(d) ~~The Division of Criminal Information may impose an initial set up fee of two thousand six hundred fifty dollars ($2,650) for agencies to participate in the Division of Criminal Information Network. This one time fee shall be used to offset the cost of the router and data circuit needed to access the Network.~~

The ~~Division of Criminal Information~~ Department may ~~also~~ impose monthly fees on participating agencies. The monthly fees collected under this subsection shall be used to offset the cost of operating and maintaining the ~~Police~~ Criminal Information ~~Network~~Network.

(1) The ~~Division of Criminal Information~~Department may impose a monthly circuit fee on agencies that access the ~~Division of~~ Criminal Information Network through a circuit maintained and operated by the ~~Department of Justice.~~Department of Public Safety. The amount of the monthly fee is three

hundred dollars ($300.00) plus an additional fee amount for each device linked to the Network. The additional fee amount varies depending upon the type of device. For a desktop device after the first seven desktop devices, the additional monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the additional monthly fee is twelve dollars ($12.00) per device.

(2) The ~~Division of Criminal Information~~Department may impose a monthly device fee on agencies that access the ~~Police~~ Criminal Information Network through some other approved means. The amount of the monthly device fee varies depending upon the type of device. For a desktop device, the monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the fee is twelve dollars ($12.00) per device."

SECTION 17.6.(xx) G.S. 114-11.6 reads as rewritten:

"**§ 114-11.6. Division established; duties.**

There is hereby established in the office of the Attorney General of North Carolina, a Special Prosecution Division. The attorneys assigned to this Division shall be available to prosecute or assist in the prosecution of criminal cases when requested to do so by a district attorney and the Attorney General approves. In addition, these attorneys assigned to this Division shall ~~serve as legal advisers to the State Bureau of Investigation and the Police Information Network and~~ perform any other duties assigned to them by the Attorney General."

SECTION 17.6.(yy) The title of Article 4 of Chapter 114 of the General Statutes and of Part 1 of that Article reads as rewritten:

"~~State Bureau of Investigation.~~North Carolina State Crime Laboratory.

Part 1. General Powers and ~~Duties of the State Bureau of Investigation.~~Duties."

SECTION 17.6.(zz) G.S. 114-12, as recodified by subsection (l) of this section, reads as rewritten:

"**§ 143B-907. Bureau of Investigation created; powers and duties.**

In order to secure a more effective administration of the criminal laws of the State, to prevent crime, and to procure the speedy apprehension of criminals, the ~~Attorney General~~Secretary of Public Safety shall set up in the Division of Law Enforcement of the Department of ~~Justice~~ Public Safety a ~~division~~ section to be designated as the State Bureau of Investigation. The ~~Division~~ Section shall have charge of and administer the agencies and activities herein set up for the identification of criminals, for their apprehension, ~~for the scientific analysis of evidence of crime,~~ and investigation and preparation of evidence to be used in criminal courts; and the said Bureau shall have charge of investigation of criminal matters herein especially mentioned, and of such other crimes and criminal procedure as the Governor may direct."

SECTION 17.6.(aaa) G.S. 114-14, as recodified by subsection (l) of this section, reads as rewritten:

"**§ 143B-909. General powers and duties of ~~Director and assistants.~~law enforcement officers of the State Bureau of Investigation.**

~~The Director of the Bureau and his assistants~~Sworn law enforcement officers of the State Bureau of Investigation are given the same power of arrest as is now vested in the sheriffs of the several counties, and their jurisdiction shall be statewide. ~~The Director of the Bureau and his assistants~~ Sworn law enforcement officers of the Bureau shall, at the request of the Governor, give assistance to sheriffs, police officers, district attorneys, and judges when called upon by them and so directed. ~~They shall also give assistance, when requested, to the Department of Public Safety in the investigation of cases pending before the parole office and of complaints lodged against parolees, when so directed by the Governor.~~"

SECTION 17.6.(bbb) G.S. 114-15, as recodified by subsection (l) of this section, reads as rewritten:

"**§ 143B-911. Investigations of lynchings, election frauds, etc.; services subject to call of Governor; witness fees and mileage for ~~Director and assistants.~~employees.**

(a) The Bureau shall, ~~through its Director and~~ upon request of the Governor, investigate and prepare evidence in the event of any lynching or mob violence in the State; shall investigate all cases arising from frauds in connection with elections when requested to do so by the Board of Elections, and when so directed by the Governor. Such investigation, however, shall in nowise interfere with the power of the Attorney General to make such investigation as the Attorney General is authorized to make under the laws of the State. The Bureau is authorized further, at the request of the Governor, to investigate cases of frauds arising under the Social Security Laws of the State, of violations of the gaming laws, and lottery laws, and matters of similar kind when called upon by the Governor so to do. In all such cases it shall be the duty of the Department to keep such records as may be necessary and to prepare evidence in the cases investigated, for the use of enforcement officers and for the trial of causes. The services of ~~the Director of the Bureau, and of the Director's assistants,~~employees of the Bureau may be required by the Governor in connection with the investigation of any crime committed anywhere in the State when called upon by the enforcement officers of the State, and when, in the judgment of the Governor, such services may be rendered with advantage to the enforcement of the criminal law. The State Bureau of Investigation is hereby authorized to investigate without request the attempted arson of, or arson of, damage of, theft from, or theft of, or misuse of, any State-owned personal property, buildings, or other real property or any assault upon or threats against any legislative officer named in G.S. 147-2(1), (2), or (3), any executive officer named in G.S. 147-3(c), or any court officer as defined in G.S. 14-16.10(1). The Bureau also is authorized at the request of the Governor to conduct a background investigation on a person that the Governor plans to nominate for a position that must be confirmed by the General Assembly, the Senate, or the House of Representatives. The background investigation of the proposed nominee shall be limited to an investigation of the person's criminal record, educational background, employment record, records concerning the listing and payment of taxes, and credit record, and to a requirement that the person provide the information contained in the statements of economic interest required to be filed by persons subject to Chapter 138A of the General Statutes. The Governor must give the person being investigated written notice that the Governor intends to request a background investigation at least 10 days prior to the date that the Governor requests the State Bureau of Investigation to conduct the background investigation. The written notice shall be sent by regular mail, and there is created a rebuttable presumption that the person received the notice if the Governor has a copy of the notice.

...

(c) All records and evidence collected and compiled by ~~the Director of the Bureau and his assistants~~employees of the Bureau shall, upon request, be made available to the district attorney of any district if the same concerns persons or investigations in his district.

(d) In all cases where the cost is assessed against the defendant and paid by him, there shall be assessed in the bill of cost, mileage and witness fees to ~~the Director and any of his assistants~~ any employees of the Bureau who are witnesses in cases arising in courts of this State. The fees so assessed, charged and collected shall be forwarded by the clerks of the court to the Treasurer of the State of North Carolina, and there credited to the Bureau of Identification and Investigation Fund."

SECTION 17.6.(ccc) G.S. 114-16 reads as rewritten:

"**§ 114-16. Laboratory and clinical facilities; employment of criminologists; services of scientists, etc., employed by State; radio system.**

In the ~~said Bureau~~Department of Justice there shall be provided laboratory facilities for the analysis of evidences of crime, including the determination of presence, quantity and character of poisons, the character of bloodstains, microscopic and other examination material associated

with the commission of crime, examination and analysis of projectiles of ballistic imprints and records which might lead to the determination or identification of criminals, the examination and identification of fingerprints, and other evidence leading to the identification, apprehension, or conviction of criminals. A sufficient number of persons skilled in such matters shall be employed to render a reasonable service to the public and the criminal justice system in the discharge of their duties. ~~In the personnel of the Bureau shall be included a sufficient number of persons of training and skill in the investigation of crime and in the preparation of evidence as to be of service to local enforcement officers, under the direction of the Governor, in criminal matters of major importance.~~

The laboratory and clinical facilities of the institutions of the State, both educational and departmental, shall be made available to the ~~Bureau,~~Department of Justice and scientists and doctors now working for the State through its institutions and departments may be called upon by the Governor to aid the ~~Bureau~~ State Crime Laboratory in the evaluation, preparation, and preservation of evidence in which scientific methods are employed, and a reasonable fee may be allowed by the Governor for such service.

The State radio system shall be made available to the ~~Bureau~~ State Crime Laboratory for use in its work."

SECTION 17.6.(ddd) G.S. 114-19.1(d), as recodified by subsection (m) of this section, reads as rewritten:

"(d) Nothing in this section shall be construed as enlarging any right to receive any record of the State Bureau of Investigation. Such rights are and shall be controlled by ~~G.S. 114-15, G.S. 114-19, G.S.~~ G.S. 143B-911, 143B-917, 120-19.4A, and other applicable statutes."

SECTION 17.6.(eee) G.S. 114-19.6(b), as recodified by subsection (m) of this section, reads as rewritten:

"(b) When requested by the Department of Health and Human Services or the Division of Juvenile Justice of the Department of Public Safety, the North Carolina Department of Justice may provide to the requesting department or division a covered person's criminal history from the State Repository of Criminal Histories. Such requests shall not be due to a person's age, sex, race, color, national origin, religion, creed, political affiliation, or handicapping condition as defined by G.S. 168A-3. For requests for a State criminal history record check only, the requesting department or division shall provide to the Department of Justice a form consenting to the check signed by the covered person to be checked and any additional information required by the Department of Justice. National criminal record checks are authorized for covered applicants who have not resided in the State of North Carolina during the past five years. For national checks the Department of Health and Human Services or the Division of Juvenile Justice of the Department of Public Safety shall provide to the North Carolina Department of Justice the fingerprints of the covered person to be checked, any additional information required by the Department of Justice, and a form signed by the covered person to be checked consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the State or National Repositories. The fingerprints of the individual shall be forwarded to the State Bureau of Investigation for a search of the State criminal history record file and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Department of Health and Human Services and the Division of Juvenile Justice of the Department of Public Safety shall keep all information pursuant to this section confidential. The Department of Justice shall charge a reasonable fee for conducting the checks of the criminal history records authorized by this section."

SECTION 17.6.(fff) G.S. 114-20, as recodified by subsection (n) of this section, reads as rewritten:

"§ 143B-975. Authority to provide protection to certain public officials.

The North Carolina State Bureau of Investigation is authorized to provide protection to public officials who request it, and who, in the discretion of the ~~Director of the Bureau with the approval of the Attorney General,~~Secretary of Public Safety, demonstrate a need for such protection. The bureau shall not provide protection for any individual other than the Governor for a period greater than 30 days without review and reapproval by the ~~Attorney General.~~Secretary of Public Safety. This review and reapproval shall be required at the end of each 30-day period."

SECTION 17.6.(ggg) G.S. 114-20.1, as recodified by subsection (n) of this section, reads as rewritten:

"**§ 143B-976. Authority to designate areas for protection of public officials.**

(a) The ~~Attorney General~~Secretary of Public Safety is authorized to designate buildings and grounds which constitute temporary residences or temporary offices of any public official being protected under authority of G.S. 114-20, or any area that will be visited by any such official, a public building or facility during the time of such use.

(b) The ~~Attorney General or the Director of the State Bureau of Investigation~~Secretary of Public Safety may, with the consent of the official to be protected, make rules governing ingress to or egress from such buildings, grounds or areas designated under this section."

SECTION 17.6.(hhh) G.S. 120-226(c) reads as rewritten:

"(c) Membership. – The Commission shall consist of 22 members to be appointed as follows:

...

(12) ~~The Director of the State Bureau of Investigation~~The Secretary of Public Safety or the ~~Director's~~ Secretary's designee.

...."

SECTION 17.6.(iii) G.S. 122C-80 reads as rewritten:

"**§ 122C-80. Criminal history record check required for certain applicants for employment.**

...

(b) Requirement. – An offer of employment by a provider licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned on consent to a State and national criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. A provider shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Except as otherwise provided in this subsection, within five business days of making the conditional offer of employment, a provider shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-930 to conduct a criminal history record check required by this section or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-930, the ~~Department of Justice~~Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the provider as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the provider. Providers shall make available upon request verification that a criminal history check has been completed on any

staff covered by this section. A county that has adopted an appropriate local ordinance and has access to the Division of Criminal Information data bank may conduct on behalf of a provider a State criminal history record check required by this section without the provider having to submit a request to the Department of Justice. In such a case, the county shall commence with the State criminal history record check required by this section within five business days of the conditional offer of employment by the provider. All criminal history information received by the provider is confidential and may not be disclosed, except to the applicant as provided in subsection (c) of this section. For purposes of this subsection, the term "private entity" means a business regularly engaged in conducting criminal history record checks utilizing public records obtained from a State agency.

...

(g) Conditional Employment. – A provider may employ an applicant conditionally prior to obtaining the results of a criminal history record check regarding the applicant if both of the following requirements are met:

(1) The provider shall not employ an applicant prior to obtaining the applicant's consent for criminal history record check as required in subsection (b) of this section or the completed fingerprint cards as required in ~~G.S. 114-19.10.~~G.S. 143B-930.

(2) The provider shall submit the request for a criminal history record check not later than five business days after the individual begins conditional employment."

SECTION 17.6.(jjj) G.S. 122C-205(c) reads as rewritten:

"(c) Upon receipt of notice of an escape or breach of a condition of release as described in subsections (a) and (b) of this section, an appropriate law enforcement officer shall take the client into custody and have the client returned to the 24-hour facility from which the client has escaped or has been conditionally released. Transportation of the client back to the 24-hour facility shall be provided in the same manner as described in G.S. 122C-251 and G.S. 122C-408(b). Law enforcement agencies who are notified of a client's escape or breach of conditional release shall be notified of the client's return by the responsible 24-hour facility. Under the circumstances described in this section, the initial notification by the 24-hour facility of the client's escape or breach of conditional release shall be given by telephone communication to the appropriate law enforcement agency or agencies and, if available and appropriate, by ~~Division of Criminal Information (DCI)~~Department of Public Safety message to any law enforcement agency in or out of state and by entry into the National Crime Information Center (NCIC) telecommunications system. As soon as reasonably possible following notification, written authorization to take the client into custody shall also be issued by the 24-hour facility. Under this section, law enforcement officers shall have the authority to take a client into custody upon receipt of the telephone notification or ~~Division of Criminal Information~~Department of Public Safety message prior to receiving written authorization. The notification of a law enforcement agency does not, in and of itself, render this information public information within the purview of Chapter 132 of the General Statutes. However, the responsible law enforcement agency shall determine the extent of disclosure of personal identifying and background information reasonably necessary, under the circumstances, in order to assure the expeditious return of a client to the 24-hour facility involved and to protect the general public and is authorized to make such disclosure. The responsible law enforcement agency may also place any appropriate message or entry into either the ~~Division of Criminal Information System~~Department of Public Safety's Criminal Information System or National Crime Information System, or both, as appropriate."

SECTION 17.6.(kkk) G.S. 131D-10.3A reads as rewritten:

"§ 131D-10.3A. Mandatory criminal checks.

...

(d) The ~~Department of Justice~~Department of Public Safety shall provide to the Department the criminal history of the individuals specified in subsection (a) of this section obtained from the State and National Repositories of Criminal Histories as requested by the Department. The Department shall provide to the ~~Department of Justice,~~Department of Public Safety, along with the request, the fingerprints of the individual to be checked, any additional information required by the ~~Department of Justice,~~Department of Public Safety, and a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the State or National Repositories signed by the individual to be checked. The fingerprints of the individual to be checked shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check.

...

(i) The ~~Department of Justice~~Department of Public Safety shall perform the State and national criminal history checks on individuals required by this section and shall charge the Department a reasonable fee only for conducting the checks of the national criminal history records authorized by this section. The Division of Social Services, Department of Health and Human Services, shall bear the costs of implementing this section."

SECTION 17.6.(lll) G.S. 131D-40 reads as rewritten:

"**§ 131D-40. Criminal history record checks required for certain applicants for employment.**

(a) Requirement; Adult Care Home. – An offer of employment by an adult care home licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned on consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. An adult care home shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, an adult care home shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-930 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-930, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the adult care home as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the adult care home. Adult care homes shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the home is confidential and may not be disclosed, except to the applicant as provided in subsection (b) of this section.

(a1) Requirement; Contract Agency of Adult Care Home. – An offer of employment by a contract agency of an adult care home licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned upon consent to a criminal history record check of the applicant. If the applicant has been a resident

of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. A contract agency of an adult care home shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, a contract agency of an adult care home shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-930 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-930, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the contract agency of the adult care home as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the contract agency of the adult care home. Contract agencies of adult care homes shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the contract agency is confidential and may not be disclosed, except to the applicant as provided by subsection (b) of this section.

...

(f) Conditional Employment. – An adult care home may employ an applicant conditionally prior to obtaining the results of a criminal history record check regarding the applicant if both of the following requirements are met:

(1) The adult care home shall not employ an applicant prior to obtaining the applicant's consent for a criminal history record check as required in subsection (a) of this section or the completed fingerprint cards as required in ~~G.S. 114-19.10.~~G.S. 143B-930.

(2) The adult care home shall submit the request for a criminal history record check not later than five business days after the individual begins conditional employment.

...."

SECTION 17.6.(mmm) G.S. 131E-159(g) reads as rewritten:

"(g) An individual who applies for EMS credentials, seeks to renew EMS credentials, or holds EMS credentials is subject to a criminal background review by the Department. At the request of the Department, the Emergency Medical Services Disciplinary Committee, established by G.S. 143-519, shall review criminal background information and make a recommendation regarding the eligibility of an individual to obtain initial EMS credentials, renew EMS credentials, or maintain EMS credentials. The Department and the Emergency Medical Services Disciplinary Committee shall keep all information obtained pursuant to this subsection confidential. The Medical Care Commission shall adopt rules to implement the provisions of this subsection, including rules to establish a reasonable fee to offset the actual costs of criminal history information obtained pursuant to ~~G.S. 114-19.21.~~G.S. 143B-943."

SECTION 17.6.(nnn) G.S. 131E-265 reads as rewritten:

"**§ 131E-265. Criminal history record checks required for certain applicants for employment.**

(a) Requirement; Nursing Home or Home Care Agency. – An offer of employment by a nursing home licensed under this Chapter to an applicant to fill a position that does not require

the applicant to have an occupational license is conditioned on consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. An offer of employment by a home care agency licensed under this Chapter to an applicant to fill a position that requires entering the patient's home is conditioned on consent to a criminal history record check of the applicant. In addition, employment status change of a current employee of a home care agency licensed under this Chapter from a position that does not require entering the patient's home to a position that requires entering the patient's home shall be conditioned on consent to a criminal history record check of that current employee. If the applicant for employment or if the current employee who is changing employment status has been a resident of this State for less than five years, then the offer of employment or change in employment status is conditioned on consent to a State and national criminal history record check. The national criminal history record check shall include a check of the applicant's or current employee's fingerprints. If the applicant or current employee has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant or current employee applying for a change in employment status. A nursing home or a home care agency shall not employ an applicant who refuses to consent to a criminal history record check required by this section. In addition, a home care agency shall not change a current employee's employment status from a position that does not require entering the patient's home to a position that requires entering the patient's home who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, a nursing home or home care agency shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114.19.10~~G.S. 143B-930 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-930, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the nursing home or home care agency as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the nursing home or home care agency. Nursing homes and home care agencies shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the home or agency is confidential and may not be disclosed, except to the applicant as provided in subsection (b) of this section.

(a1) Requirement; Contract Agency of Nursing Home or Home Care Agency. – An offer of employment by a contract agency of a nursing home or home care agency licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned upon consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. A contract agency of a nursing home or home care agency shall not employ an applicant who refuses to consent to a criminal history record check required by this section.

Within five business days of making the conditional offer of employment, a contract agency of a nursing home or home care agency shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-930 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-930, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the contract agency of the nursing home or home care agency as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the contract agency of the nursing home or home care agency. Contract agencies of nursing homes and home care agencies shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the contract agency is confidential and may not be disclosed, except to the applicant as provided by subsection (b) of this section.

...

(f) Conditional Employment. – A nursing home or home care agency may employ an applicant conditionally prior to obtaining the results of a criminal history record check regarding the applicant if both of the following requirements are met:

(1) The nursing home or home care agency shall not employ an applicant prior to obtaining the applicant's consent for a criminal history record check as required in subsection (a) of this section or the completed fingerprint cards as required in ~~G.S. 114-19.10.~~G.S. 143B-930.

(2) The nursing home or home care agency shall submit the request for a criminal history record check not later than five business days after the individual begins conditional employment.

...."

SECTION 17.6.(nnn1) Subpart C of Article 13 of Chapter 143B of the General Statutes, as created by subsection (f) of this section is amended by adding a new section to read:

"**§ 143B-918. Assistance to local law enforcement officers.**

In the personnel of the Bureau shall be included a sufficient number of persons of training and skill in the investigation of crime and in the preparation of evidence as to be of service to local enforcement officers, under the direction of the Governor, in criminal matters of major importance."

SECTION 17.6.(ooo) G.S. 143-143.10(b)(6) reads as rewritten:

"(6) To request that the Department of Justice conduct criminal history checks of applicants for licensure pursuant to ~~G.S. 114-19.13.~~G.S. 143B-935."

SECTION 17.6.(ppp) G.S. 143B-1100 reads as rewritten:

"**§ 143B-1100. Governor's Crime Commission – creation; composition; terms; meetings, etc.**

(a) There is hereby created the Governor's Crime Commission of the Department of Public Safety. The Commission shall consist of ~~36~~ 37 voting members and ~~six~~ five nonvoting members. The composition of the Commission shall be as follows:

...

(2) The nonvoting members shall be ~~the Director of the State Bureau of Investigation,~~ the Deputy Director of the Division of Juvenile Justice of the Department of Public Safety who is responsible for Intervention/Prevention

programs, the Deputy Director of the Division of Juvenile Justice of the Department of Public Safety who is responsible for Youth Development programs, the Section Chief of the Section of Prisons of the Division of Adult Correction and the Section Chief of the Section of Community Corrections of the Division of Adult Correction.

(b) The membership of the Commission shall be selected as follows:

(1) The following members shall serve by virtue of their office: the Governor, the Chief Justice of the Supreme Court, the Attorney General, the Director of the Administrative Office of the Courts, the Secretary of the Department of Health and Human Services, the Secretary of Public Safety, ~~the Director of the State Bureau of Investigation,~~ the Section Chief of the Section of Prisons of the Division of Adult Correction, the Section Chief of the Section of Community Corrections of the Division of Adult Correction, the Deputy Director who is responsible for Intervention/Prevention of the Division of Juvenile Justice of the Department of Public Safety, the Deputy Director who is responsible for Youth Development of the Division of Juvenile Justice of the Department of Public Safety, and the Superintendent of Public Instruction. Should the Chief Justice of the Supreme Court choose not to serve, his alternate shall be selected by the Governor from a list submitted by the Chief Justice which list must contain no less than three nominees from the membership of the Supreme Court.

...."

SECTION 17.6.(qqq) G.S. 148-37.3(c) reads as rewritten:

"(c) Any private corporation described in subsection (a) of this section shall reimburse the State and any county or other law enforcement agency for the full cost of any additional expenses incurred by the State or the county or other law enforcement agency in connection with the pursuit and apprehension of an escaped inmate from the facility.

In the event of an escape from the facility, any private corporation described in subsection (a) of this section shall immediately notify the sheriff in the county in which the facility is located, who shall cause an immediate entry into the ~~State Bureau of Investigation Division of Criminal Information network.~~Department of Public Safety's Criminal Information Network. The sheriff of the county in which the facility is located shall be the lead law enforcement officer in connection with the pursuit and apprehension of an escaped inmate from the facility."

SECTION 17.6.(rrr) G.S. 153A-94.2 reads as rewritten:

"**§ 153A-94.2. Criminal history record checks of employees permitted.**

The board of commissioners may adopt or provide for rules and regulations or ordinances concerning a requirement that any applicant for employment be subject to a criminal history record check of State and National Repositories of Criminal Histories conducted by the ~~Department of Justice~~ Department of Public Safety in accordance with ~~G.S. 114-19.14.~~G.S. 143B-936. The local or regional public employer may consider the results of these criminal history record checks in its hiring decisions."

SECTION 17.6.(sss) G.S. 160A-164.2 reads as rewritten:

"**§ 160A-164.2. Criminal history record check of employees permitted.**

The council may adopt or provide for rules and regulations or ordinances concerning a requirement that any applicant for employment be subject to a criminal history record check of State and National Repositories of Criminal Histories conducted by the ~~Department of Justice~~Department of Public Safety in accordance with ~~G.S. 114-19.14.~~G.S. 143B-936. The city may consider the results of these criminal history record checks in its hiring decisions."

SECTION 17.6.(ttt) G.S. 164-44(a) reads as rewritten:

"(a) The Commission shall have the secondary duty of collecting, developing, and maintaining statistical data relating to sentencing, corrections, and juvenile justice so that the

primary duties of the Commission will be formulated using data that is valid, accurate, and relevant to this State. All State agencies shall provide data as it is requested by the Commission. For the purposes of ~~G.S. 114-19.1,~~G.S. 143B-921, the Commission shall be considered to be engaged in the administration of criminal justice. All meetings of the Commission shall be open to the public and the information presented to the Commission shall be available to any State agency or member of the General Assembly."

PART XVIII. JUDICIAL DEPARTMENT

SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 18A.1. The Office of Indigent Defense Services shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and the Senate Appropriations Committee on Justice and Public Safety by March 1 of each year on:

(1) The volume and cost of cases handled in each district by assigned counsel or public defenders;

(2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense, including the capital case program;

(3) Plans for changes in rules, standards, or regulations in the upcoming year; and

(4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services, including any recommendations concerning the feasibility and desirability of establishing regional public defender offices.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS

SECTION 18A.2. The Judicial Department, Office of Indigent Defense Services, may use up to the sum of two million one hundred fifty thousand dollars ($2,150,000) in appropriated funds during the 2013-2014 fiscal year for the expansion of existing offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services, for the creation of new public defender offices within existing public defender programs, or for the establishment of regional public defender programs. Notwithstanding the defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may use a portion of these funds to create positions within existing public defender programs to handle cases in adjacent counties or districts. These funds may be used to create up to 50 new attorney positions and 25 new support staff positions during the 2013-2015 fiscal biennium and for the salaries, benefits, equipment, and related expenses for these positions in both years of the biennium. Positions creation will be staggered across the two years of the biennium. Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the proposed expansion.

OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 18A.3. Notwithstanding G.S. 143C-6-9, during the 2013-2015 fiscal biennium, the Office of Indigent Defense Services may use the sum of up to fifty thousand dollars ($50,000) from funds available to provide the State matching funds needed to receive grant funds. Prior to using funds for this purpose, the Office shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the

Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

PRIVATE ASSIGNED COUNSEL

SECTION 18A.4. The Office of Indigent Defense Services shall issue a request for proposals from private law firms or not-for-profit legal representation organizations for the provision of all classes of legal cases for indigent clients in all judicial districts. The Office of Indigent Defense Services shall report on the issuance of this request for proposals to the Joint Legislative Commission on Governmental Operations by October 1, 2013. In cases where the proposed contract can provide representation services more efficiently than current costs, the Office of Indigent Defense Services shall use private assigned counsel funds to enter into contracts for this purpose. In selecting contracts, the Office of Indigent Defense Services shall consider the cost-effectiveness of the proposed contract. Disputes regarding the ability of the potential contractor to provide effective representation for clients served by the contract shall be determined by the senior resident superior court judge for the district.

SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS

GRANT FUNDS

SECTION 18B.1. 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 Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and to the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 18B.2. 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, 2013, for the purchase or repair of office or information technology equipment during the 2013-2014 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental Operations, the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

COURT REPORTER CONTRACTUAL SERVICES FUNDS

SECTION 18B.3. Of the funds appropriated in this act to the Judicial Department for court reporters, the Department shall use the sum of one million nine hundred thirty-eight thousand nine hundred thirty-nine dollars ($1,938,939) during the 2013-2014 fiscal year to provide contractual services of court reporters for superior court.

CONFERENCE OF DISTRICT ATTORNEYS GRANT FUND

SECTION 18B.4. Of the funds appropriated in this act to the Judicial Department, the sum of one million two hundred fifty thousand dollars ($1,250,000) in the 2013-2014 fiscal year and the sum of seven hundred fifty thousand dollars ($750,000) in the 2014-2015 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.

MODIFY LEGAL AID DOMESTIC VIOLENCE REPORT

SECTION 18B.5. G.S. 7A-474.20 reads as rewritten:

"**§ 7A-474.20. Records and reports.**

The established legal services programs shall keep appropriate records and make periodic reports, as requested, to the North Carolina State Bar. The North Carolina State Bar shall report annually to the ~~General Assembly~~ Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the amount of the funds disbursed and the use of the funds by each legal services program receiving funds. The report to the ~~General Assembly~~ Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety shall be made by January 15 of each year beginning January 15, 2006."

FAMILY COURT PROGRAMS

SECTION 18B.6. The Administrative Office of the Courts shall provide direction and oversight to the existing family court programs in order to ensure that each district with a family court program is utilizing best practices and is working effectively and efficiently in the disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report on its efforts in this regard and the results of those efforts to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Oversight Committee on Justice and Public Safety by March 1, 2014.

MAGISTRATE DISTRIBUTION FORMULA

SECTION 18B.7. The Administrative Office of the Courts, in consultation with the National Center for State Courts, shall study its current formula for the distribution of magistrates across the State and consider revisions to that formula designed to take into account regional differences, travel considerations, and the potential for regionalizing magistrates. The Administrative Office of the Courts shall report its findings and recommendations to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2014.

MINUTES MAINTAINED BY THE CLERK OF SUPERIOR COURT TO RECORD CONVENING AND ADJOURNMENT OR RECESS OF BOTH DISTRICT AND SUPERIOR COURT

SECTION 18B.8.(a) G.S. 7A-109(a1) is amended by adding a new section to read:

"(a1) The minutes maintained by the clerk pursuant to this subsection shall record the date and time of each convening of district and superior court, as well as the date and time of each recess or adjournment of district and superior court with no further business before the court."

SECTION 18B.8.(b) The Administrative Office of the Courts shall provide on a monthly basis the records of the dates and times of convening, recess, and adjournment of district and superior court collected by each clerk of superior court pursuant to G.S. 7A-109, as amended by subsection (a) of this section, to the National Center for State Courts, the Fiscal Research Division, and the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

JUDICIAL FORMS SHALL CONFORM TO JUSTICE REINVESTMENT CHANGES

SECTION 18B.9. The Administrative Office of the Courts shall ensure that all judicial forms being used in the General Court of Justice conform to all of the changes made in the law with the enactment of the Justice Reinvestment Act of 2011, as amended.

CRIMINAL CASE INFORMATION SYSTEM FOR PUBLIC DEFENDERS

SECTION 18B.10. The Administrative Office of the Courts shall use funds allocated to the Judicial Department for technology for the 2013-2014 fiscal biennium to develop and implement a component of the Department's criminal case information system for use by public defenders no later than July 1, 2014.

CLERKS SHALL ACCEPT CREDIT CARDS

SECTION 18B.11.(a) G.S. 7A-321(a) reads as rewritten:

"(a) The Judicial Department ~~may,~~ shall, in lieu of payment by cash or check, accept payment by credit card, charge card, or debit card for the ~~fines, fees, and~~ costs owed to the ~~courts by offenders.~~court, including fines, fees, and restitution."

SECTION 18B.11.(b) The Administrative Office of the Courts shall provide a cost-effective system for accepting online payments for court costs to all clerks of superior court by January 1, 2014.

SECTION 18B.11.(c) This section becomes effective January 1, 2014.

SPECIAL SUPERIOR COURT JUDGES

SECTION 18B.12. Effective July 1, 2013, G.S. 7A-45.1 is amended by adding a new subsection to read:

"(a8) Notwithstanding any other provision of this section, except as to those three seats designated as of January 1, 2013, under G.S. 7A-45.3 as business court judges, effective on and after July 1, 2013, any seat established by this section is abolished."

AMEND CLASS 3 MISDEMEANOR SENTENCES

SECTION 18B.13.(a) G.S. 15A-1340.23 reads as rewritten:

"**§ 15A-1340.23. Punishment limits for each class of offense and prior conviction level.**

(a) Offense Classification; Default Classifications. – The offense classification is as specified in the offense for which the sentence is being imposed. If the offense is a misdemeanor for which there is no classification, it is as classified in G.S. 14-3.

(b) Fines. – Any judgment that includes a sentence of imprisonment may also include a fine. Additionally, when the defendant is other than an individual, the judgment may consist of a fine only. If a community punishment is authorized, the judgment may consist of a fine only. Unless otherwise provided for a specific offense, the maximum fine that may be imposed is two hundred dollars ($200.00) for a Class 3 misdemeanor and one thousand dollars ($1,000) for a Class 2 misdemeanor. The amount of the fine for a Class 1 misdemeanor and a Class A1 misdemeanor is in the discretion of the court.

(c) Punishment for Each Class of Offense and Prior Conviction Level; Punishment Chart Described. – Unless otherwise provided for a specific offense, the authorized punishment for each class of offense and prior conviction level is as specified in the chart below. Prior conviction levels are indicated by the Roman numerals placed horizontally on the top of the chart. Classes of offenses are indicated by the Arabic numbers placed vertically on the left side of the chart. Each grid on the chart contains the following components:

(1) A sentence disposition or dispositions: "C" indicates that a community punishment is authorized; "I" indicates that an intermediate punishment is authorized; and "A" indicates that an active punishment is authorized; and

(2) A range of durations for the sentence of imprisonment: any sentence within the duration specified is permitted.

	PRIOR CONVICTION LEVELS		
MISDEMEANOR OFFENSE	LEVEL I	LEVEL II	LEVEL III

CLASS	No Prior Convictions	One to Four Prior Convictions	Five or More Prior Convictions
A1	1-60 days C/I/A	1-75 days C/I/A	1-150 days C/I/A
1	1-45 days C	1-45 days C/I/A	1-120 days C/I/A
2	1-30 days C	1-45 days C/I	1-60 days C/I/A
3	1-10 days C	~~1-15 days C/I~~ 1-15 days C if one to three prior convictions 1-15 days C/I if four prior convictions	1-20 days C/I/A.

(d) Fine Only for Certain Class 3 Misdemeanors. – Unless otherwise provided for a specific offense, the judgment for a person convicted of a Class 3 misdemeanor who has no more than three prior convictions shall consist only of a fine."

SECTION 18B.13.(b) This section becomes effective December 1, 2013. Prosecutions for offenses committed before the effective date of this section are not abated or affected by this section, and the statutes that would be applicable but for this section remain applicable to those prosecutions.

RECLASSIFICATION OF CERTAIN CLASS 1 AND CLASS 2 MISDEMEANORS AS CLASS 3 MISDEMEANORS

SECTION 18B.14.(a) G.S. 14-106 reads as rewritten:

"**§ 14-106. Obtaining property in return for worthless check, draft or order.**

Every person who, with intent to cheat and defraud another, shall obtain money, credit, goods, wares or any other thing of value by means of a check, draft or order of any kind upon any bank, person, firm or corporation, not indebted to the drawer, or where he has not provided for the payment or acceptance of the same, and the same be not paid upon presentation, shall be guilty of a ~~Class 2 misdemeanor.~~Class 3 misdemeanor. The giving of the aforesaid worthless check, draft, or order shall be prima facie evidence of an intent to cheat and defraud."

SECTION 18B.14.(b) G.S. 14-107(d) reads as rewritten:

"(d) A violation of this section is a Class I felony if the amount of the check or draft is more than two thousand dollars ($2,000). If the amount of the check or draft is two thousand dollars ($2,000) or less, a violation of this section is a misdemeanor punishable as follows:

(1) Except as provided in subdivision (3) or (4) of this subsection, the person is guilty of a ~~Class 2 misdemeanor.~~Class 3 misdemeanor. Provided, however, if the person has been convicted three times of violating this section, the person shall on the fourth and all subsequent convictions (i) be punished as for a Class 1 misdemeanor and (ii) be ordered, as a condition of probation, to refrain from maintaining a checking account or making or uttering a check for three years.

(2) Repealed by Session Laws 1999-408, s. 1.

(3) If the check or draft is drawn upon a nonexistent account, the person is guilty of a Class 1 misdemeanor.

(4) If the check or draft is drawn upon an account that has been closed by the drawer, or that the drawer knows to have been closed by the bank or depository, prior to time the check is drawn, the person is guilty of a Class 1 misdemeanor."

SECTION 18B.14.(c) G.S. 14-167 reads as rewritten:

"**§ 14-167. Failure to return hired property.**

Any person who shall rent or hire, any horse, mule or other like animal, or any buggy, wagon, truck, automobile, or other vehicle, aircraft, motor, trailer, appliance, equipment, tool, or other thing of value, and who shall willfully fail to return the same to the possession of the

person, firm or corporation from whom such property has been rented or hired at the expiration of the time for which such property has been rented or hired, shall be guilty of a ~~Class 2 misdemeanor.~~Class 3 misdemeanor.

If the value at the time of the rental or hiring of the truck, automobile, or other motor vehicle that is not returned is in excess of four thousand dollars ($4,000), the person who rented or hired it and failed to return it shall be guilty of a Class H felony."

SECTION 18B.14.(d) G.S. 14-168.1 reads as rewritten:

"**§ 14-168.1. Conversion by bailee, lessee, tenant or attorney-in-fact.**

Every person entrusted with any property as bailee, lessee, tenant or lodger, or with any power of attorney for the sale or transfer thereof, who fraudulently converts the same, or the proceeds thereof, to his own use, or secretes it with a fraudulent intent to convert it to his own use, shall be guilty of a ~~Class 1 misdemeanor.~~Class 3 misdemeanor.

If, however, the value of the property converted or secreted, or the proceeds thereof, is in excess of four hundred dollars ($400.00), every person so converting or secreting it is guilty of a Class H felony. In all cases of doubt the jury shall, in the verdict, fix the value of the property converted or secreted."

SECTION 18B.14.(e) G.S. 14-168.4(a) reads as rewritten:

"(a) It shall be a ~~Class 2 misdemeanor~~Class 3 misdemeanor for any person to fail to return rented property with intent to defeat the rights of the owner, which is rented pursuant to a written rental agreement in which there is an option to purchase the property, after the date of termination provided in the agreement has occurred or, if the termination date is the occurrence of a specified event, then that such event has in fact occurred."

SECTION 18B.14.(f) G.S. 20-28(a) reads as rewritten:

"(a) Driving While License Revoked. – Except as provided in subsection (a1) of this section, any person whose drivers license has been revoked who drives any motor vehicle upon the highways of the State while the license is revoked is guilty of a Class 3 misdemeanor unless the person's license was originally revoked for an impaired driving revocation, in which case the person is guilty of a Class 1 misdemeanor. Upon conviction, the person's license shall be revoked for an additional period of one year for the first offense, two years for the second offense, and permanently for a third or subsequent offense.

If the person's license was originally revoked for an impaired driving revocation, the court may order as a condition of probation that the offender abstain from alcohol consumption and verify compliance by use of a continuous alcohol monitoring system, of a type approved by the Division of Adult Correction of the Department of Public Safety, for a minimum period of 90 days.

The restoree of a revoked drivers license who operates a motor vehicle upon the highways of the State without maintaining financial responsibility as provided by law shall be punished as for driving without a license."

SECTION 18B.14.(g) G.S. 20-35 reads as rewritten:

"**§ 20-35. Penalties for violating Article; defense to driving without a license.**

(a) Penalty. – ~~A~~Except as otherwise provided in subsection (a1) of this section, a violation of this Article is a Class 2 misdemeanor unless a statute in the Article sets a different punishment for the violation. If a statute in this Article sets a different punishment for a violation of the Article, the different punishment applies.

(a1) The following offenses are Class 3 misdemeanors:

(1) Failure to obtain a license before driving a motor vehicle, in violation of G.S. 20-7(a).

(2) Failure to carry a valid license while driving a motor vehicle, in violation of G.S. 20-7(a).

(3) Failure to comply with license restrictions, in violation of G.S. 20-7(e).

(4) Operation of a motor vehicle with an expired license, in violation of G.S. 20-7(f).
(5) Failure to notify the Division of Motor Vehicles of an address change for a drivers license within 60 days after the change occurs, in violation of G.S. 20-7.1.
(6) Permitting a motor vehicle owned by the person to be operated by an unlicensed person, in violation of G.S. 20-34.
...."

SECTION 18B.14.(h) G.S. 20-176 reads as rewritten:

"**§ 20-176. Penalty for misdemeanor or infraction.**

(a) Violation of a provision of Part 9, 10, 10A, or 11 of this Article is an infraction unless the violation is specifically declared by law to be a misdemeanor or felony. Violation of the remaining Parts of this Article is a misdemeanor unless the violation is specifically declared by law to be an infraction or a felony.

(b) Unless a specific penalty is otherwise provided by law, a person found responsible for an infraction contained in this Article may be ordered to pay a penalty of not more than one hundred dollars ($100.00).

(c) ~~Unless~~Except as otherwise provided in subsection (c2) of this section, and unless a specific penalty is otherwise provided by law, a person convicted of a misdemeanor contained in this Article is guilty of a Class 2 misdemeanor. A punishment is specific for purposes of this subsection if it contains a quantitative limit on the term of imprisonment or the amount of fine a judge can impose.

(c1) Notwithstanding any other provision of law, no person convicted of a misdemeanor for the violation of any provision of this Chapter except G.S. 20-28(a) and (b), G.S. 20-141(j), G.S. 20-141.3(b) and (c), G.S. 20-141.4, or a second or subsequent conviction of G.S. 20-138.1 shall be imprisoned in the State prison system unless the person previously has been imprisoned in a local confinement facility, as defined by G.S. 153A-217(5), for a violation of this Chapter.

(c2) A person who does any of the following is guilty of a Class 3 misdemeanor:
(1) Fails to carry the registration card in the vehicle, in violation of G.S. 20-57(c).
(2) Fails to sign the vehicle registration card, in violation of G.S. 20-57(c).
(3) Fails to notify the Division of Motor Vehicles of an address change for a vehicle registration card within 60 days after the change occurs, in violation of G.S. 20-67.

(d) For purposes of determining whether a violation of an offense contained in this Chapter constitutes negligence per se, crimes and infractions shall be treated identically."

SECTION 18B.14.(i) G.S. 20-111 reads as rewritten:

"**§ 20-111. Violation of registration provisions.**

It shall be unlawful for any person to commit any of the following acts:
(1) To drive a vehicle on a highway, or knowingly permit a vehicle owned by that person to be driven on a highway, when the vehicle is not registered with the Division in accordance with this Article or does not display a current registration plate. Violation of this subdivision is a Class 3 misdemeanor.
(2) To display or cause or permit to be displayed or to have in possession any registration card, certificate of title or registration number plate knowing the same to be fictitious or to have been canceled, revoked, suspended or altered, or to willfully display an expired license or registration plate on a vehicle knowing the same to be expired. Violation of this subdivision is a Class 3 misdemeanor.

(3) The giving, lending, or borrowing of a license plate for the purpose of using same on some motor vehicle other than that for which issued shall make the giver, lender, or borrower guilty of a Class 3 misdemeanor. Where license plate is found being improperly used, such plate or plates shall be revoked or canceled, and new license plates must be purchased before further operation of the motor vehicle.

(4) To fail or refuse to surrender to the Division, upon demand, any title certificate, registration card or registration number plate which has been suspended, canceled or revoked as in this Article provided. Service of the demand shall be in accordance with G.S. 20-48.

(5) To use a false or fictitious name or address in any application for the registration of any vehicle or for a certificate of title or for any renewal or duplicate thereof, or knowingly to make a false statement or knowingly to conceal a material fact or otherwise commit a fraud in any such application. A violation of this subdivision shall constitute a Class 1 misdemeanor.

(6) To give, lend, sell or obtain a certificate of title for the purpose of such certificate being used for any purpose other than the registration, sale, or other use in connection with the vehicle for which the certificate was issued. Any person violating the provisions of this subdivision shall be guilty of a Class 2 misdemeanor."

SECTION 18B.14.(j) G.S. 20-127(d) reads as rewritten:

"(d) Violations. – A person who does any of the following commits a ~~misdemeanor of the class set in G.S. 20-176:~~ Class 3 misdemeanor:

(1) Applies tinting to the window of a vehicle that is subject to a safety inspection in this State and the resulting tinted window does not meet the window tinting restrictions set in this section.

(2) Drives on a highway or a public vehicular area a vehicle that has a window that does not meet the window tinting restrictions set in this section."

SECTION 18B.14.(k) G.S. 20-141(j1) reads as rewritten:

"(j1) A person who drives a vehicle on a highway at a speed that is either more than 15 miles per hour more than the speed limit established by law for the highway where the offense occurred or over 80 miles per hour is guilty of a ~~Class 2 misdemeanor.~~ Class 3 misdemeanor."

SECTION 18B.14.(l) G.S. 20-313(a) reads as rewritten:

"(a) On or after July 1, 1963, any owner of a motor vehicle registered or required to be registered in this State who shall operate or permit such motor vehicle to be operated in this State without having in full force and effect the financial responsibility required by this Article shall be guilty of a ~~Class 1 misdemeanor.~~Class 3 misdemeanor."

SECTION 18B.14.(m) G.S. 113-135(a) reads as rewritten:

"(a) Any person who violates any provision of this Subchapter or any rule adopted by the Marine Fisheries Commission or the Wildlife Resources Commission, as appropriate, pursuant to the authority of this Subchapter, is guilty of a misdemeanor except that punishment for violation of the rules of the Wildlife Resources Commission is limited as set forth in G.S. 113-135.1. ~~Unless~~Fishing without a license in violation of G.S. 113-174.1(a) or G.S. 113-270.1B(a) is punishable as a Class 3 misdemeanor. Otherwise, unless a different level of punishment is elsewhere set out, anyone convicted of a misdemeanor under this section is punishable as follows:

(1) For a first conviction, as a Class 3 misdemeanor.

(2) For a second or subsequent conviction within three years, as a Class 2 misdemeanor."

SECTION 18B.14.(n) This section becomes effective December 1, 2013. Prosecutions for offenses committed before the effective date of this section are not abated or

affected by this section, and the statutes that would be applicable but for this section remain applicable to those prosecutions.

RECLASSIFY CERTAIN VIOLATIONS OF THE BOATING SAFETY ACT FROM CLASS 3 MISDEMEANORS TO INFRACTIONS

SECTION 18B.15.(a) G.S. 75A-6.1 reads as rewritten:

"(c) Violation of the navigation rules specified in subsection (a) of this section shall constitute ~~a Class 3 misdemeanor and is punishable only by a fine not to exceed one hundred dollars ($100.00).~~an infraction as provided in G.S. 14-3.1."

SECTION 18B.15.(b) G.S. 75A-13.1 reads as rewritten:

"**§ 75A-13.1. Skin and scuba divers.**

(a) No person shall engage in skin diving or scuba diving in the waters of this State that are open to boating, or assist in such diving, without displaying a diver's flag from a mast, buoy, or other structure at the place of diving; and no person shall display such flag except when diving operations are under way or in preparation.

(b) The diver's flag shall be square, not less than 12 inches on a side, and shall be of red background with a diagonal white stripe, of a width equal to one fifth of the flag's height, running from the upper corner adjacent to the mast downward to the opposite outside corner.

(c) No operator of a vessel under way in the waters of this State shall permit the vessel to approach closer than 50 feet to any structure from which a diver's flag is then being displayed, except where the flag is so positioned as to constitute an unreasonable obstruction to navigation; and no person shall engage in skin diving or scuba diving or display a diver's flag in any locality that will unreasonably obstruct vessels from making legitimate navigational use of the water.

(d) A person who violates a provision of this section is ~~guilty of a Class 3 misdemeanor and shall only be subject to a fine not to exceed twenty-five dollars ($25.00).~~responsible for an infraction as provided in G.S. 14-3.1."

SECTION 18B.15.(c) G.S. 75A-13.3(c3) reads as rewritten:

"(c3) A vessel livery shall provide the operator of a leased personal watercraft with basic safety instruction prior to allowing the operation of the leased personal watercraft. "Basic safety instruction" shall include direction on how to safely operate the personal watercraft and a review of the safety provisions of this section. A vessel livery that fails to provide basic safety instruction is ~~guilty of a Class 3 misdemeanor.~~responsible for an infraction as provided in G.S. 14-3.1."

SECTION 18B.15.(d) G.S. 75A-17(f) reads as rewritten:

"(f) Vessels operated on the waters of this State shall slow to a no-wake speed when passing within 100 feet of a law enforcement vessel that is displaying a flashing blue light unless the vessel is in a narrow channel. Vessels operated on the waters of this State in a narrow channel shall slow to a no-wake speed when passing within 50 feet of a law enforcement vessel that is displaying a flashing blue light. A person who violates this subsection is ~~guilty of a Class 3 misdemeanor.~~responsible for an infraction as provided in G.S. 14-3.1."

SECTION 18B.15.(e) G.S. 75A-18(a) reads as rewritten:

"(a) Except as otherwise provided, a person who violates a provision of this Article or who violates a rule adopted under authority of this Chapter is ~~guilty of a Class 3 misdemeanor and shall only be subject to a fine not to exceed two hundred and fifty dollars ($250.00) for each violation.~~responsible for an infraction as provided in G.S. 14-3.1. This limitation shall not apply in a case where a more severe penalty is prescribed in this Chapter."

SECTION 18B.15.(f) This section becomes effective December 1, 2013. Prosecutions for offenses committed before the effective date of this section are not abated or

affected by this section, and the statutes that would be applicable but for this section remain applicable to those prosecutions.

EXPUNCTION FEES

SECTION 18B.16.(a) G.S. 15A-145(e) reads as rewritten:

"(e) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of ~~one hundred twenty-five dollars ($125.00)~~ one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection shall be deposited in the General Fund. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(b) G.S. 15A-145.1 is amended by adding a new subsection to read:

"(d) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection shall be deposited in the General Fund. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(c) G.S. 15A-145.2(d) reads as rewritten:

"(d) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of ~~sixty-five dollars ($65.00)~~ one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection shall be deposited in the General Fund. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(d) G.S. 15A-145.3 is amended by adding a new subsection to read:

"(d) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection shall be deposited in the General Fund. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(e) G.S. 15A-145.4 is amended by adding a new subsection to read:

"(j) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection shall be deposited in the General Fund. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(f) G.S. 15A-146 is amended by adding a new subsection to read:

"(d) A person charged with a crime that is dismissed pursuant to compliance with a deferred prosecution agreement and who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection shall be deposited in the General Fund. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(g) This section becomes effective December 1, 2013, and applies to petitions for expunction filed on or after that date.

AMEND MOTION FEES

SECTION 18B.17.(a) G.S. 7A-305(f) reads as rewritten:

"(f) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing ~~containing one or more motions~~ of a notice of hearing on a motion not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 18B.17.(b) G.S. 7A-306(g) reads as rewritten:

"(g) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing ~~containing one or more motions~~ of a notice of hearing on a motion not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 18B.17.(c) G.S. 7A-307(a)(4) reads as rewritten:

"(4) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing ~~requiring a notice of hearing and containing one or more motions~~ of a notice of hearing on a motion not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 18B.17.(d) This section becomes effective August 1, 2013, and applies to notices of hearing on a motion not listed in G.S. 7A-308 filed on or after that date.

CRIMINAL JUSTICE EDUCATION AND STANDARDS COMMISSION COURT FEE

SECTION 18B.18.(a) 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 subdivisions (7) or (8) of this section.

...

(3b) For the services, staffing, and operations of the Criminal Justice Education and Standards ~~Commission and the Sheriffs' Education and Training Standards~~Commission, the sum of two dollars ($2.00) to be remitted to the Department of Justice. ~~One dollar and thirty cents ($1.30) of this sum shall be used exclusively for the Criminal Justice Education and Standards Commission, and seventy cents (70¢) shall be used exclusively for the Sheriffs' Education and Training Standards Commission.~~

...."

SECTION 18B.18.(b) This section becomes effective July 1, 2013, and applies to all costs assessed or collected on or after that date.

PART XIX. DEPARTMENT OF CULTURAL RESOURCES

CULTURAL RESOURCES TO FIND ALTERNATIVE FUNDING FOR STATE HISTORIC SITES

SECTION 19.1. In an effort to reduce funding of the State's 27 Historic Sites, the Department of Cultural Resources shall find alternative funding sources to support these sites by actively seeking support from the following: (i) the local governments where these Historic Sites are located, (ii) the nonprofit groups associated with these Historic Sites, and (iii) other private sources.

ALLOW EXEMPTION TO RULE-MAKING PROCESS FOR ESTABLISHING AND CHANGING ADMISSION AND ACTIVITY FEES AT STATE HISTORIC SITES, MUSEUMS, AND TRYON PALACE HISTORIC SITES AND GARDENS

SECTION 19.2.(a) G.S. 121-7.3 reads as rewritten:

"**§ 121-7.3. Admission fees.**

The Department of Cultural Resources may charge a reasonable admission fee to any historic site and museum administered by the Department. Admission fees collected under this section are receipts of the Department and shall be deposited in a nonreverting account. The Department shall retain unbudgeted receipts at the end of each fiscal year, beginning June 30, 2004, and shall deposit these receipts into the account. Funds in the account shall be used to support a portion of ~~each museum's operation.~~the operation of each historic site and museum. The Secretary may adopt rules necessary to carry out the provisions of this section. The Department is exempt from the requirements of Chapter 150B of the General Statutes when adopting, amending, or repealing rules for admission fees or related activity fees at historic sites and museums. The Department shall ~~provide~~ submit a ~~quarterly~~ report to the Joint Legislative Commission on Governmental Operations ~~as to the Department's or museums' anticipated use of funds or expenditures of funds pursuant to this section.~~on the amount and purpose of a fee change within 30 days following its effective date."

SECTION 19.2.(b) G.S. 143B-71 reads as rewritten:

"**§ 143B-71. Tryon Palace Commission – creation, powers and duties.**

There is hereby created the Tryon Palace Commission of the Department of Cultural Resources with the power and duty to adopt, amend and rescind rules and regulations concerning the restoration and maintenance of the Tryon Palace complex, and such other powers and duties as provided in Article 2 of Chapter 121 of the General Statutes of North Carolina. The Commission is exempt from the requirements of Chapter 150B of the General Statutes when adopting, amending, or repealing rules for admission fees or related activity fees at Tryon Palace Historic Sites and Gardens. The Commission shall submit a report to the Joint Legislative Commission on Governmental Operations on the amount and purpose of a fee change within 30 days following its effective date."

SECTION 19.2.(c) G.S. 150B-1(d) is amended by adding the following new subdivisions to read:

"(23) The Department of Cultural Resources with respect to admission fees or related activity fees at historic sites and museums pursuant to G.S. 121-7.3.

(24) Tryon Palace Commission with respect to admission fees or related activity fees pursuant to G.S. 143B-71."

ALLOW MUSEUMS AND HISTORIC SITES TO GENERATE REVENUE FROM VENDOR SERVICES

SECTION 19.3.(a) Article 3 of Chapter 111 of the General Statutes is amended by adding a new section to read:

"**§ 111-47.2. Food service at museums and historic sites operated by the Department of Cultural Resources.**

Notwithstanding Article 3 of Chapter 111 of the General Statutes, the North Carolina Department of Cultural Resources may operate or contract for the operation of food or vending services at museums and historic sites operated by the Department. Notwithstanding G.S. 111-43, the net proceeds of revenue generated by food and vending services provided at museums and historic sites operated by the Department or a vendor with whom the Department has contracted shall be credited to the appropriate fund of the museum or historic site where the funds were generated and shall be used for the operation of that museum or historic site."

SECTION 19.3.(b) G.S. 111-47.2, as enacted by subsection (a) of this section, shall not be construed to alter any contract for food or vending services at any museum or historic site operated by the Department that is in force at the time this section becomes law.

ALLOW EXEMPTION FOR HISTORIC SITES AND MUSEUMS ADMINISTERED BY THE DEPARTMENT OF CULTURAL RESOURCES FROM THE

PROHIBITION OF THE SALE OF MERCHANDISE OR SERVICES BY GOVERNMENTAL UNITS

SECTION 19.4. G.S. 66-58 reads as rewritten:

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

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

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

...

(9b) The Department of Cultural Resources for the sale of books, crafts, gifts, and other tourism-related items at historic sites and museums administered by the Department."

...."

MUSEUM OF ART CHALLENGE GRANT

SECTION 19.5.(a) Of the funds appropriated in this act to the Department of Cultural Resources for the North Carolina Museum of Art, the sum of one million dollars ($1,000,000) in recurring funds shall be allocated to the Museum of Art as provided by this section.

SECTION 19.5.(b) It is the intent of the General Assembly that the Museum of Art raise non-State funds for the 2013-2014 fiscal year that exceed the non-State receipts collected in the 2012-2013 fiscal year by at least one million dollars ($1,000,000). Receipts collected in the 2012-2013 fiscal year cannot be used as matching funds required by this section. The Museum of Art shall report to the Department of Cultural Resources by December 31, 2013, and June 30, 2014, on whether the funds required by this section were raised.

SECTION 19.5.(c) The Museum of Art shall receive allocations as follows:

(1) On July 1, 2013, a sum of five hundred thousand dollars ($500,000).

(2) On January 1, 2014, a sum of five hundred thousand dollars ($500,000), after demonstrating to the Department of Cultural Resources that it has raised at least a sum of five hundred thousand dollars ($500,000) in non-State funds to match this allotment on a dollar-for-dollar basis.

TRYON PALACE HISTORIC SITES AND GARDENS CHALLENGE GRANT

SECTION 19.6.(a) Of the funds appropriated in this act to the Department of Cultural Resources for Tryon Palace Historic Sites and Gardens, the sum of four hundred seventy-six thousand seven hundred twenty-five dollars ($476,725) in nonrecurring funds for the 2013-2014 fiscal year shall be allocated to Tryon Palace Historic Sites and Gardens in accordance with this section.

SECTION 19.6.(b) It is the intent of the General Assembly that Tryon Palace Historic Sites and Gardens raise non-State funds for the 2013-2014 fiscal year that exceed the non-State receipts collected in the 2012-2013 fiscal year by at least four hundred seventy-six thousand seven hundred twenty-five dollars ($476,725). Receipts collected in the 2012-2013 fiscal year cannot be used as matching funds required by this section. Tryon Palace Historic Sites and Gardens shall report to the Department of Cultural Resources by December 31, 2013, and June 30, 2014, on whether the funds required by this section were raised.

SECTION 19.6.(c) Tryon Palace Historic Sites and Gardens shall receive allocations as follows:

(1) On July 1, 2013, a sum of two hundred thirty-eight thousand three hundred sixty-two dollars and fifty cents ($238,362.50).

(2) On January 1, 2014, a sum of two hundred thirty-eight thousand three hundred sixty-two dollars and fifty cents ($238,362.50), after demonstrating to the Department of Cultural Resources that it has raised at least a sum of two hundred thirty-eight thousand three hundred sixty-two dollars and fifty cents ($238,362.50) in non-State funds to match this allotment on a dollar-for-dollar basis.

SECTION 19.6.(d) Non-State matching funds may come from any of the following: (i) friends support; (ii) corporate sponsorship; and (iii) rental income from weddings, corporate events, performances, movies, and photography.

ROANOKE ISLAND COMMISSION

SECTION 19.7.(a) G.S. 143B-131.1 reads as rewritten:

"**§ 143B-131.1. Commission established.**

There is established the Roanoke Island ~~Commission. The Commission shall be an independent, self-supporting commission, but shall be located~~Commission within the Department of Cultural ~~Resources for historic resource management, organizational, and budgetary purposes.~~Resources. All of the prescribed powers, duties, and functions of the Commission shall be performed under the direction and supervision of the Secretary of the Department."

SECTION 19.7.(b) G.S. 143B-131.2(a) reads as rewritten:

"(a) The Commission is created to combine various existing entities in the spirit of cooperation for a cohesive body to protect, preserve, develop, and interpret the historical and cultural assets of Roanoke Island. The Commission is further created to operate and administer the Elizabeth II State Historic Site and Visitor Center, the Elizabeth II, Ice Plant Island, and all other properties under the administration of the Department of Cultural Resources located on Roanoke Island having historical significance to the State of North Carolina, Dare County, or the Town of Manteo, except as otherwise determined by the ~~Commission.~~Commission or the Department."

PART XX. DEPARTMENT OF INSURANCE

CONSUMER PROTECTION FUND RETAINED AMOUNT

SECTION 20.1. G.S. 58-2-215 reads as rewritten:

"**§ 58-2-215. Consumer Protection Fund.**

...

(c) Moneys appropriated by the General Assembly shall be deposited in the Fund and shall become a part of the continuation budget of the Department of Insurance. Such continuation budget amount shall equal the actual expenditures drawn from the Fund during the prior fiscal year plus the official inflation rate designated by the Director of the Budget in the preparation of the State Budget for each ensuing fiscal year; provided that if interest income on

the Fund exceeds the amount yielded by the application of the official inflation rate, such continuation budget amount shall be the actual expenditures drawn from the Fund. In the event the amount in the Fund exceeds ~~five hundred thousand dollars ($500,000)~~two hundred fifty thousand dollars ($250,000) at the end of any fiscal year, such excess shall revert to the General Fund."

WORKERS' COMPENSATION FUND/ALLOCATION FOR VOLUNTEER SAFETY WORKERS

SECTION 20.2.(a) G.S. 105-228.5(d)(3) reads as rewritten:

"(d) Tax Rates; Disposition. –

...

(3) Additional Rate on Property Coverage Contracts. – An additional tax at the rate of seventy-four hundredths percent (0.74%) applies to gross premiums on insurance contracts for property coverage. The tax is imposed on ten percent (10%) of the gross premiums from insurance contracts for automobile physical damage coverage and on one hundred percent (100%) of the gross premiums from all other contracts for property coverage. ~~Thirty percent (30%)~~ Twenty-five percent (25%) of the net proceeds of this additional tax must be credited to the Volunteer Fire Department Fund established in Article 87 of Chapter 58 of the General Statutes. ~~Twenty-five percent (25%)~~ Twenty percent (20%) of the net proceeds must be credited to the Department of Insurance for disbursement pursuant to G.S. 58-84-25. ~~The remaining net proceeds must be credited to the General Fund.~~ Up to twenty percent (20%), as determined in accordance with G.S. 58-87-10(f), must be credited to the Workers' Compensation Fund. The remaining net proceeds must be credited to the General Fund.

The following definitions apply in this subdivision:

a. Automobile physical damage. – The following lines of business identified by the NAIC: private passenger automobile physical damage and commercial automobile physical damage.

b. Property coverage. – The following lines of business identified by the NAIC: fire, farm owners multiple peril, homeowners multiple peril, nonliability portion of commercial multiple peril, ocean marine, inland marine, earthquake, private passenger automobile physical damage, commercial automobile physical damage, aircraft, and boiler and machinery. The term also includes insurance contracts for wind damage.

c. NAIC. – National Association of Insurance Commissioners.

...."

SECTION 20.2.(b) G.S. 58-87-1 reads as rewritten:

"**§ 58-87-1. Volunteer Fire Department Fund.**

(a) Fund. – The Volunteer Fire Department Fund is created as an interest-bearing, nonreverting fund in the Department to provide matching grants to volunteer fire departments to purchase equipment and make capital improvements. The Commissioner shall administer the Fund. Up to ~~two percent (2%)~~one percent (1%) of the Fund may be used for additional staff and resources to administer the Fund in each fiscal year.

...."

SECTION 20.2.(c) G.S. 58-84-25 reads as rewritten:

"**§ 58-84-25. Disbursement of funds by Insurance Commissioner.**

(a) Distribution. – The Insurance Commissioner shall deduct the sum of three percent (3%) from the tax proceeds credited to the Department pursuant to G.S. 105-228.5(d)(3) and

pay the same over to the treasurer of the State Firemen's Association for general purposes. The Insurance Commissioner shall deduct the sum of ~~two percent (2%)~~one percent (1%) from the tax proceeds and retain the same in the budget of the Department of Insurance for the purpose of administering the disbursement of funds by the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by nonmember fire districts to the North Carolina State Firemen's Association. The Insurance Commissioner shall distribute the remaining tax proceeds to the treasurer of each fire district as provided in subsections (b) and (c) of this section.

...."

SECTION 20.2.(d) G.S. 58-87-10 reads as rewritten:

"**§ 58-87-10. Workers' Compensation Fund for the benefit of volunteer safety workers.**

(a) Definition. – As used in this section, the term "eligible unit" means a volunteer fire department or volunteer rescue/EMS unit that is not part of a unit of local government and is exempt from State income tax under G.S. 105-130.11.

(b) Creation. – The Workers' Compensation Fund is created in the Department of Insurance as an expendable trust fund. Accordingly, interest and other investment income earned by the Fund accrues to it, and revenue in the Fund at the end of a fiscal year remains in the Fund and does not revert.

(c) Use. – Revenue in the Workers' Compensation Fund shall be used to provide workers' compensation benefits to members of eligible units. Chapter 97 of the General Statutes governs the payment of benefits from the Fund. Benefits are payable for compensable injuries or deaths that occur on or after July 1, 1996.

(d) Administration. – The State Fire and Rescue Commission, established under G.S. 58-78-1, shall administer the Workers' Compensation Fund and shall perform this duty by contracting with a third-party administrator. The contracting procedure is not subject to Article 3C of Chapter 143 of the General Statutes. The reasonable and necessary expenses incurred by the Commission in administering the Fund shall be paid out of the Fund by the State Treasurer. The Commission may adopt rules to implement this section.

(e) Revenue Source. – Revenue is credited to the Workers' Compensation Fund from ~~appropriations made to the Department of Insurance for this purpose.~~ a portion of the proceeds of the tax levied under G.S. 105-228.5(d)(3) and from an assessment on local governments served by one or more eligible units as set forth in subsection (g) of this section. In addition, every eligible unit that elects to participate shall pay into the Fund an amount set annually by the State Fire and Rescue Commission to ensure that the Fund will be able to meet its payment obligations under this section. The amount shall be set as a per capita fixed dollar amount for each member of the roster of the eligible unit.

The payment shall be made to the State Fire and Rescue Commission on or before July 1 of each year. The Commission shall remit the payments it receives to the State Treasurer, who shall credit the payments to the Fund.

(f) Funding Study. – The Department of Insurance shall conduct a periodic actuarial study to calculate the amount required to meet the needs of the Fund. The study shall be based on premiums that are the greater of the premiums paid by members of the Fund for the fiscal year to which the study applies or the premiums paid by members of the Fund in fiscal year 2012-2013. The study shall be reviewed by the Office of State Budget and Management. On or before March 1 of each year, the Office of State Budget and Management, in consultation with the Department of Insurance, must notify the Secretary of Revenue of the amount required to meet the needs of the Fund, as determined by the study, for the upcoming fiscal year. The Secretary of Revenue shall remit that amount, subject to the twenty percent (20%) limitation in G.S. 105-228.5(d)(3), to the Fund.

(g) Assessment for Shortfall. – If the amount remitted to the Fund by the Secretary of Revenue under subsection (f) of this section is insufficient to meet the needs of the Fund, the

Department of Insurance shall collect the remaining amount from units of local government by multiplying the remaining amount needed by a fraction, the numerator of which is the number of residents in the unit of government served by an eligible unit and the denominator of which is the number of residents in the State served by all eligible units. The Department shall provide written notification to the units of local government of the amount of the assessment no later than April 1 of each year, and the unit of local government shall have 90 days to remit the assessment to the Department for deposit into the Fund."

SET INSURANCE REGULATORY CHARGE

SECTION 20.3.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six percent (6%) for the 2013 and 2014 calendar years.

SECTION 20.3.(b) This section is effective when it becomes law.

PART XXI. STATE BOARD OF ELECTIONS

ELIMINATE NORTH CAROLINA PUBLIC CAMPAIGN FUND

SECTION 21.1.(a) Article 22D of Chapter 163 of the General Statutes is repealed, except that G.S. 163-278.69 is repealed effective upon exhaustion of the funds for publication of the Judicial Voter Guide.

SECTION 21.1.(b) G.S. 84-34 reads as rewritten:

"**§ 84-34. Membership fees and list of members.**

Every active member of the North Carolina State Bar shall, prior to the first day of July of each year, pay to the secretary-treasurer an annual membership fee in an amount determined by the Council but not to exceed three hundred dollars ($300.00), ~~plus a surcharge of fifty dollars ($50.00) for the implementation of Article 22D of Chapter 163 of the General Statutes,~~ and every member shall notify the secretary-treasurer of the member's correct mailing address. Any member who fails to pay the required dues by the last day of June of each year shall be subject to a late fee in an amount determined by the Council but not to exceed thirty dollars ($30.00). All dues for prior years shall be as were set forth in the General Statutes then in effect. The membership fee shall be regarded as a service charge for the maintenance of the several services authorized by this Article, and shall be in addition to all fees required in connection with admissions to practice, and in addition to all license taxes required by law. The fee shall not be prorated: Provided, that no fee shall be required of an attorney licensed after this Article shall have gone into effect until the first day of January of the calendar year following that in which the attorney was licensed; but this proviso shall not apply to attorneys from other states admitted on certificate. The fees shall be disbursed by the secretary-treasurer on the order of the Council. ~~The fifty dollar ($50.00) surcharge shall be sent on a monthly schedule to the State Board of Elections.~~ The secretary-treasurer shall annually, at a time and in a law magazine or daily newspaper to be prescribed by the Council, publish an account of the financial transactions of the Council in a form to be prescribed by it. The secretary-treasurer shall compile and keep currently correct from the names and mailing addresses forwarded to the secretary-treasurer and from any other available sources of information a list of members of the North Carolina State Bar and furnish to the clerk of the superior court in each county, not later than the first day of October in each year, a list showing the name and address of each attorney for that county who has not complied with the provisions of this Article. The name of each of the active members who are in arrears in the payment of membership fees shall be furnished to the presiding judge at the next term of the superior court after the first day of October of each year, by the clerk of the superior court of each county wherein the member or members reside, and the court shall thereupon take action that is necessary and proper. The names and addresses of attorneys so certified shall be kept available to the public. The Secretary of Revenue is hereby directed to supply the secretary-treasurer, from records of license tax payments, with

any information for which the secretary-treasurer may call in order to enable the secretary-treasurer to comply with this requirement.

The list submitted to several clerks of the superior court shall also be submitted to the Council at its October meeting of each year and it shall take the action thereon that is necessary and proper."

SECTION 21.1.(c) G.S. 105-159.2 is repealed.

SECTION 21.1.(d) G.S. 163-278.5 reads as rewritten:

"**§ 163-278.5. Scope of Article; severability.**

The provisions of this Article apply to primaries and elections for North Carolina offices and to North Carolina referenda and do not apply to primaries and elections for federal offices or offices in other States or to non-North Carolina referenda. Any provision in this Article that regulates a non-North Carolina entity does so only to the extent that the entity's actions affect elections for North Carolina offices or North Carolina referenda.

The provisions of this Article are severable. If any provision is held invalid by a court of competent jurisdiction, the invalidity does not affect other provisions of the Article that can be given effect without the invalid provision.

This section applies to Articles 22B, ~~22D, 22E, 22F,~~ 22G, 22H, 22J, and 22M of the General Statutes to the same extent that it applies to this Article."

SECTION 21.1.(e) G.S. 163-278.13(e) reads as rewritten:

"(e) Except as provided in subsections ~~(e2), (e3),~~(e3) and (e4) of this section, this section shall not apply to any national, State, district or county executive committee of any political party. For the purposes of this section only, the term "political party" means only those political parties officially recognized under G.S. 163-96."

SECTION 21.1.(f) G.S. 163-278.13(e2) is repealed.

SECTION 21.1.(g) G.S. 163-278.23 reads as rewritten:

"**§ 163-278.23. Duties of Executive Director of Board.**

...

This section applies to Articles 22B, ~~22D, 22E, 22F,~~ 22G, 22H, and 22M of the General Statutes to the same extent that it applies to this Article."

SECTION 21.1.(h) G.S. 163-278.97 reads as rewritten:

"**§ 163-278.97. Voter-Owned Elections Fund established; sources of funding.**

...

(c) Evaluation and Determination of Fund Amount. – By January 1, 2011, and every four years thereafter, the ~~Board, in conjunction with the Advisory Council established under G.S. 163-278.68(b),~~Board shall prepare and provide to the Joint Legislative Commission on Governmental Operations of the General Assembly a report documenting, evaluating, and making recommendations relating to the administration, implementation, and enforcement of this Article. In its report, the Board shall set out the funds received to date and the expected needs of the Fund during the next election cycle and make recommendations about the feasibility of expanding its provisions to include other candidates for State office based on the experience of this Article and the experience of similar programs in North Carolina and other states. The Board shall also evaluate and make recommendations regarding how to address activities that could undermine the purpose of this Article, including spending that appears to target candidates but is not reached by regulation."

SECTION 21.1.(i) G.S. 163-278.99E(d) is repealed effective upon exhaustion of the funds for publication of the Judicial Voter Guide in G.S. 163-278.69.

SECTION 21.1.(j) The State Board of Elections shall use the money in the North Carolina Campaign Fund to only publish Judicial Voter Guides as described in G.S. 163-278.69 until the funds have been exhausted.

SECTION 21.1.(k) The secretary-treasurer of the North Carolina State Bar shall remit any payments of the fifty-dollar ($50.00) surcharge payable for the taxable year January

1, 2013, to the State Board of Elections, and the State Board of Elections must credit the funds received to the North Carolina Public Campaign Fund.

SECTION 21.1.(l) The State Board of Elections shall notify the Revisor of Statutes when the funds have been exhausted for publication of the Judicial Voter Guide.

SECTION 21.1.(m) Subsection (c) of this section is effective for taxable years beginning on or after January 1, 2013. The remainder of this section becomes effective July 1, 2013.

PART XXII. GENERAL ASSEMBLY

DAILY BULLETIN

SECTION 22.1. The North Carolina General Assembly shall discontinue the interagency agreement with UNC School of Government for the production of the Daily Bulletin. The General Assembly shall not employ temporary staff for this service. The UNC School of Government may continue to use General Assembly facilities to publish the Daily Bulletin and receive revenues from its publications.

FOOD SERVICES

SECTION 22.2.(a) The Legislative Services Commission shall issue a Request for Information (RFI) to identify vendors that are interested in providing food services within the General Assembly's buildings. The RFI shall include the following:

(1) Require that the vendor take over the operations of the General Assembly's food services in the 2014-2015 fiscal year.

(2) Make available all existing restaurant wares to the vendor. All new equipment costs and repairs would be borne by the vendor.

(3) Require a plan for services, including days and hours of operations and number of food service outlets to be operational. The proposal of interest by the vendor shall identify any additional cost that must be covered by the General Assembly and any revenue sharing that may benefit the General Assembly's budget.

(4) Provide the menu items that would be offered at the food service outlets.

The Legislative Services Commission shall review the proposals, hold interviews with the vendors, and collect all of the necessary information to make a comprehensive report to the General Assembly. If House Bill 153 of the 2013 General Assembly becomes law, the Legislative Services Commission shall report the results of the RFI to the Joint Legislative Oversight Committee on General Government by November 1, 2013.

SECTION 22.2.(b) The Food Services Section of the General Assembly's Administrative Division may submit a proposal under subsection (a) of this section, and the proposal shall be reviewed and evaluated in the same manner as proposals submitted by other vendors.

LIMIT STUDY COMMITTEE AUTHORIZATIONS

SECTION 22.3. G.S. 120-19.6(a1) is repealed.

CLARIFY GENERAL ASSEMBLY'S AUTHORITY TO MAKE REPAIRS

SECTION 22.4. G.S. 120-32 reads as rewritten:

"**§ 120-32. Commission duties.**

The Legislative Services Commission is authorized to:

...

(11) To specify the operating and capital uses within the General Assembly budget of funds appropriated to the General Assembly which remain

available for expenditure after the end of the biennial fiscal period, and to revert funds under G.S. 143C-1-2.

...."

PART XXIII. OFFICE OF THE GOVERNOR

SECTION 23.0. This section is reserved.

PART XXIV. OFFICE OF STATE BUDGET AND MANAGEMENT

SYMPHONY CHALLENGE GRANT/OSBM-SPECIAL APPROPRIATIONS

SECTION 24.1.(a) Of the funds appropriated in this act to the Office of State Budget and Management-Special Appropriations, the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for the 2013-2014 fiscal year and the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for the 2014-2015 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section. It is the intent of the General Assembly that the North Carolina Symphony raise at least eight million dollars ($8,000,000) in non-State funds for the 2013-2014 fiscal year and at least eight million dollars ($8,000,000) in non-State funds for the 2014-2015 fiscal year. The NC Symphony cannot use funds transferred from the organization's endowment to its operating budget to achieve the fund-raising targets set out in subsections (b) and (c) of this section.

SECTION 24.1.(b) For the 2013-2014 fiscal year, the North Carolina Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in non-State funds, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(3) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total sum of eight million dollars ($8,000,000) in non-State funds, the NC Symphony shall receive the final sum of five hundred thousand dollars ($500,000) in the 2013-2014 fiscal year.

SECTION 24.1.(c) For the 2014-2015 fiscal year, the North Carolina Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in non-State funds, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(3) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total sum of eight million dollars ($8,000,000) in non-State funds, the NC Symphony shall receive the final sum of five hundred thousand dollars ($500,000) in the 2014-2015 fiscal year.

SECTION 24.1.(d) Of the funds appropriated in this act to the Office of State Budget and Management-Special Appropriations, the sum of three hundred thousand dollars ($300,000) in nonrecurring funds for the 2013-2014 fiscal year shall be allocated to The Bridge Downeast, Inc., a nonprofit organization, to purchase a facility to house activities for the youth

and senior citizens on Harkers Island and surrounding areas. If these funds are not used for the purpose for which they were appropriated as of June 30, 2014, the funds shall revert to the General Fund.

PART XXV. OFFICE OF THE STATE AUDITOR

SECTION 25.0. This section is reserved.

PART XXVI. DEPARTMENT OF REVENUE

INCREASED FUNDING FOR REVENUE FOR TAX REFORM

SECTION 26.1. If a bill creating personnel positions in the Department of Revenue to implement a comprehensive change to the tax laws of the State passes during the Regular Session of the 2013 General Assembly and is enacted into law, the Department of Revenue shall use the sum of five million dollars ($5,000,000) appropriated for the 2013-2014 fiscal year and the sum of five million dollars ($5,000,000) appropriated for the 2014-2015 fiscal year to accomplish the provisions of that act.

PART XXVII. DEPARTMENT OF THE SECRETARY OF STATE

ELECTRONIC SUBMISSION OF ALL DOCUMENTS, REPORTS, AND PAYMENTS BY LOBBYISTS

SECTION 27.1.(a) G.S. 120C-200 reads as rewritten:

"**§ 120C-200. Lobbyist registration procedure.**

...

(b) The form of the registration shall be prescribed by the Secretary of ~~State~~State, be filed electronically, and shall include the registrant's full name, firm, complete address, and telephone number; the registrant's place of business; the full name, complete address, and telephone number of each principal the lobbyist represents; and a general description of the matters on which the registrant expects to act as a lobbyist.

(c) Each lobbyist shall electronically file an amended registration form with the Secretary of State no later than 10 business days after any change in the information supplied in the lobbyist's last registration under subsection (b) of this section. Each supplementary registration shall include a complete statement of the information that has changed.

...."

SECTION 27.1.(b) G.S. 120C-201(a) reads as rewritten:

"(a) Except as provided for in subsection (b) of this section, a fee of one hundred dollars ($100.00) is due and payable to the Secretary of State at the time of each lobbyist registration. Fees so collected shall be deposited in the General Fund of the State. The ~~Secretary of State shall allow~~ fees required under this section ~~to~~shall be paid ~~electronically but shall not require the fees to be paid electronically.~~electronically."

SECTION 27.1.(c) G.S. 120C-206 reads as rewritten:

"**§ 120C-206. Lobbyist principal's authorization.**

...

(b) The form of the written authorization shall be prescribed by the Secretary of ~~State~~State, be filed electronically, and shall include the lobbyist principal's full name, complete address, and telephone number, name and title of any official authorized to sign for the lobbyist principal, and the name of each lobbyist registered to represent that principal.

(c) An amended authorization shall be electronically filed with the Secretary of State no later than 10 business days after any change in the information on the principal's authorization.

Each supplementary authorization shall include a complete statement of the information that has changed."

SECTION 27.1.(d) G.S. 120C-207(a) reads as rewritten:

"(a) Except as provided for in subsection (b) of this section, a fee of one hundred dollars ($100.00) is due and payable to the Secretary of State at the time the principal's first authorization statement is filed each calendar year for a lobbyist. Fees so collected shall be deposited in the General Fund of the State. The ~~Secretary of State shall allow~~ fees required under this section ~~to~~shall be paid ~~electronically but shall not require the fees to be paid electronically.~~electronically."

SECTION 27.1.(e) G.S. 120C-401(d) reads as rewritten:

"(d) Each report required by this Article shall be in the form prescribed by the Secretary of ~~State, which may include electronic reports.~~State and filed electronically."

SECTION 27.1.(f) G.S. 120C-800(f) reads as rewritten:

"(f) Within 15 business days after the end of the quarter in which the reportable expenditure was made, reports required by this section shall be filed electronically with the Secretary of State in a ~~manner~~form prescribed by the Secretary of ~~State, which may include electronic reports.~~State. If the designated individual is required to file a statement of economic interest under G.S. 138A-24, then that designated individual may opt to report any information required by this section in the statement of economic interest."

SECTION 27.1.(g) This section becomes effective December 1, 2013, and applies to all filings and payments due on or after that date.

INCREASE REGISTRATION FEE FOR LOBBYIST/LOBBYIST PRINCIPAL

SECTION 27.2.(a) G.S. 120C-201 reads as rewritten:

"**§ 120C-201. Lobbyist's registration fee.**

(a) ~~Except as provided for in subsection (b) of this section, a~~A fee of ~~one hundred dollars ($100.00)~~two hundred fifty dollars ($250.00) is due and payable to the Secretary of State at the time of each lobbyist registration. Fees so collected shall be deposited in the General Fund of the State. The Secretary of State shall allow fees required under this section to be paid electronically but shall not require the fees to be paid electronically.

~~(b) The Secretary of State shall adopt rules providing for a waiver or reduction of the fees required by this section for lobbyists registering to represent persons who have been granted nonprofit status under 26 U.S.C. § 501(c)(3).~~"

SECTION 27.2.(b) G.S. 120C-207 reads as rewritten:

"**§ 120C-207. Lobbyist principal's fees.**

(a) ~~Except as provided for in subsection (b) of this section, a~~A fee of ~~one hundred dollars ($100.00)~~two hundred fifty dollars ($250.00) is due and payable to the Secretary of State at the time the principal's first authorization statement is filed each calendar year for a lobbyist. Fees so collected shall be deposited in the General Fund of the State. The Secretary of State shall allow fees required under this section to be paid electronically but shall not require the fees to be paid electronically.

~~(b) The Secretary of State shall adopt rules providing for a waiver or reduction of the fees required by this section for lobbyist principals that have been granted nonprofit status under 26 U.S.C. § 501(c)(3).~~"

SECTION 27.2.(c) This section becomes effective July 1, 2013, and applies to registrations on or after that date.

PART XXVIII. OFFICE OF THE LIEUTENANT GOVERNOR

SECTION 28.0. This section is reserved.

PART XXIX. OFFICE OF THE STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 29.1.(a) During the 2013-2015 fiscal biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors are to be deposited in Special Reserve Account 24172 as required by G.S. 147-86.22(c).

SECTION 29.1.(b) For each year of the 2013-2015 fiscal biennium, five hundred thousand dollars ($500,000) of the funds in the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs and are hereby appropriated for that purpose.

SECTION 29.1.(c) All funds available in Special Reserve Account 24172 on June 30 of each year of the 2013-2015 fiscal biennium shall revert to the General Fund on that date.

SECTION 29.1.(d) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue.

PART XXX. DEPARTMENT OF ADMINISTRATION

ELIMINATE YOUTH ADVOCACY AND INVOLVEMENT OFFICE, YOUTH ADVISORY COUNCIL, STATE YOUTH COUNCIL, AND NC INTERNSHIP COUNCIL

SECTION 30.1.(a) The Youth Advocacy and Involvement Office in the Department of Administration is eliminated.

SECTION 30.1.(b) Parts 7 and 18 of Article 9 of Chapter 143B of the General Statutes, being G.S. 143B-385 through G.S. 143B-388 and G.S. 143B-417 through G.S. 143B-419, are repealed.

SECTION 30.1.(c) G.S. 7B-1402 reads as rewritten:

"**§ 7B-1402. Task Force – creation; membership; vacancies.**

(a) There is created the North Carolina Child Fatality Task Force within the Department of Health and Human Services for budgetary purposes only.

(b) The Task Force shall be composed of ~~35~~ 34 members, ~~11~~ 10 of whom shall be ex officio members, four of whom shall be appointed by the Governor, 10 of whom shall be appointed by the Speaker of the House of Representatives, and 10 of whom shall be appointed by the President Pro Tempore of the Senate. The ex officio members other than the Chief Medical Examiner shall be nonvoting members and may designate representatives from their particular departments, divisions, or offices to represent them on the Task Force. The members shall be as follows:

...

~~(6) The Director of the Governor's Youth Advocacy and Involvement Office;~~

...."

SECTION 30.1.(d) G.S. 143B-846 reads as rewritten:

"**§ 143B-846. Creation; method of appointment; membership; chair and vice-chair.**

(a) As a prerequisite for a county receiving funding for juvenile court services and delinquency prevention programs, the board of commissioners of a county shall appoint a Juvenile Crime Prevention Council. Each County Council is a continuation of the corresponding Council created under G.S. 147-33.61. The County Council shall consist of not more than ~~26~~ 24 members and should include, if possible, the following:

...

~~(12) Two persons under the age of 18 years, one of whom is a member of the State Youth Council;~~

...."

SECTION 30.1.(e) Any funds remaining in the North Carolina Youth Advocacy and Involvement Fund as of June 30, 2013, shall be returned to any person entitled to be reimbursed for registration fees, gifts, donations, or contributions that were made to or for the North Carolina Youth Legislative Assembly (YLA) and the North Carolina Students Against Destructive Decisions (SADD).

ELIMINATE DISPLACED HOMEMAKERS PROGRAM/FUND

SECTION 30.2.(a) G.S. 7A-305(a2) reads as rewritten:

"(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five dollars ($75.00) shall be assessed against the person filing the divorce action. Costs collected by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall deposit ~~fifty-five dollars ($55.00) to the North Carolina Fund for Displaced Homemakers established under G.S. 143B-394.10 and twenty dollars ($20.00)~~seventy-five dollars ($75.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this subsection shall be in addition to any other costs assessed under this section."

SECTION 30.2.(b) G.S. 143B-393 reads as rewritten:

"§ 143B-393. North Carolina Council for Women – creation; powers and duties.

There is hereby created the North Carolina Council for Women of the Department of Administration. The North Carolina Council for Women shall have the following functions and duties:

(1) To advise the Governor, the principal State departments, and the State legislature concerning the education and employment of women in the State of North ~~Carolina; and~~Carolina.

(2) To advise the Secretary of Administration upon any matter the Secretary may refer to ~~it; and~~the Council.

~~(3) To establish programs for the assistance of displaced homemakers as set forth in Part 10B of this Article.~~"

SECTION 30.2.(c) Part 10B of Article 9 of Chapter 143B of the General Statutes is repealed.

SECTION 30.2.(d) All unencumbered funds as of June 30, 2013, in the North Carolina Fund for Displaced Homemakers shall be transferred to the Domestic Violence Center Fund established under G.S. 50B-9.

REPEAL STATEWIDE CAPITAL RESERVE

SECTION 30.3. Section 20.4 of S.L. 2011-145 is repealed. Any funds remaining in the reserve established pursuant to that section shall be transferred to the capital project account associated with the capital project for which they were initially appropriated.

BIENNIAL REVIEW OF STATEMENTS OF ECONOMIC INTEREST BY SEC

SECTION 30.4.(a) G.S. 138A-10(a)(4) reads as rewritten:

"§ 138A-10. Powers and duties.

(a) In addition to other powers and duties specified in this Chapter, the Commission shall:

...

(4) Receive and review all statements of economic ~~interests~~ interest filed with the Commission by prospective and actual covered ~~persons and~~ persons as provided in G.S. 138A-28. ~~evaluate whether (i) the statements conform to the law and the rules of the Commission, and (ii) the financial interests and~~

~~other information reported reveals actual or potential conflicts of interest.~~Pursuant to G.S. 138A-24(e), this subdivision does not apply to statements of economic interest of legislators and judicial officers."

SECTION 30.4.(b) Article 3 of Chapter 138A of the General Statutes is amended by adding a new section to read:

"**§ 138A-28. Review and evaluation of statements of economic interest.**

(a) The Commission shall receive and review all statements of economic interest pursuant to G.S. 138A-10(a)(4) and shall evaluate whether (i) the statements conform to the law and the rules of the Commission, and (ii) the financial interests and other information reported by prospective and actual covered persons reveal actual or potential conflicts of interest.

(b) Beginning July 1, 2013, the Commission shall establish a biennial cycle for evaluating statements of economic interest. The Commission shall evaluate each initial filing as provided in subsection (a) of this section.

(c) Notwithstanding subsection (b) of this section, statements filed by the following prospective and actual public servants shall be evaluated on an annual basis:

(1) The University of North Carolina Board of Governors, subject to G.S. 138A-24(f).

(2) The State Board of Community Colleges, subject to G.S. 138A-24(f).

(3) The North Carolina Utilities Commission.

(4) The North Carolina Industrial Commission.

(5) Supplemental statements filed pursuant to Chapter 136 of the General Statutes.

(6) Any other board or commission whose members are elected or confirmed by the General Assembly.

(d) Notwithstanding subsections (a) and (b) of this section, statements of economic interest filed by Constitutional officers of the State and individuals elected or appointed as Constitutional officers of the State prior to taking office shall be evaluated every four years upon election or appointment to office.

(e) A public servant who simultaneously serves on more than one covered board may file one statement of economic interest and that statement shall serve as disclosure for all the covered boards. If, during the biennial cycle, a public servant leaves one covered board and begins membership on another covered board, the public servant is not required to file another statement of economic interest, and the Commission is not required to evaluate the statement again in light of the subsequent appointment. The public servant must make subsequent filings pursuant to G.S. 138A-22(a) upon the expiration of the biennial cycle.

(f) Nothing in this section shall be construed to impair the Commission's duties and authority under G.S. 138A-25 and G.S. 138A-26."

USE OF E-COMMERCE FUNDS FOR PURCHASE AND CONTRACT OPERATIONS

SECTION 30.5. Notwithstanding the provisions of G.S. 66-58.12(c), the sum of one million two hundred eighteen thousand six hundred fifty-nine dollars ($1,218,659) for the 2013-2014 fiscal year and the sum of one million four hundred seventy-six thousand five hundred forty-three dollars ($1,476,543) for the 2014-2015 fiscal year shall be transferred from the E-Commerce Fund in the Department of Administration Budget Code 24100, Fund 2514, to be used for each year of the 2013-2015 biennium, on a recurring basis, to pay the operating expenses of the Division of Purchase and Contract.

STUDY/E-PROCUREMENT FEE & VENDOR CONTRACT

SECTION 30.6.(a) The Department of Administration shall study the feasibility of reducing or eliminating the e-commerce fee authorized under G.S. 66-58.12(b). The

e-commerce fee supports the E-Procurement System operated by the Department. By February 1, 2014, the Department shall report its findings to the Senate Appropriations Committee on General Government and Information Technology, House of Representatives Appropriations Subcommittee on General Government, Joint Legislative Committee on Information Technology, and Office of State Budget and Management. The report shall include the following:

(1) The current rate of the fee and how it was calculated.
(2) The current revenue generated from the fee by departmental users.
(3) The current breakeven point for the operation of the E-Procurement System.
(4) The requirements for the operation and administration of the E-Procurement System, including the term of any contract with an outside vendor for the management of the E-Procurement System.
(5) Total payments to vendors since the initiation of the E-Procurement System.
(6) Total State receipts since the initiation of the E-Procurement System.
(7) Information on E-Procurement Systems currently in operation in other states and within North Carolina, including an analysis of the advantages and disadvantages of each.
(8) The feasibility and cost of utilizing E-Procurement Systems under management by any State institution.
(9) The feasibility of eliminating the fee supporting the E-Procurement System, E-Commerce Fund (2514), and moving the administration of the E-Procurement System to General Fund Support, including any cost savings to agencies as a result of vendors not assessing the fee on goods purchased through the System.
(10) The feasibility of reducing the fee by assessing the fee on goods and services only.
(11) The potential for savings from training State employees to operate and maintain the System.

SECTION 30.6.(b) If the contract with an outside vendor operating the E-Procurement System expires during the 2013-2015 biennium, the Department of Administration, under the supervision of the Enterprise Project Management Office and the Statewide Information Technology Procurement Office, shall issue a request for proposals and select a vendor through open competition. Any new contract shall comply with all State information technology procurement requirements, including G.S. 143-135.9, and shall include a requirement that the project be hosted on State infrastructure.

ELIMINATE AUTHORITY FOR STATE CONTRIBUTION TO COUNTY VETERANS SERVICE PROGRAMS

SECTION 30.7.(a) G.S. 165-6(9) is repealed.

SECTION 30.7.(b) This section becomes effective July 1, 2014.

PART XXXI. HOUSING FINANCE AGENCY

SECTION 31.0. This section is reserved.

PART XXXII. OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 32.0. This section is reserved.

PART XXXIII. DEPARTMENT OF THE STATE TREASURER

SECTION 33.0. This section is reserved.

PART XXXIV. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION

SECTION 34.1.(a) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2015-2016	$1,946.7 million
For Fiscal Year 2016-2017	$2,027.6 million
For Fiscal Year 2017-2018	$2,103.3 million
For Fiscal Year 2018-2019	$2,140.4 million

SECTION 34.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2015-2016	$1,160.3 million
For Fiscal Year 2016-2017	$1,215.2 million
For Fiscal Year 2017-2018	$1,256 million
For Fiscal Year 2018-2019	$1,283.7 million

INCREASE DOT PRIVATIZATION

SECTION 34.2. The Department of Transportation shall seek to increase the use of contracts to further privatize preconstruction work where practical, economical, and likely to lead to increased efficiency. In doing so, the Department of Transportation shall meet each of the following privatization requirements:

(1) Increase the outsourcing of all activities performed by the Department's Preconstruction and Technical Services units to sixty percent (60%) of the total cost of activities performed by those units in each fiscal year, excluding the cost of activities performed by the Turnpike Authority, the Structures Design and Management unit, and the Bridge Program.

(2) The Right-of-Way, Project Development and Environmental Analysis and Roadway Design units shall increase the total cost of outsourced activity by five percent (5%) in fiscal year 2013-2014 and by an additional five percent (5%) in fiscal year 2014-2015, from a baseline of fiscal year 2012-2013 actual expenditures for those units.

SYSTEM PRESERVATION FUNDS PREFERENCE FOR DEFICIENT BRIDGES

SECTION 34.3. The funds allocated to the system preservation program (fund center 84210-7839) for fiscal years 2013-2014 and 2014-2015 shall be used for improvements to structurally deficient and functionally obsolete bridges.

CONTINGENCY FUND

SECTION 34.4.(a) Of the funds appropriated in this act to the Department of Transportation, the sum of 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 subsection shall be approved by the Secretary of Transportation. None of these funds used for rural secondary road improvements during the 2013-2014 fiscal year are subject to the county allocation formulas in G.S. 136-44.5(b).

SECTION 34.4.(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.

SECTION 34.4.(c) The sum of twenty-eight million dollars ($28,000,000) of the unallotted and unexpended balance of funds within the Contingency Fund (fund center 1500/157818) shall be transferred to the Highway Fund as appropriated and allocated by this act.

ELIMINATE DIVISION SMALL URBAN CONSTRUCTION PROGRAM

SECTION 34.5. The sum of twenty-five million dollars ($25,000,000) of the unallotted and unexpended balance of funds within the Division Small Urban Construction Program (fund center 1500/157837) shall be transferred to the Highway Fund as appropriated and allocated by this act. The Division Small Urban Construction Program shall be eliminated after all funds allotted as of June 30, 2013, have been expended. The remaining unallotted and unexpended balance of funds shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

ACCESS AND PUBLIC SERVICE ROAD FUNDS

SECTION 34.6. The sum of three million dollars ($3,000,000) of the unallotted and unexpended balance of funds within the Access and Public Service Road program (fund center 1500/157814) shall be transferred to the Highway Fund as appropriated and allocated by this act.

ECONOMIC DEVELOPMENT PROGRAM FUNDS

SECTION 34.7. The sum of three million one hundred thousand dollars ($3,100,000) of the unallotted and unexpended balance of funds within the Economic Development fund (fund center 1500/157838) shall be transferred to the Highway Fund as appropriated and allocated by this act. Funds appropriated to the Economic Development fund shall be used for prioritized highway improvements and infrastructure that support safety and mobility initiatives. Projects funded under this section shall be jointly approved by the Secretary of Transportation and the Secretary of Commerce.

CONGESTION AND MOBILITY REPORTING

SECTION 34.8. G.S. 136-44.3 reads as rewritten:

"**§ 136-44.3. Maintenance program.**

The Department shall establish performance standards for the maintenance and operation of the State highway system. In each even-numbered year, the Department of Transportation shall survey the condition of the State highway system and shall prepare a report of the findings of the survey. The report shall provide both quantitative and qualitative descriptions of the condition of the system and shall provide estimates of the following:

(1) The annual cost to meet and sustain the established performance standards for the primary and secondary highway system, to include: (i) routine maintenance and operations, (ii) system preservation, and (iii) pavement and bridge rehabilitation.

(2) Projected system condition and corresponding optimal funding requirements for a seven-year plan to sustain established performance standards.

(3) Any significant variations in system conditions among highway divisions.

(4) An assessment of the level of congestion throughout the primary highway system based on traffic data, and a ranking of the most congested areas based on travel time reliability and the average number of congested hours, together with the Department's recommendations for congestion reduction and mobility improvement.

On the basis of the report and from funds available, the Department of Transportation shall develop a statewide annual maintenance program for the State highway system, which shall be subject to the approval of the Board of Transportation and is consistent with performance standards.

The report on the condition of the State highway system and maintenance funding needs shall be presented to the Joint Legislative Transportation Oversight Committee by December 31 of each even-numbered year, and copies shall be made available to any member of the General Assembly upon request."

REPEAL INTERMODAL CONTINUING APPROPRIATIONS

SECTION 34.9. The following statutes are repealed:

(1) G.S. 136-16.4.
(2) G.S. 136-16.5.
(3) G.S. 136-16.7.
(4) G.S. 136-16.8.
(5) G.S. 136-16.9.

FLEXIBLE USE OF FUNDS TO LEVERAGE FEDERAL FUNDS FOR RURAL AND HUMAN SERVICE PUBLIC TRANSPORTATION

SECTION 34.10. In order to ensure maximum funding and to facilitate the use of funds available to the Department, the Department of Transportation, Public Transportation Division, shall have the flexibility to redistribute funding from the "rural capital" grant program and within the "urban technology, human service transportation management, and rural general public" grant program in order to leverage all eligible federal funds for operating assistance to rural and human service transportation systems. The distribution of funds to these systems shall be based on assessed system needs. This section applies only to the 2013-2015 fiscal biennium.

MAXIMIZE LEVERAGE OF FEDERAL PUBLIC TRANSPORTATION OPERATING AND CAPITAL FUNDS FOR LOCAL PUBLIC TRANSPORTATION SYSTEMS

SECTION 34.11. The Department of Transportation, Public Transportation Division, shall provide local public transportation systems with maximum flexibility to use State operating funds from the "urban and regional maintenance" and "urban technology, human service transportation management, and rural general public" grant programs to leverage all eligible federal transit operating assistance funds. This section applies only to the 2013-2015 fiscal biennium.

GRANT FLEXIBILITY FOR BICYCLE AND PEDESTRIAN IMPROVEMENTS

SECTION 34.12. The Department of Transportation, Division of Bicycle and Pedestrian Transportation, may redistribute funds appropriated to the Regional Bicycle Planning Grant program to the Municipal Planning Grant program to award grants to municipalities based on assessed need and the extent to which the Division finds that the municipality's application for grant funding fulfills applicable selection criteria.

UNIFORM FERRY TOLLING

SECTION 34.13.(a) Notwithstanding the date set forth in Section 24.18(b) of S.L. 2012-142, as rewritten by Section 6.2 of S.L 2012-145, by which the Department of Transportation is required to collect tolls based on the March 2012 amendment to 19 NCAC 02D .0532, the Department shall collect tolls as set forth in this section, beginning on November 1, 2013. Prior to November 1, 2013, the Department shall collect tolls on the same routes and in the same manner as it did prior to the March 2012 amendment to 19 NCAC 02D .0532.

SECTION 34.13.(b) G.S. 136-82 reads as rewritten:

"**§ 136-82. Department of Transportation to establish and maintain ferries.**

The Department of Transportation is vested with authority to provide for the establishment and maintenance of ferries connecting the parts of the State highway system, whenever in its discretion the public good may ~~so require,~~require, and shall collect tolls, as established by the Board of Transportation, on the ferry routes. ~~The Board of Transportation shall establish tolls for all ferry routes, except for the Ocracoke/Hatteras Ferry and the Knotts Island Ferry.~~ The establishment of tolls pursuant to the authority granted in this section shall be exempt from the provisions of Chapter 150B of the General Statutes. Identifying information obtained by the Department related to operation of the ferry system is not a public record under Chapter 132 of the General Statutes and is subject to the disclosure limitations in 18 U.S.C. § 2721 of the federal Driver's Privacy Protection Act. The Department shall maintain the confidentiality of all information required to be kept confidential under 18 U.S.C. § 2721(a), as well as any financial information, transaction history, and information related to the collection of a toll or user fee from a person, including, but not limited to, photographs or other recorded images or automatic vehicle identification or driver account information generated by radio-frequency identification or other electronic means. The Department may use identifying information only for purposes of collecting and enforcing tolls. Nothing in this section is intended to limit the right of any person to examine that person's own account information, or the right of any party, by authority of a proper court order, to inspect and examine identifying information.

The Department of Transportation shall credit the proceeds from tolls collected on North Carolina Ferry System routes to reserve accounts within the Highway Fund for each of the Highway Divisions in which system terminals are located and fares are earned. For the purposes of this subsection, fares are earned based on the terminal from which a passenger trip originates or at which fares are collected. Commuter pass receipts shall be credited proportionately to each reserve account based on the distribution of trips originating in each Highway Division. The proceeds credited to each reserve account shall be used exclusively for prioritized capital improvements to the North Carolina Ferry System in the Division in which the proceeds are earned and may be used to supplement funds allocated for projects approved as part of the Transportation Improvement Program.

To accomplish the purpose of this ~~section said~~ section, the Department of Transportation is authorized to acquire, own, lease, charter or otherwise control all necessary vessels, boats, terminals or other facilities required for the proper operation of ~~such~~ the ferries or to enter into contracts with persons, firms or corporations for the operation thereof and to pay ~~therefor such~~the reasonable sums ~~as may~~that in the opinion of ~~said~~the Department of Transportation represent the fair value of the public service rendered.

The Department of Transportation, notwithstanding any other provision of law, may operate, or contract for the operation of, concessions on the ferries and at ferry facilities to provide to passengers on the ferries food, drink, and other refreshments, personal comfort items, and souvenirs publicizing the ferry system."

SECTION 34.13.(c) G.S. 136-82, as rewritten by subsection (b) of this section, reads as rewritten:

"**§ 136-82. Department of Transportation to establish and maintain ferries.**

The Department of Transportation is vested with authority to provide for the establishment and maintenance of ferries connecting the parts of the State highway system, whenever in its discretion the public good may require, and shall collect tolls, as established by the Board of Transportation, on the ferry routes. The Board of Transportation shall establish tolls for all ferry routes, and the Department of Transportation shall collect the tolls. The establishment of tolls under the authority granted in this section shall be exempt from the provisions of Chapter 150B of the General Statutes. Identifying information obtained by the Department related to the collection of tolls, or the issuance of commuter passes or fare waivers is not a public record

under Chapter 132 of the General Statutes and is subject to the disclosure limitations in 18 U.S.C. § 2721, the federal Driver's Privacy Protection Act. The Authority shall maintain the confidentiality of all information required to be kept confidential under 18 U.S.C. § 2721(a), as well as any financial information, transaction history, and information related to the collection of a toll or issuance of a commuter pass or fare waiver from a person, including, but not limited to, photographs or other recorded images or automatic vehicle identification or driver account information generated by radio-frequency identification or other electronic means. The Department may use identifying information only for purposes of collecting and enforcing tolls. Nothing in this section is intended to limit the right of any person to examine that person's own account information, or the right of any party, by authority of a proper court order, to inspect and examine identifying information.

The Department of Transportation shall credit the proceeds from tolls collected on North Carolina Ferry System routes to reserve accounts within the Highway Fund for each of the Highway Divisions in which system terminals are located and fares are earned. For the purposes of this subsection, fares are earned based on the terminal from which a passenger trip originates or at which fares are collected. Commuter pass receipts shall be credited proportionately to each reserve account based on the distribution of trips originating in each Highway Division. The proceeds credited to each reserve account shall be used exclusively for prioritized capital improvements to the North Carolina Ferry System in the Division in which the proceeds are earned, and may be used to supplement funds allocated for projects approved as part of the Transportation Improvement Program.

To accomplish the purpose of this section the Department of Transportation is authorized to acquire, own, lease, charter or otherwise control all necessary vessels, boats, terminals or other facilities required for the proper operation of the ferries or to enter into contracts with persons, firms or corporations for the operation thereof and to pay the reasonable sums that in the opinion of said Department of Transportation represent the fair value of the public service rendered.

The Department of Transportation, notwithstanding any other provision of law, may operate, or contract for the operation of, concessions on the ferries and at ferry facilities to provide to passengers on the ferries food, drink, and other refreshments, personal comfort items, and souvenirs publicizing the ferry system."

SECTION 34.13.(d) In establishing tolls for ferry routes under G.S. 136-82, as amended by this section, the Board of Transportation shall consider the needs of commuters and other frequent passengers.

SECTION 34.13.(e) The Board of Transportation shall set the fares required by this section such that projected annual gross toll revenue is at least five million dollars ($5,000,000) but does not exceed ten million dollars ($10,000,000).

SECTION 34.13.(f) Subsection (c) of this section becomes effective November 1, 2013.

NORTH CAROLINA RAILROAD COMPANY REPORTING AND DIVIDENDS

SECTION 34.14.(a) Reporting and Oversight. – G.S. 124-1 reads as rewritten:

"**§ 124-1. Control of internal improvements.**

The Governor and Council of State shall have charge of all the State's interest in all railroads, canals and other works of internal improvements. The Board of Directors of a State-owned railroad company shall be responsible for managing its affairs and for reporting as set forth in ~~G.S. 124-3.~~G.S. 124-17."

SECTION 34.14.(b) Article 2 of Chapter 124 of the General Statutes is amended by adding a new section, G.S. 124-15. G.S. 124-6(b), as amended by Section 3.3(a) of S.L. 1999-431, is recodified as G.S. 124-15(a). G.S. 124-5(b) is recodified as G.S. 124-15(b). G.S. 124-15, as enacted and amended by this subsection, reads as rewritten:

"§ 124-15. Board of directors; appointment and approval of encumbrances.

(a) Notwithstanding subsection (a) of ~~this section,~~G.S. 124-6, for any State-owned railroad company ~~organized as a corporation in which the State is the owner of all the voting stock and which~~that has trackage in more than two counties, seven of the members of the Board of Directors shall be appointed by the Governor, three of the members of the Board of Directors shall be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, and three of the members of the Board of Directors shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. The Board of Directors shall consist of 13 members. Of the Governor's seven appointments, one shall be from the appointees to the Board of Transportation, and one shall be the Secretary of Commerce or the Secretary's designee. Of the initial members appointed by the Governor, three shall be appointed for terms of four years and four shall be appointed for terms of two years. Of the initial members recommended to the General Assembly by the Speaker of the House of Representatives, two shall be appointed for terms of four years and one shall be appointed for a term of two years. Of the initial members recommended to the General Assembly by the President Pro Tempore of the Senate, two shall be appointed for terms of four years and one shall be appointed for a term of two years. Thereafter all Board members shall serve four-year terms. The Board shall elect the chairman from among its membership.

(b) No State-owned railroad company shall sell, lease, mortgage, or otherwise encumber its franchise, right-of-way, or other property, except by and with the approval and consent of the Board of Directors of that corporation. The president or other chief officer of the State-owned railroad company shall report any acquisitions and dispositions in accordance with G.S. 124-3(10)."

SECTION 34.14.(c) Article 2 of Chapter 124 of the General Statutes is amended by adding a new section to read as follows:

"§ 124-16. Strategic plan and capital investment plan required of State-owned railroad company; performance management system.

(a) Any State-owned railroad company shall prepare and maintain a comprehensive strategic plan and a capital investment plan. The strategic plan shall include a mission statement describing the purpose of the company and clear goals that address the strategic issues facing the company.

(b) Any State-owned railroad company shall develop and implement a formalized performance management system based on its strategic plan. The performance management system shall measure and monitor progress toward achieving strategic objectives. When performance fails to achieve strategic objectives within the time period established in the plan, a State-owned railroad company shall take corrective action."

SECTION 34.14.(d) Article 2 of Chapter 124 of the General Statutes is amended by adding a new section, G.S. 124-17. G.S. 124-3(b) is recodified as G.S. 124-17(b). G.S. 124-3(c) is recodified as G.S. 124-17(c). G.S. 124-17, as enacted and amended by this subsection, reads as rewritten:

"§ 124-17. Enhanced annual report of State-owned railroad company; additional reporting requirements to Governor and General Assembly.

(a) A State-owned railroad company shall submit an annual report to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Transportation Oversight Committee. The report shall include the following:

(1) The information required under G.S. 124-3.

(2) A copy of the strategic plan and the capital investment plan required under G.S. 124-16.

(3) Any failures to meet strategic objectives and what corrective actions were taken under G.S. 124-16(b).

(4) Anticipated dividends for the next three fiscal years.
(5) A description of the State-owned railroad company's business, subsidiaries, and markets in which it operates.
(6) A list of the properties owned by the State-owned railroad company.
(7) A list of the directors and executive officers of the State-owned railroad company and a description of the background and experience of each.
(8) A description of the State-owned railroad company's code of ethics and conflicts of interest policy.
(9) A summary of the fees paid to an accounting firm during the year.
(10) A list of the compensation paid to directors and officers of the State-owned railroad company.
(11) A description of the State-owned railroad company's disagreements with its accountants if there has been a change in accountants.
(12) A description of any transactions between the State-owned railroad company and its directors, officers, and their family members.

(b) Upon the request of the Governor or any committee of the General Assembly, a State-owned railroad company shall provide all additional information and data within its possession or ascertainable from its records. The State-owned railroad company shall not be deemed to have waived any attorney-client privilege when complying with this subsection. At the time a State-owned railroad company provides information under this section, it shall indicate whether the information is confidential. Confidential information shall be subject to subsection (c) of this section.

(c) Confidential information includes (i) information related to a proposed specific business transaction where inspection, examination, or copying of the records would frustrate the purpose for which the records were created, or (ii) information that is subject to confidentiality obligations of a railroad company. Confidential information is exempt from Chapter 132 of the General Statutes and shall not be subject to a request under G.S. 132-6(a)."

SECTION 34.14.(e) The Freight Rail & Rail Crossing Safety Improvement Fund is established within the Highway Fund.

SECTION 34.14.(f) One-time Cash Dividend. – Notwithstanding G.S. 124-5.1 and G.S. 136-16.6, any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more than two counties shall issue a cash dividend in the amount of fifteen million five hundred thousand dollars ($15,500,000), which shall be deposited into the Freight Rail & Rail Crossing Safety Improvement Fund no later than January 15, 2014.

SECTION 34.14.(g) Annual Cash Dividend. – G.S. 124-5.1 reads as rewritten:

"**§ 124-5.1. ~~State use of~~ North Carolina Railroad Company ~~dividends.~~dividends deposited to Highway Fund.**

(a) ~~Notwithstanding the provisions of G.S. 136-16.6, in order to increase the capital of the North Carolina Railroad Company, any dividends of the North Carolina Railroad Company received by the State shall be applied to reduce the obligations described in subsection (c) of Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L. 1999-237.~~ Any dividends of the North Carolina Railroad Company received by the State shall be ~~used by the Department of Transportation for the improvement of the property of the North Carolina Railroad Company as recommended and approved by the Board of Directors of the North Carolina Railroad Company. The improvements may include the following project types:~~deposited into the Freight Rail & Rail Crossing Safety Improvement Fund within the Highway Fund and administered by the Rail Division of the Department of Transportation. The Fund shall be used for the enhancement of freight rail service and railroad-roadway crossing safety, which may include the following project types:

(1) ~~Railroad and industrial track rehabilitation.~~Track and associated infrastructure improvements for freight service.

(2) ~~Railroad signal and grade crossing protection.~~Grade crossing protection, elimination, and hazard removal.

(3) ~~Bridge improvements.~~Signalization improvements.

(4) ~~Corridor protection.~~Assistance for projects to improve rail access to industrial, port, and military facilities and for freight intermodal facility improvements, provided that funding assistance under this subdivision shall be subject to the same limits as that for short-line railroads under G.S. 136-44.39.

~~(5) Industrial site acquisition.~~

The Fund may also be used to supplement funds allocated for freight rail or railroad-roadway crossing safety projects approved as part of the Transportation Improvement Program.

~~The Department of Transportation shall use the Fund to supplement funds allocated for projects approved as part of the Transportation Improvement Program.~~

~~(b) Effective January 1, 2000, interest shall not be accrued or otherwise charged on the remaining balance of the obligations described in subsection (c) of Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L. 1999-237. Interest accrued on those obligations relating to periods prior to January 1, 2000, shall be deemed paid and contributed by the State to the capital of the North Carolina Railroad Company.~~"

SECTION 34.14.(h) Article 2 of Chapter 124 of the General Statutes is amended by adding the following new section:

"**§ 124-18. Dividends required of State-owned railroad company.**

Any State-owned railroad company that has trackage in more than two counties shall issue an annual cash dividend to the State. The amount of the annual dividend is twenty-five percent (25%) of the company's income from the prior year's trackage rights agreements. The dividend is due by January 15 of each year, and interest shall accrue at the annual rate of prime plus one percent (1%) if the payment is not paid by the due date. The Directors of any State-owned railroad company who vote for or assent to the dividend required under this section shall not be held liable under G.S. 55-8-33."

SECTION 34.14.(i) G.S. 136-16.6 is repealed.

SECTION 34.14.(j) Assess Certain Real Properties. – Any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more than two counties shall assess the company's noncorridor real property that is among the following parcels:

Property Description	County	Nearest Town	Parcel ID
Burke Street Lot	Alamance	Gibsonville	107493
4th Street Lot	Carteret	Morehead	638620808907000
Bridges Street Lot	Carteret	Morehead	638620911461000
Newport Lot	Carteret	Newport	634814246231000
Station & Former Industrial Lot	Carteret	Morehead	638620718127000
Waterfront & Riparian Rights	Carteret	Morehead	638620708857000 & 638620709868000
Wye Property Extension	Carteret	Morehead	637616924807000
Wye Property	Carteret	Morehead	637620923019000
Clarks Lot	Craven	Clarks	8-221-035
N. Craven St. Lot	Craven	New Bern	8-003-241-A
Tiffany & Bright Sts. Property	Lenoir	Kinston	11185 & 26555
Morrisville Former Depot	Wake	Morrisville	0755-14-6475
Waynesboro Lot	Wayne	Goldsboro	2599119118

The assessment shall identify potential environmental issues; title, encroachment and other legal property issues; and any other characteristic of the property that would significantly impact the value of the parcels to a prospective purchaser. Any State-owned

railroad company, as defined under G.S. 124-11, that has trackage in more than two counties shall report no later than April 1, 2014, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division. The report shall include the findings of the assessment required by this subsection, an estimate of the costs to mitigate any environmental issues to meet applicable federal or State standards, the estimated value of the parcels taking into account mitigation costs, and potential alternate State uses for the parcels.

SECTION 34.14.(k) Subsections (g), (h), and (i) of this section become effective January 1, 2014.

ELIMINATE TELECOMMUNICATIONS AND INSPECTIONS PROGRAM ACCOUNTS

SECTION 34.15.(a) The sum of ten million five hundred thousand dollars ($10,500,000) of the unallotted and unexpended balance of funds within the Inspection Program Account shall be transferred to the Highway Fund as appropriated and allocated by this act. The Inspection Program Account shall be eliminated after all funds allotted as of June 30, 2013, have been expended. The remaining unallotted and unexpended balance of funds shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

SECTION 34.15.(b) Effective June 30, 2014, G.S. 20-183.7(d1) is repealed, and the unallotted and unexpended balance of funds in the Telecommunications Account on that date shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

SECTION 34.15.(c) G.S. 20-183.7 reads as rewritten:

"**§ 20-183.7. Fees for performing an inspection and issuing an electronic inspection authorization to a vehicle; use of civil penalties.**

...

(c) Fee Distribution. – Fees collected for electronic inspection authorizations are payable to the Division of Motor Vehicles. The amount of each fee listed in the table below shall be credited to the Highway Fund, ~~the Inspection Program Account established in subsection (d) of this section, the Telecommunications Account established in subsection (d1) of this section,~~ the Volunteer Rescue/EMS Fund established in G.S. 58-87-5, the Rescue Squad Workers' Relief Fund established in G.S. 58-88-5, and the Division of Air Quality of the Department of Environment and Natural Resources:

Recipient	Safety Only Electronic Authorization	Emissions and Safety Electronic Authorization
Highway Fund	.55	~~.55~~5.30
~~Inspection Program Account~~	~~.00~~	~~3.00~~
~~Telecommunications Account~~	~~.00~~	~~1.75~~
Volunteer Rescue/EMS Fund	.18	.18
Rescue Squad Workers' Relief Fund	.12	.12
Division of Air Quality	.00	.65.

~~(d) Inspection Program Account. The Inspection Program Account is created as a nonreverting account within the Highway Fund. The Division shall administer the Account. Revenue in the Account may be used only to fund the vehicle inspection and maintenance program and to fund replacement of the State Titling and Registration System and the State Automated Driver License System.~~

...."

DIVISION OF MOTOR VEHICLES TECHNOLOGY IMPROVEMENT ACCOUNT

SECTION 34.16.(a) The Division of Motor Vehicles Technology Improvement Account shall be eliminated after all funds allotted as of June 30, 2013, have been expended.

The unallotted and unexpended balance of funds in the Account shall be transferred to the Highway Fund as appropriated and allocated by this act.

SECTION 34.16.(b) G.S. 20-85 reads as rewritten:

"§ 20-85 Schedule of fees.

...

(a1) One dollar ($1.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. ~~The Division shall use the fees derived from transactions with the Division for technology improvements.~~ The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environment and Natural Resources. An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited as follows:

(1) The first four hundred thousand dollars ($400,000) collected shall be credited to the Reserve for Visitor Centers in the Highway Fund.

(2) Any additional funds collected shall be credited to the Highway Trust Fund and, notwithstanding G.S. 136-176(b), shall be allocated and used for urban loop projects.

...."

DEPARTMENT OF TRANSPORTATION CONTRACTED SERVICES

SECTION 34.17. The Department of Transportation, Business and Contractual Services Unit, shall, in collaboration with the Division of Motor Vehicles, evaluate current contractual models and compensation for the provision of registration, title, tax collection, and other vehicle service transactions by branch agents contracting with the Division of Motor Vehicles. As part of this evaluation, the Department shall conduct an analysis of transaction trends, completion and error rates, and service times by transaction type and branch agent type, and shall assess the appropriateness of the current basis for contractor compensation and rates relative to documented service requirements.

Based on its findings, the Department shall recommend alternatives to the current contractual models for branch agents to standardize contract types, enhance performance, and strengthen contract administration, taking into account citizen accessibility to service centers. In addition, the Department shall submit detailed proposals for alternate options for contractor compensation, including, at a minimum, competitive bidding of branch agent contracts. The Department shall identify anticipated programmatic and fiscal impacts, and include implementation plans for each alternative.

The Department shall report its findings and recommendations to the Joint Legislative Transportation Oversight Committee, Joint Legislative Program Evaluation Oversight Committee, and Fiscal Research Division no later than March 1, 2014.

ETHICS REQUIREMENTS FOR MPOS/RPOS

SECTION 34.18.(a) G.S. 136-202(e) is repealed.

SECTION 34.18.(b) G.S. 136-200.2 is amended by adding new subsections to read:

"(g) Ethics Provisions. – All individuals with voting authority serving on a metropolitan planning organization who are not members of the Board of Transportation shall do all of the following:

(1) Except as permitted under this subdivision, no MPO member acting in that capacity shall participate in an action if the member knows the member, the

member's extended family, or any business with which the member is associated may incur a reasonably foreseeable financial benefit from the matter under consideration, which financial benefit would impair the MPO member's independence of judgment or from which it could reasonably be inferred that the financial benefit would influence the member's participation in the action. An MPO member may participate in an action of the MPO under any of the following circumstances:

a. When action is ministerial only and does not require the exercise of discretion.

b. When the committee records in its minutes that it cannot obtain a quorum in order to take the action because the MPO member is disqualified from acting, the MPO member may be counted for purposes of a quorum but shall otherwise abstain from taking any further action.

(2) An MPO member shall have an affirmative duty to promptly disclose in writing to the MPO any conflict of interest or potential conflict of interest under subdivision (1) of this subsection. All written disclosures shall be a public record under Chapter 132 of the General Statutes and attached to the minutes of the meeting in which any discussion or vote was taken by the MPO related to that disclosure.

(3) File a statement of economic interest with the State Ethics Commission in accordance with Article 3 of Chapter 138A of the General Statutes, for which the State Ethics Commission shall prepare a written evaluation relative to conflicts of interest and potential conflicts of interest and provide a copy of that evaluation to the MPO member. All statements of economic interest and all written evaluations by the Commission of those statements are public records as provided in G.S. 138A-23. The penalties for failure to file shall be as set forth in G.S. 138A-25(a) and (b).

(4) File, with and in the same manner as the statement of economic interest filed under subdivision (3) of this subsection, an additional disclosure of a list of all real estate owned wholly or in part by the MPO member, the MPO member's extended family, or a business with which the MPO member is associated within the jurisdiction of the MPO on which the MPO member is serving. All additional disclosures of real estate filed by MPO members are public records under Chapter 132 of the General Statutes.

(h) Confidential Information. – An MPO member shall not use or disclose any nonpublic information gained in the course of or by reason of serving as a member of the MPO in a way that would affect a personal financial interest of the MPO member, the MPO member's extended family, or a business with which the MPO member is associated.

(i) Definitions. – For purposes of this section, "extended family" shall have the same meaning as in G.S. 138A-3(13), "business with which associated" shall have the same meaning as in G.S. 138A-3(3), and "financial benefit" shall mean a direct pecuniary gain or loss or a direct pecuniary loss to a business competitor.

(j) Violations. – A violation of subdivision (1) of subsection (g) of this section shall be a Class 1 misdemeanor. An MPO member who knowingly conceals or knowingly fails to disclose information that is required to be disclosed on a required filing under subdivision (3) or (4) of subsection (g) of this section shall be guilty of a Class 1 misdemeanor. An MPO member who provides false information on a required filing under subdivision (3) or (4) of subsection (g) of this section knowing that the information is false is guilty of a Class H felony.

(k) All individuals with voting authority serving on an MPO who are members of the Board of Transportation shall comply with Chapter 138A of the General Statutes and G.S. 143B-350 while serving on the MPO."

SECTION 34.18.(c) G.S. 136-211(e) is repealed.

SECTION 34.18.(d) G.S. 136-211 is amended by adding new subsections to read:

"(f) Ethics Provisions. – All individuals with voting authority serving on a rural transportation planning organization who are not members of the Board of Transportation shall do all of the following:

(1) Except as permitted under this subdivision, no rural transportation planning organization member acting in that capacity shall participate in an action of the rural transportation planning organization if the rural transportation planning organization member knows the rural transportation planning organization member, the rural transportation planning organization member's extended family, or any business with which the rural transportation planning organization member is associated may incur a reasonably foreseeable financial benefit from the matter under consideration, which financial benefit would impair the rural transportation planning organization member's independence of judgment or from which it could reasonably be inferred that the financial benefit would influence the rural transportation planning organization member's participation in the action of the rural transportation planning organization.

a. When action is ministerial only and does not require the exercise of discretion.

b. When the committee records in its minutes that it cannot obtain a quorum in order to take the action because the rural transportation planning organization member is disqualified from acting, the rural transportation planning organization member may be counted for purposes of a quorum but shall otherwise abstain from taking any further action.

(2) A rural transportation planning organization member shall have an affirmative duty to promptly disclose in writing to the rural transportation planning organization any conflict of interest or potential conflict of interest under subdivision (1) of this subsection. All written disclosures shall be a public record under Chapter 132 of the General Statutes and attached to the minutes of the meeting in which any discussion or vote was taken by the rural transportation planning organization related to that disclosure.

(3) File a statement of economic interest with the State Ethics Commission in accordance with Article 3 of Chapter 138A of the General Statutes for which the State Ethics Commission shall prepare a written evaluation relative to conflicts of interest and potential conflicts of interest and provide a copy of that evaluation to the rural transportation planning organization member. All statements of economic interest and all written evaluations by the Commission of those statements are public records as provided in G.S. 138A-23. The penalties for failure to file shall be as set forth in G.S. 138A-25(a) and (b).

(4) File, with and in the same manner as the statement of economic interest filed under subdivision (3) of this subsection, an additional disclosure of a list of all real estate owned wholly or in part by the rural transportation planning organization member, the rural transportation planning organization member's extended family, or a business with which the rural transportation planning organization member is associated within the jurisdiction of the

rural transportation planning organization on which the rural transportation planning organization member is serving. All additional disclosures of real estate filed by members are public records under Chapter 132 of the General Statutes.

(g) Confidential Information. – A rural transportation planning organization member shall not use or disclose any nonpublic information gained in the course of or by reason of serving as a member of the rural transportation planning organization in a way that would affect a personal financial interest of the rural transportation planning organization member, the rural transportation planning organization member's extended family, or a business with which the rural transportation planning organization member is associated.

(h) Definitions. – For purposes of this section, "extended family" shall have the same meaning as in G.S. 138A-3(13), "business with which associated" shall have the same meaning as in G.S. 138A-3(3), and "financial benefit" shall mean a direct pecuniary gain or loss or a direct pecuniary loss to a business competitor.

(i) Violations. – A violation of subdivision (1) of subsection (f) of this section shall be a Class 1 misdemeanor. A rural transportation planning organization member who knowingly conceals or knowingly fails to disclose information that is required to be disclosed on a required filing under subdivision (3) or (4) of subsection (f) of this section shall be guilty of a Class 1 misdemeanor. A rural transportation planning organization member who provides false information on a required filing under subdivision (3) or (4) of subsection (f) of this section knowing that the information is false is guilty of a Class H felony.

(j) All individuals with voting authority serving on a rural transportation planning organization who are members of the Board of Transportation shall comply with Chapter 138A of the General Statutes and G.S. 143B-350 while serving on the rural transportation planning organization."

SECTION 34.18.(e) This section is effective when it becomes law. All individuals with voting authority serving on a metropolitan planning organization or a rural transportation planning organization shall file statements of economic interest and additional real estate lists with the State Ethics Commission no later than April 15, 2014. Any member of a metropolitan planning organization or a rural transportation planning organization that filed a statement of economic interest in compliance with G.S. 136-202(e) or G.S. 136-211(e) shall not be required to file again, and the State Ethics Commission shall prepare the evaluation under G.S. 136-200.2(g) or G.S. 136-211(f) of that filing.

STRATEGIC TRANSPORTATION INVESTMENTS

SECTION 34.19.(a) Chapter 136 of the General Statutes is amended by adding a new Article to read:

"Article 14B.

"Strategic Prioritization Funding Plan for Transportation Investments.

"**§ 136-189.10. Definitions.**

The following definitions apply in this Article:

(1) Statewide strategic mobility projects. – Includes only the following:

a. Interstate highways and future interstate highways approved by the federal government.

b. Routes on the National Highway System as of July 1, 2012, excluding intermodal connectors.

c. Highway routes on the United States Department of Defense Strategic Highway Network (STRAHNET).

d. Interstate highway toll routes designated by the Department of Transportation, pursuant to its authority under State law, or extensions of highway toll projects in existence on July 1, 2013.

e. Highway projects listed in G.S. 136-179, as it existed on July 1, 2012, that are not authorized for construction as of July 1, 2015.
f. Appalachian Development Highway System.
g. Commercial service airports included in the Federal Aviation Administration's National Plan of Integrated Airport Systems (NPIAS) that provide international passenger service or 375,000 or more enplanements annually, provided that the State's annual financial participation in any single airport project included in this subdivision may not exceed five hundred thousand dollars ($500,000).
h. Freight capacity and safety improvements to Class I freight rail corridors.

(2) Regional impact projects. – Includes only the following:
a. Projects listed in subdivision (1) of this section, subject to the limitations noted in that subdivision.
b. U.S. highway routes not included in subdivision (1) of this section.
c. N.C. highway routes not included in subdivision (1) of this section.
d. Highway toll routes not included in subdivision (1) of this section.
e. Commercial service airports included in the NPIAS that are not included in subdivision (1) of this section, provided that the State's annual financial participation in any single airport project included in this subdivision may not exceed three hundred thousand dollars ($300,000).
f. The State-maintained ferry system, excluding passenger vessel replacement.
g. Freight capacity and safety improvements to rail corridors spanning two or more counties and not included in subdivision (1) of this section.

(3) Division needs projects. – Includes only the following:
a. Projects listed in subdivision (1) or (2) of this section, subject to the limitations noted in those subsections.
b. State highway routes not included in subdivision (1) or (2) of this section.
c. Airports included in the NPIAS that are not included in subdivision (1) or (2) of this section, provided that the State's total annual financial participation under this sub-subdivision shall not exceed eighteen million five hundred thousand dollars ($18,500,000).
d. Freight capacity and safety improvements to rail corridors not included in subdivision (1) or (2) of this section.
e. Public transportation service improvements, facilities, and equipment, including intercity rail, commuter rail, light rail, multimodal terminals and stations used for passenger transit.
f. Federally-funded bicycle and pedestrian improvements.
g. Replacement of State-maintained ferry vessels.
h. Federally-funded municipal road projects.

(4) Distribution Regions. – The following Distribution Regions apply to this Article:
a. Distribution Region A consists of the following counties: Bertie, Camden, Chowan, Currituck, Dare, Edgecombe, Gates, Halifax, Hertford, Hyde, Johnston, Martin, Nash, Northampton, Pasquotank, Perquimans, Tyrrell, Washington, Wayne, and Wilson.

b. Distribution Region B consists of the following counties: Beaufort, Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Pitt, and Sampson.

c. Distribution Region C consists of the following counties: Bladen, Columbus, Cumberland, Durham, Franklin, Granville, Harnett, Person, Robeson, Vance, Wake, and Warren.

d. Distribution Region D consists of the following counties: Alamance, Caswell, Davidson, Davie, Forsyth, Guilford, Orange, Rockingham, Rowan, and Stokes.

e. Distribution Region E consists of the following counties: Anson, Cabarrus, Chatham, Hoke, Lee, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Scotland, Stanly, and Union.

f. Distribution Region F consists of the following counties: Alexander, Alleghany, Ashe, Avery, Caldwell, Catawba, Cleveland, Gaston, Iredell, Lincoln, Surry, Watauga, Wilkes, and Yadkin.

g. Distribution Region G consists of the following counties: Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, and Yancey.

"**§ 136-189.11. Transportation Investment Strategy Formula.**

(a) Funds Subject to Formula. – The following sources of funds are subject to this section:

(1) Highway Trust Fund funds, in accordance with G.S. 136-176.

(2) Federal aid funds.

(b) Funds Excluded From Formula. – The following funds are not subject to this section:

(1) Federal congestion mitigation and air quality improvement program funds appropriated to the State by the United States pursuant to 23 U.S.C. § 104(b)(2) and 23 U.S.C. § 149.

(2) Funds received through competitive awards or discretionary grants through federal appropriations either for local governments, transportation authorities, transit authorities, or the Department.

(3) Funds received from the federal government that under federal law may only be used for Appalachian Development Highway System projects.

(4) Funds used in repayment of "GARVEE" bonds related to Phase I of the Yadkin River Veterans Memorial Bridge project.

(5) Funds committed to gap funding for toll roads funded with bonds issued pursuant to G.S. 136-176.

(6) Funds obligated for projects in the State Transportation Improvement Program that are scheduled for construction as of April 1, 2013, in State fiscal year 2012-2013, 2013-2014, or 2014-2015.

(7) Toll collections from a turnpike project under Article 6H of this Chapter and other revenue from the sale of the Authority's bonds or notes or project loans, in accordance with G.S. 136-89.192.

(8) Toll collections from the State-maintained ferry system collected under the authority of G.S. 136-82.

(c) Funds With Alternate Criteria. – The following federal program activities shall be included in the applicable category of the Transportation Investment Strategy Formula set forth in subsection (d) of this section but shall not be subject to the prioritization criteria set forth in that subsection:

(1) Bridge replacement.

(2) Interstate maintenance.
(3) Highway safety improvement.

(d) Transportation Investment Strategy Formula. – Funds subject to the Formula shall be distributed as follows:

(1) Statewide Strategic Mobility Projects. – Forty percent (40%) of the funds subject to this section shall be used for Statewide Strategic Mobility Projects.

a. Criteria. – Transportation-related quantitative criteria shall be used by the Department to rank highway projects that address cost-effective Statewide Strategic Mobility needs and promote economic and employment growth. The criteria for selection of Statewide Strategic Mobility Projects shall utilize a numeric scale of 100 points, based on consideration of the following quantitative criteria:
1. Benefit-cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.

b. Project cap. – No more than 10 percent (10%) of the funds projected to be allocated to the Statewide Strategic Mobility category over any five-year period may be assigned to any contiguous project or group of projects in the same corridor within a Highway Division or within adjoining Highway Divisions.

(2) Regional Impact Projects. – Thirty percent (30%) of the funds subject to this section shall be used for Regional Impact Projects and allocated by population of Distribution Regions, based on the most recent estimates certified by the Office of State Budget and Management.

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Regional Impact Projects involving highways that address cost-effective needs from a region-wide perspective and promote economic growth. Local input is defined as the rankings identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. The criteria utilized for selection of Regional Impact Projects shall be based 30 percent (30%) on local input and 70 percent (70%) on consideration of a numeric scale of 100 points, based on the following quantitative criteria:
1. Benefit-cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.

9. Accessibility and connectivity to employment centers, tourist destinations, and military installations.

(3) Division Need Projects. – Thirty percent (30%) of the funds subject to this section shall be allocated in equal share to each of the Department divisions, as defined in G.S. 136-14.1, and used for Division Need Projects.

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Division Need Projects involving highways that address cost-effective needs from a Division-wide perspective, provide access, and address safety-related needs of local communities. Local input is defined as the rankings identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. The criteria utilized for selection of Division Need Projects shall be based 50 percent (50%) on local input and 50 percent (50%) on consideration of a numeric scale of 100 points, based on the following quantitative criteria, except as provided in sub-subdivision b. of this subdivision:

1. Benefit-cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.
9. Accessibility and connectivity to employment centers, tourist destinations, and military installations.

b. Alternate criteria. – Funding from the following programs shall be included in the computation of each of the Department division equal shares but shall be subject to alternate quantitative criteria:

1. Federal Surface Transportation Program-Direct Attributable funds appropriated to the State.
2. Federal Transportation Alternatives funds appropriated to the State.
3. Federal Railway-highway crossings program funds appropriated to the State.
4. Projects requested from the Department in support of a time-critical job creation opportunity, when the opportunity would be classified as transformational under the Job Development Investment Grant program established pursuant to G.S. 143B-437.52, provided that the total State investment in each fiscal year for all projects funded under this sub-subdivision shall not exceed ten million dollars ($10,000,000) in the aggregate or two million dollars ($2,000,000) per project.
5. Federal funds for municipal road projects.

c. Bicycle and pedestrian limitation. – The Department shall not provide financial support for bicycle and pedestrian improvement projects, except for federal funds administered by the Department for that purpose. This sub-subdivision shall not apply to funds allocated

to a municipality pursuant to G.S. 136-41.1 which are committed by the municipality as matching funds for federal funds administered by the Department and used for bicycle and pedestrian improvement projects. This limitation shall not apply to projects under construction or authorized for construction on June 30, 2013.

(4) Criteria for nonhighway projects. – Nonhighway projects subject to this subsection shall be evaluated through a separate prioritization process established by the Department that complies with all of the following:

a. The criteria used for selection of projects for a particular transportation mode shall be based on a minimum of four quantitative criteria.

b. Local input shall include rankings of projects identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations.

c. The criteria shall be based on a scale not to exceed 100 points that includes no bonus points or other alterations favoring any particular mode of transportation.

(e) Authorized Formula Variance. – The Department may vary from the Formula set forth in this section if it complies with the following:

(1) Limitation on variance. – The Department, in obligating funds in accordance with this section, shall ensure that the percentage amount obligated to Statewide Strategic Mobility Projects, Regional Impact Projects, and Division Need Projects does not vary by more than five percent (5%) over any five-year period from the percentage required to be allocated to each of those categories by this section. Funds obligated among distribution regions or divisions pursuant to this section may vary up to 10 percent (10%) over any five-year period.

(2) Calculation of variance. – Each year the Secretary shall calculate the amount of Regional Impact and Division Need funds allocated in that year to each division and region, the amount of funds obligated, and the amount the obligations exceeded or were below the allocation. In the first variance calculation under this subdivision following the end of fiscal year 2015-2016, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous year. In the first variance calculation under this subdivision following the end of fiscal year 2016-2017, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous two fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2017-2018, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous three fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2018-2019, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous four fiscal years. The new target amounts shall be used to fulfill the requirements of subdivision (1) of this subsection for the next update of the Transportation Improvement

Program. The adjustment to the target amount shall be allocated by Distribution Region or Division, as applicable.

(f) Incentives for Local Funding and Highway Tolling. – The Department may revise highway project selection ratings based on local government funding initiatives and capital construction funding directly attributable to highway toll revenue. 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.

(1) Definitions. – The following definitions apply in this subsection:

a. Bonus allocation. – The allocation obtained as a result of local government funding participation or highway tolling.

b. Local funding participation. – Non-State or nonfederal funds committed by local officials to leverage the commitment of State or federal transportation funds towards construction.

(2) Funds obtained from local government funding participation. – Upon authorization to construct a project with funds obtained by local government funding participation, the Department shall make available for allocation as set forth in subdivision (4) of this section an amount equal to one-half of the local funding commitment for other eligible highway projects that serve the local entity or entities that provided the local funding.

(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 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. 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.

(4) Use of bonus allocation. – The Metropolitan Planning Organization, Rural Transportation Planning Organization, or the local government may choose to apply its bonus allocation in one of the three categories or in a combination of the three categories as provided in this subdivision.

a. Statewide Strategic Mobility Projects category. – The bonus allocation shall apply over the five-year period in the State Transportation Improvement Program in the cycle following the contractual obligation.

b. Regional Impact Projects category. – The bonus allocation is capped at 10 percent (10%) of the regional allocation, or allocation to multiple regions, made over a five-year period and shall be applied over the five-year period in the State Transportation Improvement Program in the cycle following the contractual obligation.

c. Division Needs Projects category. – The bonus allocation is capped at 10 percent (10%) of the division allocation, or allocation to multiple divisions, made over a five-year period and shall be applied over the five-year period in the State Transportation Improvement Program in the cycle following the contractual obligation.

(g) Reporting. – The Department shall publish on its Web site, in a link to the "Strategic Transportation Investments" Web site linked directly from the Department's home page, the following information in an accessible format as promptly as possible:

(1) The quantitative criteria used in each highway and nonhighway project scoring, including the methodology used to define each criteria, the criteria presented to the Board of Transportation for approval, and any adjustments made to finalize the criteria.

(2) The quantitative and qualitative criteria in each highway or nonhighway project scoring that is used in each region or division to finalize the local input score, and shall include distinctions between Metropolitan Planning Organization and Rural Transportation Planning Organization scoring and methodologies.

(3) Notification of changes to the methodologies used to calculate quantitative criteria.

(4) The final quantitative formulas, including the number of points assigned to each criteria, used in each highway and nonhighway project scoring used to obtain project rankings in the Statewide, Regional, and Division categories. If the Department approves different formulas or point assignments regionally or by division, the final scoring for each area shall be noted.

(5) The project scorings associated with the release of the draft and final State Transportation Improvement Program."

SECTION 34.19.(b) (Effective July 1, 2019) G.S. 136-189.11(e)(2) reads as rewritten:

"(e) Authorized Formula Variance. – The Department may vary from the Formula set forth in this section if it complies with the following:

...

(2) Calculation of Variance. – Each year, the Secretary shall calculate the amount of Regional Impact and Division Need funds allocated in that year to each ~~division,~~division and region, the amount of funds obligated, and the amount the obligations exceeded or were below the allocation. ~~In the first variance calculation under this subdivision following the end of fiscal year 2015-16, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous year. In the first variance calculation under this subdivision following the end of fiscal year 2016-17, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous two fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2017-18, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous three fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2018-19, the~~ The target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous ~~four~~ five fiscal years. The new target amounts shall be used to fulfill the requirements of subdivision (1) of this subsection for the next update of the Transportation Improvement Program. The adjustment to the target amount shall be allocated by Distribution Region or Division, as applicable."

SECTION 34.19.(c) Strategic Prioritization Process Reporting. – The Department shall issue a draft revision to the State Transportation Improvement Program required by G.S. 143B-350(f)(4) no later than January 1, 2015. The Board of Transportation shall approve the revised State Transportation Improvement Program no later than July 1, 2015.

SECONDARY ROADS CHANGES

SECTION 34.19.(d) G.S. 20-85, as rewritten by Section 34.16 of this act, reads as rewritten:

"§ 20-85. Schedule of fees.

...

(a1) One dollar ($1.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environment and Natural Resources. ~~An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited as follows:~~

~~(1) The first four hundred thousand dollars ($400,000) collected shall be credited to the Reserve for Visitor Centers in the Highway Fund.~~

~~(2) Any additional funds collected shall be credited to the Highway Trust Fund and, notwithstanding G.S. 136-176(b), shall be allocated and used for urban loop projects.~~

(a2) From the fees collected under subdivisions (a)(1) through (a)(9) of this section, the Department shall annually credit the sum of four hundred thousand dollars ($400,000) to the Reserve for Visitor Centers in the Highway Fund.

(b) Except as otherwise provided in ~~subsection (a1)~~subsections (a1) and (a2) of this section, the fees collected under subdivisions (a)(1) through (a)(9) of this section shall be credited to the North Carolina Highway Trust Fund. The fees collected under subdivision (a)(10) of this section shall be credited to the Highway Fund. ~~Fifteen dollars ($15.00) of each title fee credited to the Trust Fund under subdivision (a)(1) shall be added to the amount allocated for secondary roads under G.S. 136-176 and used in accordance with G.S. 136-44.5.~~

...."

SECTION 34.19.(e) G.S. 136-44.2 reads as rewritten:

"§ 136-44.2. Budget and appropriations.

(a) The Director of the Budget shall include in the "Current Operations Appropriations Act" an enumeration of the purposes or objects of the proposed expenditures for each of the ~~construction and maintenance~~construction, maintenance, and improvement programs for that budget period for the State primary, secondary, State parks road systems, and other transportation systems. The State primary system shall include all portions of the State highway system located both inside and outside municipal corporate limits that are designated by N.C., U.S. or Interstate numbers. The State secondary system shall include all of the State highway system located both inside and outside municipal corporate limits that is not a part of the State primary system. The State parks system shall include all State parks roads and parking lots that are not also part of the State highway system. The transportation systems shall also include State-maintained, nonhighway modes of ~~transportation as well.~~transportation.

(b) All ~~construction and maintenance~~ construction, maintenance, and improvement programs for which appropriations are requested shall be enumerated separately in the budget. Programs that are entirely State funded shall be listed separately from those programs involving

the use of federal-aid funds. Proposed appropriations of State matching funds for each of the federal-aid construction programs shall be enumerated separately as well as the federal-aid funds anticipated for each program in order that the total construction requirements for each program may be provided for in the budget. Also, proposed State matching funds for the highway planning and research program shall be included separately along with the anticipated federal-aid funds for that purpose.

(c) Other program categories for which appropriations are requested, such as, but not limited to, maintenance, channelization and traffic control, bridge maintenance, public service and access road construction, transportation projects and systems, and ferry operations shall be enumerated in the budget.

(d) The Department of Transportation shall have all powers necessary to comply fully with provisions of present and future federal-aid acts. For purposes of this section, "federally eligible construction project" means any construction project except secondary road projects developed pursuant to G.S. 136-44.7 and 136-44.8 eligible for federal funds under any federal-aid act, whether or not federal funds are actually available.

(e) The "Current Operations Appropriations Act" shall also contain the proposed appropriations of State funds for use in each county for ~~maintenance and construction~~construction, maintenance, and improvement of secondary roads, to be allocated in accordance with G.S. 136-44.5 and 136-44.6. State funds appropriated for secondary roads shall not be transferred nor used except for the ~~construction and maintenance~~construction, maintenance, and improvement of secondary roads in the county for which they are allocated pursuant to G.S. 136-44.5 and 136-44.6.

...."

SECTION 34.19.(f) (Effective July 1, 2014) G.S. 136-44.2, as rewritten by subsection (e) of this section, reads as rewritten:

"**§ 136-44.2. Budget and appropriations.**

(a) The Director of the Budget shall include in the "Current Operations Appropriations Act" an enumeration of the purposes or objects of the proposed expenditures for each of the ~~construction, maintenance,~~ maintenance and improvement programs for that budget period for the State primary, secondary, State parks road systems, and other transportation systems. The State primary system shall include all portions of the State highway system located both inside and outside municipal corporate limits that are designated by N.C., U.S. or Interstate numbers. The State secondary system shall include all of the State highway system located both inside and outside municipal corporate limits that is not a part of the State primary system. The State parks system shall include all State parks roads and parking lots that are not also part of the State highway system. The transportation systems shall also include State-maintained, nonhighway modes of transportation.

(b) All ~~construction, maintenance,~~maintenance and improvement programs for which appropriations are requested shall be enumerated separately in the budget. Programs that are entirely State funded shall be listed separately from those programs involving the use of federal-aid funds. ~~Proposed appropriations of State matching funds for each of the federal-aid construction programs shall be enumerated separately as well as the federal-aid funds anticipated for each program in order that the total construction requirements for each program may be provided for in the budget. Also, proposed~~ Proposed State matching funds for the highway planning and research program shall be included separately along with the anticipated federal-aid funds for that purpose.

(c) Other program categories for which appropriations are requested, such as, but not limited to, maintenance, channelization and traffic control, bridge maintenance, public service and access road construction, transportation projects and systems, and ferry operations shall be enumerated in the budget.

(d) The Department of Transportation shall have all powers necessary to comply fully with provisions of present and future federal-aid acts. For purposes of this section, "federally eligible construction project" means any construction project except secondary road projects developed pursuant to ~~G.S. 136-44.7 and 136-44.8~~G.S. 136-44.8 eligible for federal funds under any federal-aid act, whether or not federal funds are actually available.

(e) The "Current Operations Appropriations Act" shall also contain the proposed appropriations of State funds for use in each county for ~~construction, maintenance,~~ maintenance and improvement of secondary roads, to be allocated in accordance with ~~G.S. 136-44.5 and 136-44.6.~~G.S. 136-44.6. State funds appropriated for secondary roads shall not be transferred nor used except for the ~~construction, maintenance,~~ maintenance and improvement of secondary roads in the county for which they are allocated pursuant to ~~G.S. 136-44.5 and 136-44.6.~~G.S. 136-44.6.

...

(g) The Department of Transportation may provide for costs incurred or accrued for traffic control measures to be taken by the Department at major events which involve a high degree of traffic concentration on State highways, and which cannot be funded from regular budgeted items. This authorization applies only to events which are expected to generate 30,000 vehicles or more per day. The Department of Transportation shall provide for this funding by allocating and reserving up to one hundred thousand dollars ($100,000) before any other allocations from the appropriations for State maintenance for ~~primary, secondary, and urban~~primary and secondary road systems are made, based upon the same proportion as is appropriated to each system."

SECTION 34.19.(g) G.S. 136-44.2A reads as rewritten:

"**§ 136-44.2A. Secondary road ~~improvement~~ construction program.**

There shall be annually allocated from the Highway Fund to the Department of Transportation for secondary road ~~improvement~~ construction programs developed pursuant to G.S. ~~136-44.7 and~~ 136-44.8, a sum provided by law. ~~equal to that allocation made from the Highway Fund under G.S. 136-41.1(a). In addition, as provided in G.S. 136-176(b)(4) and G.S. 20-85(b), revenue is annually allocated from the Highway Trust Fund for secondary road construction. Of the funds allocated from the Highway Fund, the sum of sixty-eight million six hundred seventy thousand dollars ($68,670,000) shall be allocated among the counties in accordance with G.S. 136-44.5(b). All funds allocated from the Highway Fund for secondary road improvements in excess of that amount shall be allocated among the counties in accordance with G.S. 136-44.5(c). All funds allocated from the Highway Trust Fund for secondary road improvement programs shall be allocated in accordance with G.S. 136-182.~~"

SECTION 34.19.(h) (Effective July 1, 2014) G.S. 136-44.2A is repealed.

SECTION 34.19.(i) G.S. 136-44.2C is repealed.

SECTION 34.19.(j) (Expires June 30, 2018) Article 2A of Chapter 136 is amended by adding a new section to read:

"**§ 136-44.2D. Secondary unpaved road paving program.**

The Department of Transportation shall expend funds allocated to the paving of unpaved secondary roads for the paving of unpaved secondary roads based on a statewide prioritization. The Department shall pave the eligible unpaved secondary roads that receive the highest priority ranking within this statewide prioritization. Nothing in this subsection shall be interpreted to require the Department to pave any unpaved secondary roads that do not meet secondary road system addition standards as set forth in G.S. 136-44.10 and G.S. 136-102.6. The Highway Trust Fund shall not be used to fund the paving of unpaved secondary roads.

SECTION 34.19.(k) G.S. 136-44.5 reads as rewritten:

"**§ 136-44.5. Secondary roads; mileage study; allocation of funds.**

(a) Before July 1, in each calendar year, the Department of Transportation shall make a study of all State-maintained unpaved and paved secondary roads in the State. The study shall determine:

(1) The number of miles of unpaved State-maintained roads in each county eligible for paving and the total number of miles that are ineligible;

(2) The total number of miles of unpaved State-maintained roads in the State eligible for paving and the total number of miles that are ineligible; and

(3) The total number of paved State-maintained roads in each county, and the total number of miles of paved State-maintained roads in the State.

In this subsection, (i) ineligible unpaved mileage is defined as the number of miles of unpaved roads that have unavailable rights-of-way or for which environmental permits cannot be approved to allow for paving, and (ii) eligible unpaved mileage is defined as the number of miles of unpaved roads that have not been previously approved for paving by any funding source or has the potential to be programmed for paving when rights-of-way or environmental permits are secured. Except for federal-aid programs, the Department shall allocate all secondary road improvement funds on the basis of a formula using the study figures.

(b) ~~The first sixty-eight million six hundred seventy thousand dollars ($68,670,000) shall be allocated as follows: Each county shall receive a percentage of these funds, the percentage to be determined as a factor of the number of miles of paved and unpaved State-maintained secondary roads in the county divided by the total number of miles of paved and unpaved State-maintained secondary roads in the State, excluding those unpaved secondary roads that have been determined to be eligible for paving as defined in subsection (a) of this section. Beginning in fiscal year 2010-2011, allocations pursuant to this subsection shall be~~ The amounts appropriated by law for secondary road construction, excluding unpaved secondary road funds, shall be allocated among counties based on the total number of secondary miles in a county in proportion to the total State-maintained secondary road mileage.

~~(c) Funds allocated for secondary road construction in excess of sixty-eight million six hundred seventy thousand dollars ($68,670,000) shall be allocated to each county based on the percentage proportion that the number of miles in the county of State-maintained unpaved secondary roads bears to the total number of miles in the State of State-maintained unpaved secondary roads. In a county that has roads with eligible miles, these funds shall only be used for paving unpaved secondary road miles in that county. In a county where there are no roads eligible to be paved as defined in subsection (a) of this section, the funds may be used for improvements on the paved and unpaved secondary roads in that county. Beginning in fiscal year 2010-2011, allocations pursuant to this subsection shall be based on the total number of secondary miles in a county in proportion to the total State-maintained secondary road mileage.~~

~~(d) Copies of the Department study of unpaved and paved State-maintained secondary roads and copies of the individual county allocations shall be made available to newspapers having general circulation in each county.~~"

SECTION 34.19.(l) (Effective July 1, 2014) G.S. 136-44.5 is repealed.

SECTION 34.19.(m) G.S. 136-44.6 reads as rewritten:

"**§ 136-44.6. Uniformly applicable formula for the allocation of secondary roads maintenance and improvement funds.**

The Department of Transportation shall develop a uniformly applicable formula for the allocation of secondary roads maintenance and improvement funds for use in each county. The formula shall take into consideration the number of paved and unpaved miles of state-maintained secondary roads in each county and such other factors as experience may dictate. This section shall not apply to projects to pave unpaved roads under G.S. 136-44.2D."

SECTION 34.19.(n) Secondary Road Funding. – Of the funds appropriated in this act, the sum of fifteen million dollars ($15,000,000) in nonrecurring funds for the 2013-2014 fiscal year is allocated from the Highway Fund for the secondary road construction program

under G.S. 136-44.2A, as enacted by subsection (g) of this section, and the sum of ten million dollars ($10,000,000) in recurring funds for the 2013-2014 fiscal year is allocated from the Highway Fund for the paving of unpaved roads pursuant to G.S. 136-44.2D, as enacted by subsection (j) of this section.

SECTION 34.19.(o) G.S. 136-44.7 reads as rewritten:

"**§ 136-44.7. Secondary roads; ~~annual work program.~~right-of-way acquisition.**

~~(a) The Department of Transportation shall be responsible for developing criteria for improvements and maintenance of secondary roads. The criteria shall be adopted by the Board of Transportation before it shall become effective. The Department of Transportation shall be responsible for developing annual work programs for both construction and maintenance of secondary roads in each county in accordance with criteria developed. It shall reflect the long-range and immediate goals of the Department of Transportation. Projects on the annual construction program for each county shall be rated according to their priority based upon the secondary road criteria and standards which shall be uniform throughout the State. Tentative construction projects and estimated funding shall also be listed in accordance to priority. The annual construction program shall be adopted by the Board of Transportation before it shall become effective.~~

~~(b) When a secondary road in a county is listed in the first 10 secondary roads to be paved during a year on a priority list issued by the Department of Transportation under this section, the secondary road cannot be removed from the top 10 of that list or any subsequent list until it is paved. All secondary roads in a county shall be paved, insofar as possible, in the priority order of the list. When a secondary road in the top 10 of that list is removed from the list because it has been paved, the next secondary road on the priority list shall be moved up to the top 10 of that list and shall remain there until it is paved.~~

(c) When it is necessary for the Department of Transportation to acquire a right-of-way ~~in accordance with (a) and (b) of this section~~ in order to pave a secondary road or undertake a maintenance project, the Department shall negotiate the acquisition of the right-of-way for a period of up to six months. At the end of that period, if one or more property owners have not dedicated the necessary right-of-way and at least seventy-five percent (75%) of the property owners adjacent to the project and the owners of the majority of the road frontage adjacent to the project have dedicated the necessary property for the right-of-way and have provided funds required by Department rule to the Department to cover the costs of condemning the remaining property, the Department shall initiate condemnation proceedings pursuant to Article 9 of this Chapter to acquire the remaining property necessary for the project.

(d) The Division Engineer is authorized to reduce the width of a right-of-way to less than 60 feet to pave an unpaved secondary road with the allocated funds, provided that in all circumstances the safety of the public is not compromised and the minimum accepted design practice is satisfied."

SECTION 34.19.(p) G.S. 136-44.8 reads as rewritten:

"**§ 136-44.8. Submission of secondary roads construction and unpaved roads paving programs to the Boards of County Commissioners.**

~~(a) The Department of Transportation shall post in the county courthouse a county map showing tentative secondary road paving projects rated according to the priority of each project in accordance with the criteria and standards adopted by the Board of Transportation. The map shall be posted at least two weeks prior to the public meeting of the county commissioners at which the Department of Transportation representatives are to meet and discuss the proposed secondary road construction program for the county as provided in subsection (c).~~

(a1) Representatives of the Department of Transportation shall provide to the board of county commissioners in each county the proposed secondary road construction program and, if applicable to that county, a list of roads proposed for the annual paving program approved by the Board of Transportation. If a paving priority list is presented, it shall include the priority

rating of each secondary road paving project included in the proposed paving program according to the criteria and standards adopted by the Board of Transportation.

~~(b) The Department of Transportation shall provide a notice to the public of the public meeting of the board of county commissioners at which the annual secondary road construction program for the county proposed by the Department is to be presented to the board and other citizens of the county as provided in subsection (c). The notice shall be published in a newspaper published in the county or having a general circulation in the county once a week for two succeeding weeks prior to the meeting. The notice shall also advise that a county map is posted in the courthouse showing tentative secondary road paving projects rated according to the priority of each project.~~

~~(c) Representatives of the Department of Transportation shall meet with the board of county commissioners at a regular or special public meeting of the board of county commissioners for each county and present to and discuss with the board of county commissioners and other citizens present, the proposed secondary road construction program for the county. The presentation and discussion shall specifically include the priority rating of each tentative secondary road paving project included in the proposed construction program, according to the criteria and standards adopted by the Board of Transportation.~~

~~At the same meeting after the presentation and discussion of the annual secondary road construction program for the county or at a later meeting, the board of county commissioners may (i) concur in the construction program as proposed, or (ii) take no action, or (iii) make recommendations for deviations in the proposed construction program, except as to paving projects and the priority of paving projects for which the board in order to make recommendations for deviations, must vote to consider the matter at a later public meeting as provided in subsection (d).~~

~~(d) The board of county commissioners may recommend deviations in the paving projects and the priority of paving projects included in the proposed secondary road construction program only at a public meeting after notice to the public that the board will consider making recommendations for deviations in paving projects and the priority of paving projects included in the proposed annual secondary road construction program. Notice of the public meeting shall be published by the board of county commissioners in a newspaper published in the county or having a general circulation in the county. After discussion by the members of the board of county commissioners and comments and information presented by other citizens of the county, the board of county commissioners may recommend deviations in the paving projects and in the paving priority of secondary road projects included in the proposed secondary road construction program. Any recommendation made by the board of county commissioners for a deviation in the paving projects or in the priority for paving projects in the proposed secondary road construction program shall state the specific reason for each such deviation recommended.~~

(e) The Board of Transportation shall adopt the annual secondary construction program for each county after having given the board of county commissioners of each county an opportunity to review the proposed construction program and to make recommendations as provided in this section. The Board of Transportation shall consider such recommendations insofar as they are compatible with its general plans, standards, criteria and available funds, but having due regard to development plans of the county and to the maintenance and improvement needs of all existing roads in the county. ~~However, no consideration shall be given to any recommendation by the board of county commissioners for a deviation in the paving projects or in the priority for paving secondary road projects in the proposed construction program that is not made in accordance with subsection (d).~~

(f) The secondary road construction ~~program~~ and unpaved roads paving programs adopted by the Board of Transportation shall be followed by the Department of Transportation unless changes are approved by the Board of Transportation and notice of any changes is given

to the board of county commissioners. ~~The Department of Transportation shall post a copy of the adopted program, including a map showing the secondary road paving projects rated according to the approved priority of each project, at the courthouse, within 10 days of its adoption by the Board of Transportation. The board of county commissioners may petition the Board of Transportation for review of any changes to which it does not consent and the determination of the Board of Transportation shall be final.~~ Upon request, the most recent secondary road construction and unpaved roads paving programs adopted shall be submitted to any member of the General Assembly. The Department of Transportation shall make the annual construction program for each county available to the newspapers having a general circulation in the county."

SECTION 34.19.(q) **(Effective July 1, 2014)** G.S. 136-44.8, as rewritten by subsection (p) of this section, reads as rewritten:

"**§ 136-44.8. Submission of unpaved secondary roads ~~construction and unpaved roads~~ paving programs to the Boards of County Commissioners.**

(a1) ~~Representatives~~ In each county having unpaved roads programmed for paving, representatives of the Department of Transportation shall annually provide to the board of county commissioners in ~~each county~~those counties ~~the proposed secondary road construction program and, if applicable to that county,~~ a list of roads proposed for the annual paving program approved by the Board of Transportation. ~~If a~~The paving priority list ~~is presented, it~~ shall include the priority rating of each secondary road paving project included in the proposed paving program according to the criteria and standards adopted by the Board of Transportation.

~~(e) The Board of Transportation shall adopt the annual secondary construction program for each county after having given the board of county commissioners of each county an opportunity to review the proposed construction program and to make recommendations as provided in this section. The Board of Transportation shall consider such recommendations insofar as they are compatible with its general plans, standards, criteria and available funds, but having due regard to development plans of the county and to the maintenance and improvement needs of all existing roads in the county.~~

(f) The ~~secondary road construction and~~ unpaved secondary roads paving programs adopted by the Board of Transportation shall be followed by the Department of Transportation unless changes are approved by the Board of Transportation and notice of any changes is given to the board of county commissioners. Upon request, the most recent unpaved secondary ~~road construction and unpaved~~ roads paving programs adopted shall be submitted to any member of the General Assembly. The Department of Transportation shall make the annual construction program for each affected county available to the newspapers having a general circulation in the county."

SECTION 34.19.(r) G.S. 136-182 is repealed.

STATE AID TO MUNICIPALITIES/POWELL BILL CHANGES

SECTION 34.19.(s) G.S. 136-41.1 reads as rewritten:

"**§ 136-41.1. Appropriation to municipalities; allocation of funds generally; allocation to Butner.**

(a) There is annually appropriated out of the State Highway Fund a sum equal to ten and four-tenths percent (10.4%) of the net amount after refunds that was produced during the fiscal year by ~~a one and three-fourths cents (1 3/4¢) tax on each gallon of motor fuel taxed~~ the tax imposed under Article 36C of Chapter 105 of the General Statutes and on the equivalent amount of alternative fuel taxed under Article 36D of that Chapter. One-half of the amount appropriated shall be allocated in cash on or before October 1 of each year to the cities and towns of the State in accordance with this section. The second one-half of the amount appropriated shall be allocated in cash on or before January 1 of each year to the cities and towns of the State in accordance with this section. ~~In addition, as provided in~~

~~G.S. 136-176(b)(3), revenue is allocated and appropriated from the Highway Trust Fund to the cities and towns of this State to be used for the same purposes and distributed in the same manner as the revenue appropriated to them under this section from the Highway Fund. Like the appropriation from the Highway Fund, the appropriation from the Highway Trust Fund shall be based on revenue collected during the fiscal year preceding the date the distribution is made.~~

Seventy-five percent (75%) of the funds appropriated for cities and towns shall be distributed among the several eligible municipalities of the State in the percentage proportion that the population of each eligible municipality bears to the total population of all eligible municipalities according to the most recent annual estimates of population as certified to the Secretary of Revenue by the State Budget Officer. This annual estimation of population shall include increases in the population within the municipalities caused by annexations accomplished through July 1 of the calendar year in which these funds are distributed. Twenty-five percent (25%) of said fund shall be distributed among the several eligible municipalities of the State in the percentage proportion that the mileage of public streets in each eligible municipality which does not form a part of the State highway system bears to the total mileage of the public streets in all eligible municipalities which do not constitute a part of the State highway system.

It shall be the duty of the mayor of each municipality to report to the Department of Transportation such information as it may request for its guidance in determining the eligibility of each municipality to receive funds under this section and in determining the amount of allocation to which each is entitled. Upon failure of any municipality to make such report within the time prescribed by the Department of Transportation, the Department of Transportation may disregard such defaulting unit in making said allotment.

The funds to be allocated under this section shall be paid in cash to the various eligible municipalities on or before October 1 and January 1 of each ~~year.~~year as provided in this section. Provided that eligible municipalities are authorized within the discretion of their governing bodies to enter into contracts for the purpose of maintenance, repair, construction, reconstruction, widening, or improving streets of such municipalities at any time after January 1 of any calendar year in total amounts not to exceed ninety percent (90%) of the amount received by such municipality during the preceding fiscal year, in anticipation of the receipt of funds under this section during the next fiscal year, to be paid for out of such funds when received.

The Department of Transportation may withhold each year an amount not to exceed one percent (1%) of the total amount appropriated for distribution under this section for the purpose of correcting errors in allocations: Provided, that the amount so withheld and not used for correcting errors will be carried over and added to the amount to be allocated for the following year.

The word "street" as used in this section is hereby defined as any public road maintained by a municipality and open to use by the general public, and having an average width of not less than 16 feet. In order to obtain the necessary information to distribute the funds herein allocated, the Department of Transportation may require that each municipality eligible to receive funds under this section submit to it a statement, certified by a registered engineer or surveyor of the total number of miles of streets in such municipality. The Department of Transportation may in its discretion require the certification of mileage on a biennial basis.

...."

SECTION 34.19.(t) G.S. 136-181 is repealed.

SECTION 34.19.(u) G.S. 136-41.3 reads as rewritten:

"**§ 136-41.3. Use of funds; records and annual statement; excess accumulation of funds; contracts for maintenance, etc., of streets.**

(a) Uses of Funds. – The funds allocated to cities and towns under the provisions of G.S. 136-41.2 shall be expended by said cities and towns only for the purpose of maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of the municipality or for meeting the municipality's proportionate share of assessments levied for such purposes, or for the planning, construction and maintenance of ~~bikeways located within the rights-of-way of public streets and highways,~~bikeways, greenways, or ~~for the planning, construction, and maintenance of sidewalks along public streets and highways.~~sidewalks.

(b) Records and Annual Statement. – Each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall maintain a separate record of accounts indicating in detail all receipts and expenditures of such funds. It shall be unlawful for any municipal employee or member of any governing body to authorize, direct, or permit the expenditure of any funds accruing to any municipality by virtue of G.S. 136-41.1 and 136-41.2 for any purpose not herein authorized. Any member of any governing body or municipal employee shall be personally liable for any unauthorized expenditures. On or before the first day of August each year, the treasurer, auditor, or other responsible official of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall file a statement under oath with the Secretary of Transportation showing in detail the expenditure of funds received by virtue of G.S. 136-41.1 and 136-41.2 during the preceding year and the balance on hand.

(c) Excess Accumulation of Funds Prohibited. – No funds allocated to municipalities pursuant to G.S. 136-41.1 and 136-41.2 shall be permitted to accumulate for a period greater than permitted by this section. Interest on accumulated funds shall be used only for the purposes permitted by the provisions of G.S. 136-41.3. Except as otherwise provided in this section, any municipality having accumulated an amount greater than the sum of the past 10 allocations made, shall have an amount equal to such excess deducted from the next allocation after receipt of the report required by this section. Such deductions shall be carried over and added to the amount to be allocated to municipalities for the following year. Notwithstanding the other provisions of this section, the Department shall adopt a policy to allow small municipalities to apply to the Department to be allowed to accumulate up to the sum of the past 20 allocations if a municipality's allocations are so small that the sum of the past 10 allocations would not be sufficient to accomplish the purposes of this section.

(d) Contracts for Maintenance and Construction. – In the discretion of the local governing body of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 it may contract with the Department of Transportation to do the work of maintenance, repair, construction, reconstruction, widening or improving the streets in such municipality; or it may let contracts in the usual manner as prescribed by the General Statutes to private contractors for the performance of said street work; or may undertake the work by force account. The Department of Transportation within its discretion is hereby authorized to enter into contracts with municipalities for the purpose of maintenance, repair, construction, reconstruction, widening or improving streets of municipalities. And the Department of Transportation in its discretion may contract with any city or town which it deems qualified and equipped so to do that the city or town shall do the work of maintaining, repairing, improving, constructing, reconstructing, or widening such of its streets as form a part of the State highway system.

In the case of each eligible municipality, as defined in G.S. 136-41.2, having a population of less than 5,000, the Department of Transportation shall upon the request of such municipality made by official action of its governing body, on or prior to June 1, 1953, or June 1 in any year thereafter, for the fiscal year beginning July 1, 1953, and for the years thereafter do such street construction, maintenance, or improvement on nonsystem streets as the municipality may request within the limits of the current or accrued payments made to the municipality under the provisions of G.S. 136-41.1.

In computing the costs, the Department of Transportation may use the same rates for equipment, rental, labor, materials, supervision, engineering and other items, which the Department of Transportation uses in making charges to one of its own department or against its own department, or the Department of Transportation may employ a contractor to do the work, in which case the charges will be the contract cost plus engineering and inspection. The municipality is to specify the location, extent, and type of the work to be done, and shall provide the necessary rights-of-way, authorization for the removal of such items as poles, trees, water and sewer lines as may be necessary, holding the Department of Transportation free from any claim by virtue of such items of cost and from such damage or claims as may arise therefrom except from negligence on the part of the Department of Transportation, its agents, or employees.

If a municipality elects to bring itself under the provisions of the two preceding paragraphs, it shall enter into a two-year contract with the Department of Transportation and if it desires to dissolve the contract at the end of any two-year period it shall notify the Department of Transportation of its desire to terminate said contract on or before April 1 of the year in which such contract shall expire; otherwise, said contract shall continue for an additional two-year period, and if the municipality elects to bring itself under the provisions of the two preceding paragraphs and thereafter fails to pay its account to the Department of Transportation for the fiscal year ending June 30, by August 1 following the fiscal year, then the Department of Transportation shall apply the said municipality's allocation under G.S. 136-41.1 to this account until said account is paid and the Department of Transportation shall not be obligated to do any further work provided for in the two preceding paragraphs until such account is paid.

Section 143-129 of the General Statutes relating to the procedure for letting of public contracts shall not be applicable to contracts undertaken by any municipality with the Department of Transportation in accordance with the provisions of the three preceding paragraphs.

(e) Permitted Offsets to Funding. – The Department of Transportation is authorized to apply a municipality's share of funds allocated to a municipality under the provisions of G.S. 136-41.1 to any of the following accounts of the municipality with the said Department of Transportation, which the municipality fails to pay:

(1) Cost sharing agreements for right-of-way entered into pursuant to G.S. 136-66.3, but not to exceed ten percent (10%) of any one year's allocation until the debt is repaid,

(2) The cost of relocating municipally owned waterlines and other municipally owned utilities on a State highway project which is the responsibility of the municipality,

(3) For any other work performed for the municipality by the Department of Transportation or its contractor by agreement between the Department of Transportation and the municipality, and

(4) For any other work performed that was made necessary by the construction, reconstruction or paving of a highway on the State highway system for which the municipality is legally responsible."

SECTION 34.19.(v) G.S. 136-41.4 reads as rewritten:

"**§ 136-41.4. Municipal use of allocated funds; election.**

(a) A municipality that qualifies for an allocation of funds pursuant to G.S. 136-41.1 shall have the ~~option~~ following options:

(1) ~~to accept~~Accept all or a portion of funds allocated to the municipality, under that section, for the repair, maintenance, construction, reconstruction, widening, or improving of the municipality's ~~streets,~~streets.

(2) Use some or all of its allocation to match federal funds administered by the Department for bicycle and pedestrian improvement projects within the

municipality's limits, or within the area of any metropolitan planning organization or rural transportation planning organization.

(3) ~~or the municipality may elect~~Elect to have some or all of the allocation reprogrammed for any Transportation Improvement Project currently on the approved project list within the municipality's limits or within the area of any metropolitan planning organization or rural transportation planning organization.

(b) If a municipality chooses to have its allocation reprogrammed, the ~~minimum~~ amount that may be reprogrammed is an amount equal to that amount necessary to complete one full phase of the project selected by the municipality or an amount that, when added to the amount already programmed for the Transportation Improvement Project selected, would permit the completion of at least one full phase of the project. The restriction set forth in this subsection shall not apply to any bicycle or pedestrian projects."

SECTION 34.19.(w) Notwithstanding G.S. 136-41.4 or any other provision of law, the Town of Caswell Beach may expend funds allocated to it pursuant to G.S. 136-41.1 for maintenance, repair, reconstruction, or improvement of streets within the Town's corporate limits that form a part of the State highway system. For purposes of this subsection, "maintenance, repair, reconstruction, or improvement of streets" shall include drainage, curb and gutter, and other necessary appurtenances as well as bikeways or sidewalks located within the right-of-way of any State highway system component and within the corporate limits of the Town.

SECTION 34.19.(x) DOT Municipal Lane Mile Study. – The Department of Transportation shall collect lane mile data from each municipality eligible to receive funds under this section no later than December 1, 2013. The Department shall report to the Joint Legislative Transportation Oversight Committee no later than March 1, 2014, on at least three options to shift the distribution formula to include lane mile data. The report shall include advantages and disadvantages, fiscal impacts to each municipality, and any other technical considerations in making such a change. The Joint Legislative Transportation Oversight Committee and the Fiscal Research Division shall include in its recommendations to the 2014 Session of the 2013 General Assembly a new distribution formula, if the Committee finds that a new formula is beneficial and practical.

CONFORMING CHANGES

SECTION 34.19.(y) G.S. 105-187.9 reads as rewritten:

"§ 105-187.9. Disposition of tax proceeds.

...

~~(b) (Repealed effective July 1, 2013) General Fund Transfer. In each fiscal year, the State Treasurer shall transfer the amounts provided below from the taxes deposited in the Trust Fund to the General Fund. The transfer of funds authorized by this section may be made by transferring one fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.~~

~~(1) The sum of twenty six million dollars ($26,000,000).~~

~~(2) In addition to the amount transferred under subdivision (1) of this subsection, the sum of one million seven hundred thousand dollars ($1,700,000) shall be transferred in the 2001 2002 fiscal year. The amount distributed under this subdivision shall increase in the 2002 2003 fiscal year to the sum of two million four hundred thousand dollars ($2,400,000). In each fiscal year thereafter, the sum transferred under this subdivision shall be the amount distributed in the previous fiscal year plus or minus a percentage of this sum equal to the percentage by which tax collections~~

~~under this Article increased or decreased for the most recent 12-month period for which data are available.~~

~~(c) (Effective July 1, 2013) Mobility Fund Transfer. In each fiscal year, the State Treasurer shall transfer fifty-eight million dollars ($58,000,000) from the taxes deposited in the Trust Fund to the Mobility Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.~~"

SECTION 34.19.(z) G.S. 136-18 reads as rewritten:

"**§ 136-18. Powers of Department of Transportation.**

The said Department of Transportation is vested with the following powers:

...

(12a) The Department of Transportation shall have such powers as are necessary to establish, administer, and receive federal funds for a transportation infrastructure banking program as authorized by the Intermodal Surface Transportation Efficiency Act of 1991, Pub. L. 102-240, as amended, and the National Highway System Designation Act of 1995, Pub. L. 104-59, as amended. The Department of Transportation is authorized to apply for, receive, administer, and comply with all conditions and requirements related to federal financial assistance necessary to fund the infrastructure banking program. The infrastructure banking program established by the Department of Transportation may utilize federal and available State funds for the purpose of providing loans or other financial assistance to governmental units, including toll authorities, to finance the costs of transportation projects authorized by the above federal aid acts. Such loans or other financial assistance shall be subject to repayment and conditioned upon the establishment of such security and the payment of such fees and interest rates as the Department of Transportation may deem necessary. The Department of Transportation is authorized to apply a municipality's share of funds allocated under G.S. 136-41.1 or G.S. 136-44.20 as necessary to ensure repayment of funds advanced under the infrastructure banking program. The Department of Transportation shall establish jointly, with the State Treasurer, a separate infrastructure banking account with necessary fiscal controls and accounting procedures. Funds credited to this account shall not revert, and interest and other investment income shall accrue to the account and may be used to provide loans and other financial assistance as provided under this subdivision. The Department of Transportation may establish such rules and policies as are necessary to establish and administer the infrastructure banking program. The infrastructure banking program authorized under this subdivision shall not modify the ~~regional distribution~~ formula for the distribution of funds established by ~~G.S. 136-17.2A.~~G.S. 136-189.10. Governmental units may apply for loans and execute debt instruments payable to the State in order to obtain loans or other financial assistance provided for in this subdivision. The Department of Transportation shall require that applicants shall pledge as security for such obligations revenues derived from operation of the benefited facilities or systems, other sources of revenue, or their faith and credit, or any combination thereof. The faith and credit of such governmental units shall not be pledged or be deemed to have been pledged unless the requirements of Article 4, Chapter 159 of the General Statutes have been met. The State Treasurer, with the assistance of the Local Government Commission, shall

develop and adopt appropriate debt instruments for use under this subdivision. The Local Government Commission shall develop and adopt appropriate procedures for the delivery of debt instruments to the State without any public bidding therefor. The Local Government Commission shall review and approve proposed loans to applicants pursuant to this subdivision under the provisions of Articles 4 and 5, Chapter 159 of the General Statutes, as if the issuance of bonds was proposed, so far as those provisions are applicable. Loans authorized by this subdivision shall be outstanding debt for the purpose of Article 10, Chapter 159 of the General Statutes.

...."

SECTION 34.19.(aa) G.S. 136-17.2A is repealed.

SECTION 34.19.(bb) G.S. 136-44.50(a) reads as rewritten:

"(a) A transportation corridor official map may be adopted or amended by any of the following:

(1) The governing board of any local government for any thoroughfare included as part of a comprehensive plan for streets and highways adopted pursuant to G.S. 136-66.2 or for any proposed public transportation corridor included in the adopted long-range transportation plan.

(2) The Board of Transportation, or the governing board of any county, for any portion of the existing or proposed State highway system or for any public transportation corridor, to include rail, that is in the Transportation Improvement Program.

(3) Regional public transportation authorities created pursuant to Article 26 of Chapter 160A of the General Statutes or regional transportation authorities created pursuant to Article 27 of Chapter 160A of the General Statutes for any portion of the existing or proposed State highway system, or for any proposed public transportation corridor, or adjacent station or parking lot, included in the adopted long-range transportation plan.

(4) The North Carolina Turnpike Authority for any project being studied pursuant to G.S. 136-89.183.

(5) The Wilmington Urban Area Metropolitan Planning Organization for ~~any project that is within its urbanized boundary and identified in G.S. 136-179.~~Department projects R-3300 and U-4751.

Before a city adopts a transportation corridor official map that extends beyond the extraterritorial jurisdiction of its building permit issuance and subdivision control ordinances, or adopts an amendment to a transportation corridor official map outside the extraterritorial jurisdiction of its building permit issuance and subdivision control ordinances, the city shall obtain approval from the Board of County Commissioners."

SECTION 34.19.(cc) G.S. 136-66.3 reads as rewritten:

"**§ 136-66.3. Local government participation in improvements to the State transportation system.**

...

~~(c1) No TIP Disadvantage for Participation. If a county or municipality participates in a State transportation system improvement project, as authorized by this section, or by G.S. 136-51 and G.S. 136-98, the Department shall ensure that the local government's participation does not cause any disadvantage to any other project in the Transportation Improvement Program under G.S. 143B-350(f)(4).~~

(c2) Distribution of State Funds Made Available by County or Municipal Participation. – Any State or federal funds allocated to a project that are made available by county or municipal participation in a project contained in the Transportation Improvement Program under

G.S. 143B-350(f)(4) shall ~~remain in the same funding region that the funding was allocated to under the distribution formula contained in G.S. 136-17.2A.~~be subject to G.S. 136-189.11.

~~(e3) Limitation on Agreements. The Department shall not enter into any agreement with a county or municipality to provide additional total funding for highway construction in the county or municipality in exchange for county or municipal participation in any project contained in the Transportation Improvement Program under G.S. 143B-350(f)(4).~~

...

(e1) Reimbursement Procedure. – Upon request of the county or municipality, the Department of Transportation shall allow the local government a period of not less than three years from the date construction of ~~the project~~a project undertaken under subsection (e) of this section is initiated to reimburse the Department their agreed upon share of the costs necessary for the project. The Department of Transportation shall not charge a local government any interest during the initial three years.

...."

SECTION 34.19.(dd) G.S. 136-89.192 reads as rewritten:

"**§ 136-89.192. ~~Equity distribution~~ Applicability of formula.**

Only those funds applied to a Turnpike Project from the State Highway Fund, State Highway Trust Fund, or federal-aid funds that might otherwise be used for other roadway projects within the State, and are otherwise already subject to the ~~distribution~~ formula under ~~G.S. 136-17.2A,~~ G.S. 136-189.11 shall be included in the ~~distribution~~ formula.

Other revenue from the sale of the Authority's bonds or notes, project loans, or toll collections shall not be included in the ~~distribution~~ formula."

SECTION 34.19.(ee) G.S. 136-175 reads as rewritten:

"**§ 136-175. Definitions.**

The following definitions apply in this Article:

~~(1) Intrastate System. The network of major, multilane arterial highways composed of those routes, segments, or corridors listed in G.S. 136-178, and any other route added by the Department of Transportation under G.S. 136-178.~~

(2) Transportation Improvement Program. The schedule of major transportation improvement projects required by G.S. 143B-350(f)(4).

(3) Trust Fund. The North Carolina Highway Trust Fund."

SECTION 34.19.(ff) G.S. 136-176 reads as rewritten:

"**§ 136-176. Creation, revenue sources, and purpose of North Carolina Highway Trust Fund.**

(a) A special account, designated the North Carolina Highway Trust Fund, is created within the State treasury. The Trust Fund consists of the following revenue:

(1) Motor fuel, alternative fuel, and road tax revenue deposited in the Fund under G.S. 105-449.125, 105-449.134, and 105-449.43, respectively.

(2) Motor vehicle use tax deposited in the Fund under G.S. 105-187.9.

(3) Revenue from the certificate of title fee and other fees payable under G.S. 20-85.

(4) Repealed by Session Laws 2001-424, s. 27.1.

(5) Interest and income earned by the Fund.

~~(a1) The Department shall use two hundred twenty million dollars ($220,000,000) in fiscal year 2001-2002, two hundred twelve million dollars ($212,000,000) in fiscal year 2002-2003, and two hundred fifty-five million dollars ($255,000,000) in fiscal year 2003-2004 of the cash balance of the Highway Trust Fund for the following purposes:~~

~~(1) For primary route pavement preservation. One hundred seventy million dollars ($170,000,000) in fiscal year 2001-2002, and one hundred fifty million dollars ($150,000,000) in each of the fiscal years 2002-2003 and~~

~~2003-2004. Up to ten percent (10%) of the amount for each of the fiscal years 2001-2002, 2002-2003, and 2003-2004 is available in that fiscal year, at the discretion of the Secretary of Transportation, for:~~

~~a. Highway improvement projects that further economic growth and development in small urban and rural areas, that are in the Transportation Improvement Program, and that are individually approved by the Board of Transportation; or~~

~~b. Highway improvements that further economic development in the State and that are individually approved by the Board of Transportation.~~

~~(2) For preliminary engineering costs not included in the current year Transportation Improvement Program. Fifteen million dollars ($15,000,000) in each of the fiscal years 2001-2002, 2002-2003, and 2003-2004. If any funds allocated by this subdivision, in the cash balance of the Highway Trust Fund, remain unspent on June 30, 2008, the Department may transfer within the Department up to twenty-nine million dollars ($29,000,000) of available funds to contract for freight transportation system improvements for the Global TransPark.~~

~~(3) For computerized traffic signal systems and signal optimization projects. Fifteen million dollars ($15,000,000) in each of the fiscal years 2001-2002, 2002-2003, and 2003-2004.~~

~~(4) For public transportation twenty million dollars ($20,000,000) in fiscal year 2001-2002, twenty-five million dollars ($25,000,000) in fiscal year 2002-2003, and seventy-five million dollars ($75,000,000) in fiscal year 2003-2004.~~

~~(5) For small urban construction projects. Seven million dollars ($7,000,000) in fiscal year 2002-2003.~~

~~Funds authorized for use by the Department pursuant to this subsection shall remain available to the Department until expended.~~

(a2) Repealed by Session Laws 2002-126, s. 26.4(b), effective July 1, 2002.

~~(a3) The Department may obligate three hundred million dollars ($300,000,000) in fiscal year 2003-2004 and four hundred million dollars ($400,000,000) in fiscal year 2004-2005 of the cash balance of the Highway Trust Fund for the following purposes:~~

~~(1) Six hundred thirty million dollars ($630,000,000) for highway system preservation, modernization, and maintenance, including projects to enhance safety, reduce congestion, improve traffic flow, reduce accidents, upgrade pavement widths and shoulders, extend pavement life, improve pavement smoothness, and rehabilitate or replace deficient bridges; and for economic development transportation projects recommended by local officials and approved by the Board of Transportation.~~

~~(2) Seventy million dollars ($70,000,000) for regional public transit systems, rural and urban public transportation system facilities, regional transportation and air quality initiatives, rail system track improvements and equipment, and other ferry, bicycle, and pedestrian improvements. For any project or program listed in this subdivision for which the Department receives federal funds, use of funds pursuant to this subdivision shall be limited to matching those funds.~~

~~Funds authorized for obligation and use by the Department pursuant to this subsection shall remain available to the Department until expended.~~

~~(a4) Project selection pursuant to subsection (a3) of this section shall be based on identified and documented need. Funds expended pursuant to subdivision (1) of subsection (a3)~~

~~of this section shall be distributed in accordance with the distribution formula in G.S. 136-17.2A. No funds shall be expended pursuant to subsection (a3)(1) of this section on any project that does not meet Department of Transportation standards for road design, materials, construction, and traffic flow.~~

~~(a5) The Department shall report to the Joint Legislative Transportation Oversight Committee, on or before September 1, 2003, on its intended use of funds pursuant to subsection (a3) of this section. The Department shall report to the Joint Transportation Appropriations Subcommittee, on or before May 1, 2004, on its actual current and intended future use of funds pursuant to subsection (a3) of this section. The Department shall certify to the Joint Legislative Transportation Oversight Committee each year, on or before November 1, that use of the Highway Trust Fund cash balances for the purposes listed in subsection (a3) of this section will not adversely affect the delivery schedule of any Highway Trust Fund projects. If the Department cannot certify that the full amounts authorized in subsection (a3) of this section are available, then the Department may determine the amount that can be used without adversely affecting the delivery schedule and may proportionately apply that amount to the purposes set forth in subsection (a3) of this section.~~

(b) Funds in the Trust Fund are annually appropriated to the Department of Transportation to be allocated and used as provided in this subsection. A ~~sum, not to exceed four and eight tenths percent (4.8%) of the amount of revenue deposited in the Trust Fund under subdivisions (a)(1), (2), and (3) of this section~~ sum, in the amount appropriated by law, may be used each fiscal year by the Department for expenses to administer the Trust Fund. Operation and project development costs of the North Carolina Turnpike Authority are eligible administrative expenses under this subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by the Authority from its toll revenue as soon as possible, subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be necessary to meet the State matching funds requirements to receive federal-aid highway trust funds for the next fiscal year may be set aside for that purpose. The rest of the funds in the Trust Fund shall be allocated and used as ~~follows:~~specified in G.S. 136-189.11.

~~(1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design, and construct projects on segments or corridors of the Intrastate System as described in G.S. 136-178 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these projects.~~

~~(2) Twenty-five and five hundredths percent (25.05%) to plan, design, and construct the urban loops described in G.S. 136-180 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these urban loops.~~

~~(3) Six and one-half percent (6.5%) to supplement the appropriation to cities for city streets under G.S. 136-181.~~

~~(4) Six and one-half percent (6.5%) for secondary road construction as provided in G.S. 136-182 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to secondary road construction.~~

The Department must administer funds allocated under ~~subdivisions (1), (2), and (4) of this subsection~~ this section in a manner that ensures that sufficient funds are available to make the

debt service payments on bonds issued under the State Highway Bond Act of 1996 as they become due.

~~(b1) The Secretary may authorize the transfer of funds allocated under subdivisions (1) through (4) of subsection (b) of this section to other projects that are ready to be let and were to be funded from allocations to those subdivisions. The Secretary shall ensure that any funds transferred pursuant to this subsection are repaid promptly and in any event in no more than four years. The Secretary shall certify, prior to making any transfer pursuant to this subsection, that the transfer will not affect the delivery schedule of Highway Trust Fund projects in the current Transportation Improvement Program. No transfers shall be allowed that do not conform to the applicable provisions of the equity formula for distribution of funds, G.S. 136-17.2A. If the Secretary authorizes a transfer pursuant to this subsection, the Secretary shall report that decision to the next regularly scheduled meetings of the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, and to the Fiscal Research Division.~~

(b2) **(Effective July 1, 2013)** There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of ~~one hundred twelve million dollars ($112,000,000).~~forty-nine million dollars ($49,000,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway, and twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the ~~Monroe Connector/Bypass, twenty-eight million dollars ($28,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Mid-Currituck Bridge, and thirty-five million dollars ($35,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Garden Parkway.~~Monroe Connector/Bypass. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes, or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations made in this subsection at any time to decrease or eliminate the amount annually appropriated to the Authority. Funds transferred from the Highway Trust Fund to the Authority pursuant to this subsection are not subject to the ~~equity~~ formula in ~~G.S. 136-17.2A.~~G.S. 136-189.10.

~~(c) If funds are received under 23 U.S.C. Chapter 1, Federal-Aid Highways, for a project for which funds in the Trust Fund may be used, the amount of federal funds received plus the amount of any funds from the Highway Fund that were used to match the federal funds may be transferred by the Secretary of Transportation from the Trust Fund to the Highway Fund and used for projects in the Transportation Improvement Program.~~

(d) A contract may be let for projects funded from the Trust Fund in anticipation of revenues pursuant to the cash-flow provisions of G.S. 143C-6-11 only for the two bienniums following the year in which the contract is let.

(e) **(Effective July 1, 2013)** Subject to ~~G.S. 136-17.2A and other funding distribution formulas, funds allocated under subdivisions (1), (3), and (4) of subsection (b) of this section~~

~~may also~~ G.S. 136-189.11, funds may be used for fixed guideway projects, including providing matching funds for federal grants for fixed guideway projects."

SECTION 34.19.(gg) The following statutes are repealed:

(1) G.S. 136-177.
(2) G.S. 136-177.1.
(3) G.S. 136-178.
(4) G.S. 136-179.
(5) G.S. 136-180.
(6) G.S. 136-184.
(7) G.S. 136-185.
(8) G.S. 136-187.
(9) G.S. 136-188.
(10) G.S. 136-189.

TURNPIKE AUTHORITY CHANGES

SECTION 34.19.(hh) G.S. 136-89.183(a)(2) reads as rewritten:

"**§ 136-89.183. Powers of the Authority.**

(a) The Authority shall have all of the powers necessary to execute the provisions of this Article, including the following:

...

(2) To study, plan, develop, and undertake preliminary design work on up to ~~eight~~ nine Turnpike Projects. At the conclusion of these activities, the Turnpike Authority is authorized to design, establish, purchase, construct, operate, and maintain the following projects:

a. Triangle Expressway, including segments also known as N.C. 540, Triangle Parkway, and the Western Wake Freeway in Wake and Durham ~~Counties, and Southeast Extension in Wake and Johnston Counties, except that no portion of the Southeast Extension shall be located north of an existing protected corridor established by the Department of Transportation circa 1995, except in the area of Interstate 40 East.~~Counties. The described segments constitute three projects.

~~b. Gaston East-West Connector, also known as the Garden Parkway.~~

c. Monroe Connector/Bypass.

~~d. Cape Fear Skyway.~~

~~e. A bridge of more than two miles in length going from the mainland to a peninsula bordering the State of Virginia, pursuant to G.S. 136-89.183A.~~

Any other project proposed by the Authority in addition to the projects listed in this ~~subdivision must be approved by the General Assembly prior to construction.~~subdivision requires prior consultation with the Joint Legislative Commission on Governmental Operations pursuant to G.S. 120-76.1 no less than 180 days prior to initiating the process required by Article 7 of Chapter 159 of the General Statutes.

~~A~~ With the exception of the four projects set forth in sub-subdivisions a. and c. of this subdivision, the Turnpike ~~Project~~ projects selected for construction by the Turnpike ~~Authority~~ Authority, prior to the letting of a contract for the project, shall meet the following conditions: (i) two of the projects must be ranked in the top 35 based on total score on the Department produced list entitled "Mobility Fund Project Scores", dated June 6, 2012, and, in addition, may be subject to G.S. 136-18(39a); (ii) of the projects not ranked as

provided in (i), one may be subject to G.S. 136-18(39a); (iii) the projects shall be included in any applicable locally adopted comprehensive transportation ~~plans and~~plans; (iv) the projects shall be shown in the current State Transportation Improvement ~~Plan prior to the letting of a contract for the Turnpike Project.~~Program; and (v) toll projects must be approved by all affected Metropolitan Planning Organizations and Rural Transportation Planning Organizations for tolling."

SECTION 34.19.(ii) G.S. 136-18 reads as rewritten:

"**§ 136-18. Powers of Department of Transportation.**

The said Department of Transportation is vested with the following powers:

...

(39a) a. The Department of Transportation or Turnpike Authority, as applicable, may enter into ~~a partnership agreement~~ up to three agreements with a private entity as provided under subdivision (39) of this section for which the provisions of this section apply. ~~The pilot project allowed under this subdivision must be one that is a candidate for funding under the Mobility Fund, that is planned for construction through a public-private partnership, and for which a Request for Qualifications has been issued by the Department no later than June 30, 2012.~~

b. A private entity or its contractors must provide performance and payment security in the form and in the amount determined by the Department of Transportation. The form of the performance and payment security may consist of bonds, letters of credit, parent guaranties, or other instruments acceptable to the Department of Transportation.

c. Notwithstanding the provisions of G.S. 143B-426.40A, an agreement entered into under this subdivision may allow the private entity to assign, transfer, sell, hypothecate, and otherwise convey some or all of its right, title, and interest in and to such agreement, and any rights and remedies thereunder, to a lender, bondholder, or any other party. However, in no event shall any such assignment create additional debt or debt-like obligations of the State of North Carolina, the Department, or any other agency, authority, commission, or similar subdivision of the State to any lender, bondholder, entity purchasing a participation in the right to receive the payment, trustee, trust, or any other party providing financing or funding of projects described in this section. The foregoing shall not preclude the Department from making any payments due and owing pursuant to an agreement entered into under this section.

d. ~~The Department of Transportation may fix, revise, charge, and collect tolls and fees to the same extent allowed under~~ Article 6H of Chapter 136 of the General ~~Statutes.~~Statutes shall apply to the Department of Transportation and to projects undertaken by the Department of Transportation under subdivision (39) of this section. The Department may assign its authority under that Article to fix, revise, charge, retain, enforce, and collect tolls and fees to the private entity.

e. Any contract under this subdivision or under Article 6H of the Chapter for the development, construction, maintenance, or operation of a project shall provide for revenue sharing between the private

party and the Department. Excess toll revenues from a Turnpike project shall be used for the funding or financing of transportation projects within the corridor where the Turnpike Project is located. For purposes of this subdivision, the term "excess toll revenues" means those toll revenues derived from a Turnpike Project that are not otherwise used or allocated to the Authority or a private entity pursuant to this subdivision. For purposes of this subdivision, the term "corridor" means (i) the right-of-way limits of the Turnpike Project and any facilities related to the Turnpike Project or any facility or improvement necessary for the use, design, construction, operation, maintenance, repair, rehabilitation, reconstruction, or financing of a Turnpike Project; (ii) the right-of-way limits of any subsequent improvements, additions, or extension to the Turnpike Project and facilities related to the Turnpike projects, including any improvements necessary for the use, design, construction, operation, maintenance, repair, rehabilitation, reconstruction, or financing of those subsequent improvements, additions, or extensions to the Turnpike Project; and (iii) roads used for ingress or egress to the toll facility or roads that intersect with the toll facility, whether by ramps or separated grade facility, and located within one mile in any direction.

f. Agreements entered into under this subdivision shall comply with the following additional provisions:

1. The Department shall solicit proposals for agreements.
2. Agreement shall be limited to no more than 50 years.
3. Notwithstanding the provisions of G.S. 136-89.183(a)(5), all initial tolls or fees to be charged by a private entity shall be reviewed by the Turnpike Board. Prior to setting a toll rate, either a set rate or a minimum and maximum rate set by the private entity, the private entity shall hold a public hearing on the toll rates, in accordance with guidelines for the hearing developed by the Department. After tolls go into effect, the private entity shall report to the Turnpike Authority Board 30 days prior to any increase in tolls by the private entity.
4. Financial advisors and attorneys retained by the Department on contract to work on projects pursuant to this subsection shall be subject to State law governing conflicts of interest.
5. Sixty days prior to the signing of a concession agreement subject to this subdivision, the Department shall report to the Joint Legislative Transportation Oversight Committee on the following:
   I. Project description.
   II. Number of years that tolls will be in place.
   III. Name and location of firms and parent companies, if applicable, including firm responsibility and stake, and assessment of audited financial statements.
   IV. Analysis of firm selection criteria.
   V. Name of any firm or individual under contract to provide counsel or financial analysis to the Department or Authority. The Department shall

disclose payments to these contractors related to completing the agreement under this subdivision.

VI. Demonstrated ability of the project team to deliver the project, by evidence of the project team's prior experience in delivering a project on schedule and budget, and disclosure of any unfavorable outcomes on prior projects.

VII. Detailed description of method of finance, including sources of funds, State contribution amounts, including schedule of availability payments and terms of debt payments.

VIII. Information on assignment of risk shared or assigned to State and private partner.

IX. Information on the feasibility of finance as obtained in traffic and revenue studies.

6. The Turnpike Authority annual report under G.S. 136-89.193 shall include reporting on all revenue collections associated with projects subject to this subdivision under the Turnpike Authority.

7. The Department shall develop standards for entering into comprehensive agreements with private entities under the authority of this subdivision and report those standards to the Joint Legislative Transportation Oversight Committee on or before October 1, 2013.

...

(43) For the purposes of financing an agreement under subdivision (39a) of this section, the Department of Transportation may act as a conduit issuer for private activity bonds to the extent the bonds do not constitute a debt obligation of the State. The issuance of private activity bonds under this subdivision and any related actions shall be governed by The State and Local Government Revenue Bond Act, Article 5 of Chapter 159 of the General Statutes, with G.S. 159-88 satisfied by adherence to the requirements of ~~subdivisions (39) and~~ subdivision (39a) of this section."

SECTION 34.19.(jj) G.S. 136-89.183(a)(5) reads as rewritten:

"**§ 136-89.183. Powers of the Authority.**

(a) The Authority shall have all of the powers necessary to execute the provisions of this Article, including the following:

...

(5) To fix, revise, charge, retain, enforce, and collect tolls and fees for the use of the Turnpike Projects. Prior to the effective date of any toll or fee for use of a Turnpike Facility, the Authority shall submit a description of the proposed toll or fee to the Board of Transportation, the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations for review.

...."

SECTION 34.19.(kk) G.S. 136-89.188 reads as rewritten:

"**§ 136-89.188. Use of revenues.**

(a) Revenues derived from Turnpike Projects authorized under this Article shall be used only for the following:

(1) Authority administration ~~costs;~~costs.

(2) Turnpike Project development, right-of-way acquisition, design, construction, operation, ~~and maintenance;~~ maintenance, reconstruction, rehabilitation, and replacement.~~and~~

(3) ~~debt~~ Debt service on the Authority's revenue bonds or related purposes such as the establishment of debt service reserve ~~funds.~~funds.

(4) Debt service, debt service reserve funds, and other financing costs related to any of the following:

a. A financing undertaken by a private entity under a partnership agreement with the entity for a Turnpike Project.

b. Private activity bonds issued under law related to a Turnpike Project.

c. Any federal or State loan, line of credit, or loan guarantee relating to a Turnpike Project.

(5) A return on investment of any private entity under a partnership agreement with the entity for a Turnpike Project.

(6) Any other uses granted to a private entity under a partnership agreement with the entity for a Turnpike Project.

(b) The Authority may use up to one hundred percent (100%) of the revenue derived from a Turnpike Project for debt service on the Authority's revenue bonds or for a combination of debt service and operation and maintenance expenses of the Turnpike Projects.

(c) The Authority shall use not more than five percent (5%) of total revenue derived from all Turnpike Projects for Authority administration costs.

(d) Notwithstanding the provisions of subsections (a) and (b) of this section, toll revenues generated from a converted segment of the State highway system previously planned for operation as a nontoll facility shall only be used for the funding or financing of the right of way acquisition, construction, expansion, operations, maintenance, and Authority administration costs associated with the converted segment or a contiguous toll facility."

SECTION 34.19.(ll) Part 1 of Article 6H of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-89.199. Designation of high-occupancy toll and managed lanes.**

Notwithstanding any other provision of this Article, the Authority may designate one or more lanes of any highway, or portion thereof, within the State, including lanes that may previously have been designated as HOV lanes under G.S. 20-146.2, as high-occupancy toll (HOT) or other type of managed lanes; provided, however, that such designation shall not reduce the number of existing general purpose lanes. In making such designations, the Authority shall specify the high-occupancy requirement or other conditions for use of such lanes, which may include restricting vehicle types, access controls, or the payment of tolls for vehicles that do not meet the high-occupancy requirements or conditions for use."

SECTION 34.19.(mm) Part 2 of Article 6H of Chapter 136 of the General Statutes reads as rewritten:

"Part 2. Collection of Tolls on Turnpike Projects.

...

"**§ 136-89.212. Payment of toll required for use of Turnpike project.**

(a) A motor vehicle that is driven on a Turnpike project is subject to a toll imposed by the Authority for the use of the project. If the toll is an open road toll, the person who is the registered owner of the motor vehicle is liable for payment of the toll unless the registered owner establishes that the motor vehicle was in the care, custody, and control of another person when it was driven on the Turnpike project.

(b) A person establishes that a motor vehicle was in the care, custody, and control of another person when it was driven on a Turnpike project by submitting to the Authority a sworn affidavit stating one of the following:

(1) The name and address of the person who had the care, custody, and control of the motor vehicle when it was driven. If the motor vehicle was leased or rented under a long-term lease or rental, as defined in G.S. 105-187.1, the affidavit must be supported by a copy of the lease or rental agreement or other written evidence of the agreement.

(2) The motor vehicle was stolen. The affidavit must be supported by an insurance or police report concerning the theft or other written evidence of the theft.

(3) The person transferred the motor vehicle to another person by sale or otherwise before it was driven on the Turnpike project. The affidavit must be supported by insurance information, a copy of the certificate of title, or other evidence of the transfer.

(c) If a person establishes that a motor vehicle was in the care, custody, and control of another person under subsection (b) of this section, the other person shall be liable for the payment of the toll, and the Authority may send a bill to collect and enforce the toll in accordance with this Article; provided, however, that such other person may contest such toll in accordance with this Article.

"§ 136-89.213. Administration of tolls and requirements for open road tolls.

(a) Administration. – The Authority is responsible for collecting tolls on Turnpike projects. In exercising its authority under G.S. 136-89.183 to perform or procure services required by the Authority, the Authority may contract with one or more providers to perform part or all of the collection functions and may enter into agreements to exchange information, including confidential information under subsection (a1) of this section, that identifies motor vehicles and their owners with one or more of the following entities: the Division of Motor Vehicles of the Department of Transportation, another state, another toll operator, ~~or~~ a toll collection-related ~~organization.~~organization, or a private entity that has entered into a partnership agreement with the Authority pursuant to G.S. 136-89.183(a)(17). Further, the Authority may assign its authority to fix, revise, charge, retain, enforce, and collect tolls and fees under this Article to a private entity that has entered into a partnership agreement with the Authority pursuant to G.S. 136-89.183(a)(17).

...

(b) Open Road Tolls. – If a Turnpike project uses an open road tolling system, the Authority must operate a facility that is in the immediate vicinity of the Turnpike project ~~and that accepts~~or provide an alternate means to accept cash payment of the toll and must place signs on the Turnpike project that give drivers the following information:

(1) Notice that the driver is approaching a highway for which a toll is required. Signs providing this information must be placed before the toll is incurred.

(2) The methods by which the toll may be paid.

(3) ~~Directions~~ If applicable, directions to the nearby facility that accepts cash payment of the toll.

"§ 136-89.214. Bill for unpaid open road toll.

(a) Bill. – If a motor vehicle travels on a Turnpike project that uses an open road tolling system and a toll for traveling on the project is not paid prior to travel or at the time of travel, the Authority must send a bill by first-class mail to the registered owner of the motor vehicle or the person who had care, custody, and control of the vehicle as established under G.S. 136-89.212(b) for the amount of the unpaid toll. The Authority must send the bill within 90 days after the travel ~~occurs.~~occurs, or within 90 days of receipt of a sworn affidavit submitted under G.S. 136-89.212(b) identifying the person who had care, custody, and control of the motor vehicle. If a bill is not sent within the required time, the Authority waives collection of the toll. The Authority must establish a billing period for unpaid open road tolls

that is no shorter than 15 days. A bill for a billing period must include all unpaid tolls incurred by the same person during the billing period.

(b) Information on Bill. – A bill sent under this section must include all of the following information:

(1) The name and address of the registered owner of the motor vehicle that traveled on the Turnpike ~~project.~~project or of the person identified under G.S. 136-89.212(b).

(2) The date the travel occurred, the approximate time the travel occurred, and each segment of the Turnpike project on which the travel occurred.

(3) An image of the registration plate of the motor vehicle, if the Authority captured an electronic image of the motor vehicle when it traveled on the Turnpike project.

(4) The amount of the toll due and an explanation of how payment may be made.

(5) The date by which the toll must be paid to avoid the imposition of a processing fee under G.S. 136-89.215 and the amount of the processing fee.

(6) A statement that a vehicle owner who has unpaid tolls is subject to a civil penalty and may not renew the vehicle's registration until the tolls and civil penalties are paid.

(7) A clear and concise explanation of how to contest liability for the toll.

(8) If applicable, a copy of the affidavit submitted under G.S. 136-89.212(b) identifying the person with care, custody, and control of the motor vehicle.

"**§ 136-89.215. Required action upon receiving bill for open road toll and processing fee for unpaid toll.**

(a) Action Required. – A person who receives a bill from the Authority for an unpaid open road toll must take one of the following actions within 30 days of the date of the bill:

(1) Pay the bill.

(2) Send a written request to the Authority for a review of the toll.

(b) Fee. – If a person does not take one of the actions required under subsection (a) of this section within the required time, the Authority may add a processing fee to the amount the person owes. The processing fee may not exceed six dollars ($6.00). A person may not be charged more than forty-eight dollars ($48.00) in processing fees in a 12-month period.

The Authority must set the processing fee at an amount that does not exceed the costs of collecting the unpaid toll.~~identifying the owner of a motor vehicle that is subject to an unpaid toll and billing the owner for the unpaid toll. The fee is a receipt of the Authority and must be applied to these costs.~~

...."

SECTION 34.19.(nn) DOT/Southeast Extension-Triangle Expressway. – The Department of Transportation shall strive to expedite the federal environmental impact statement process to define the route for the Southeast Extension of the Triangle Expressway Turnpike Project by promptly garnering input from local officials and other stakeholders, accelerating any required State studies, promptly submitting permit applications to the federal government, working closely with the federal government during the permitting process, and taking any other appropriate actions to accelerate the environmental permitting process.

SECTION 34.19.(oo) Monitoring. – As part of its oversight of the Department of Transportation, the Joint Legislative Transportation Oversight Committee shall closely monitor the progress of the Southeast Extension of the Triangle Expressway Turnpike Project.

SECTION 34.19.(pp) G.S. 143B-350 reads as rewritten:

"**§ 143B-350. Board of Transportation – organization; powers and duties, etc.**

...

(b) Membership of the Board. –

(1) Number, appointment. – The Board of Transportation shall have ~~19~~21 voting members. Fourteen of the members shall be division members appointed by the Governor. Five shall be at-large members appointed by the Governor. One shall be an at-large member appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate, and one shall be an at-large member appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives. At least three members of the Board appointed by the Governor shall be registered voters of a political party other than the political party of the Governor. The Secretary of Transportation shall serve as an ex officio nonvoting member of the ~~Board.~~Board with the exception set forth in subsection (f3) of this section. No more than two members of the Board appointed by the Governor may reside in the same highway division.

(2) Division members. – One member shall be appointed from and be a resident of each of the 14 highway divisions. The Governor, in selecting division members, shall consider for appointment persons suggested by the Transportation Advisory Committees located within each division. Division members shall direct their primary effort to developing transportation policy and addressing transportation problems in the region they represent. Division members shall regularly consult with and consider the views of local government units and Transportation Advisory Committees in the region they represent.

(3) At-large members. – Five members shall be appointed by the Governor from the State at large. At-large members appointed pursuant to this subdivision shall develop transportation policy and address transportation problems with a statewide perspective. At-large members appointed under this subdivision shall possess the following qualifications:

a. One at-large member shall be a person with expertise in environmental issues affecting the State;

b. One at-large member shall be a person familiar with the State ports and aviation issues;

c. One at-large member shall be a person residing in a rural area of the State with broad knowledge of and experience in transportation issues affecting rural areas;

d. One at-large member shall be a person residing in an urban area with broad knowledge of and expertise in mass transit;

e. One at-large member shall be a person with broad knowledge of and expertise in government-related finance and accounting.

(c) ~~Staggered~~ Terms. – ~~The terms of all Board members serving on the Board prior to January 15, 2001, shall expire on January 14, 2001. A new board of 19 members shall be appointed with terms beginning on January 15, 2001. The Board shall serve the following terms: division members representing divisions 1, 3, 5, 7, 9, 11, and 13 and the three at-large members filling the positions designated in sub-subdivisions (b)(3)a., b., and c. of this section shall serve four-year terms beginning on January 15, 2001, and four-year terms thereafter; and division members representing divisions 2, 4, 6, 8, 10, 12, and 14 and the two at-large members filling the positions designated in sub-subdivisions (b)(3)c. and d. of this section shall serve two-year terms beginning January 15, 2001, and four-year terms thereafter.~~ The terms of members shall be for four years beginning January 15, 2013, and quadrennially thereafter, except that the terms of at-large members appointed by the General Assembly shall be for two years beginning on January 15, 2013, and biennially thereafter.

...

(f3) There is created the Turnpike Committee of the Board of Transportation. The Committee shall consist of the Secretary of Transportation, serving as a voting member ex officio, and the following six Board members:

(1) Three division board members selected by the Secretary, one from the members representing divisions 1 through 4, one from the members representing divisions 5 through 10, and one from the members representing divisions 11 through 14.

(2) The two at-large board members appointed by the General Assembly under subdivision (b)(1) of this section.

(3) The at-large board member appointed by the Governor under sub-subdivision (b)(3)e. of this section.

The Chair of the Committee shall be the Secretary of Transportation.

...."

SECTION 34.19.(qq) The terms of the nine members of the Board of Transportation previously appointed for terms expiring January 14, 2015, expire upon appointment of their replacements as provided in this section. The Governor shall designate for each of the nine new appointments which member is being replaced.

SECTION 34.19.(rr) G.S. 136-89.182 reads as rewritten:

"**§ 136-89.182. North Carolina Turnpike Authority.**

(a) Creation. – There is created a body politic and corporate to be known as the "North Carolina Turnpike Authority". The Authority is constituted as a public agency, and the exercise by the Authority of the powers conferred by this Article in the construction, operation, and maintenance of toll roads and bridges shall be deemed and held to be the performance of an essential governmental function.

(b) Administrative Placement. – The Authority shall be located within the Department of Transportation and shall be subject to and under the direct supervision of the Secretary of Transportation.

(c) Authority Board. – The Turnpike Committee of the Board of Transportation shall serve ex officio as the Authority Board of the North Carolina Turnpike Authority.

~~The North Carolina Turnpike Authority shall be governed by a nine-member Authority Board consisting of two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, two members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, four members appointed by the Governor, and the Secretary of Transportation. Each appointing authority shall appoint members who reside in diverse regions of the State. The Chair of the Authority shall be selected by the Authority Board.~~

~~(d) Board of Transportation Members. – Members of the North Carolina Board of Transportation may serve as members of the Authority Board.~~

~~(e) Staggered Terms. – One of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, one of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the Speaker of the House of Representatives, and three of the initial appointments of the Governor shall be appointed to terms ending January 14, 2007. One of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, one of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the Speaker of the House of Representatives, and one of the initial appointments of the Governor shall be appointed to terms ending January 14, 2005. The Secretary of Transportation shall serve as an ex-officio voting member of the Board. Thereafter, at the expiration of each stipulated term of office, all appointments shall be to a term of four years from the date of the expiration of the term.~~

~~(f) Vacancies. – All members of the Authority Board shall remain in office until their successors are appointed and qualified. The original appointing authority may appoint a member to serve out the unexpired term of any member.~~

~~(g) Removal of Board Members. – Each member of the Authority Board, notwithstanding subsection (e) of this section, shall serve at the pleasure of the appointing authority. The Chair of the Authority serves at the pleasure of the Authority Board.~~

~~(h) Conflicts of Interest, Ethics. – Members of the Authority Board shall be subject to the provisions of G.S. 136-13, 136-13.1, and 136-14.~~

(i) Compensation. – The ~~appointed~~ members of the Authority Board shall receive no salary for their services but shall be entitled to receive per diem and travel allowances in accordance with the provisions of G.S. 138-5 and G.S. 138-6 as appropriate.

(j) Bylaws. – The Authority Board shall adopt, change, or amend bylaws with respect to the calling of meetings, quorums, voting procedures, the keeping of records, and other organizational, staffing, and administrative matters as the Authority Board may determine. Any bylaws, or subsequent changes or amendments to the bylaws, shall be included in the Annual Report as required by G.S. 136-89.193.

(k) ~~Executive Director and Administrative Employees.~~Chief Administrative Officer. – ~~The Authority Board shall appoint an Executive Director, whose salary shall be fixed by the Authority, to serve at its pleasure.~~The Secretary of Transportation shall designate ~~The Executive Director shall be~~ the Authority's chief administrative ~~officer and~~officer, who shall be responsible for the daily administration of the toll roads and bridges constructed, maintained, or operated pursuant to this Article. ~~The Executive Director or his designee shall appoint, employ, dismiss, and, within the limits approved by the Authority Board, fix the compensation of administrative employees as the Executive Director deems necessary to carry out this Article.~~

(l) Office. – The offices of the Authority may be housed in one or more facilities of the Department of Transportation."

TRANSITION STUDY AND REPORTING REQUIREMENTS

SECTION 34.19.(ss) Formula Implementation Report. – The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than August 15, 2013, on the Department's recommended formulas that will be used in the prioritization process to rank highway and nonhighway projects. The Department of Transportation's Prioritization Office shall develop the prioritization processes and formulas for all modes of transportation. The report will include a statement on the process used by the Department to develop the formulas, include a listing of external partners consulted during this process, and include feedback from its 3.0 workgroup partners on the Department's proposed recommendations. The Department shall not finalize the formula without consulting with the Joint Legislative Transportation Oversight Committee. The Joint Legislative Transportation Oversight Committee has 30 days after the report is received to meet and consult on the Department's recommendations. If no meeting occurs within 30 days after the report is received, the consultation requirement will be met. If consultation occurs and a majority of members serving on the Committee request changes to the Department's recommended formulas for highway and nonhighway modes, the Department shall review the requests and provide to the Committee its response to the requested changes no later than October 1, 2013. A final report on the highway and intermodal formulas shall be submitted to the Joint Legislative Transportation Oversight Committee by January 1, 2014.

SECTION 34.19.(tt) State Transportation Improvement Program Transition Report. – The Department of Transportation shall submit transition reports to members of the Joint Legislative Transportation Oversight Committee, House Appropriations Subcommittee on Transportation and the Senate Appropriations Committee on Department of Transportation, and the Fiscal Research Division on March 1, 2014, and November 1, 2014. The reports shall

include information on the Department's transition to Strategic Prioritization, overview changes to the State Transportation Improvement Program (STIP) and other internal and external processes that feed into the STIP, and offer statutory and policy recommendations or items for consideration to the General Assembly that will enhance the prioritization process. The March 1, 2014, report shall also include an analysis of the distribution of tax and fee revenues between the Highway Fund and Highway Trust Fund and an analysis to determine if maintenance, construction, operations, administration, and capital expenditures are properly budgeted within the two funds and existing revenues are most effectively distributed between the two funds.

SECTION 34.19.(uu) This section shall become effective and applies as follows:

(1) Subsections (f), (h), (l), and (q) of this section become effective July 1, 2014.

(2) Subsection (b) of this section becomes effective July 1, 2019.

(3) Subsection (j) of this section expires June 30, 2018.

DRIVER EDUCATION

SECTION 34.20.(a) G.S. 115C-216(g) reads as rewritten:

"(g) Fee for Instruction. – The local boards of education may charge each student participating in a driver education course a fee of up to ~~forty-five dollars ($45.00)~~sixty-five dollars ($65.00) to offset the costs of providing the training and instruction."

SECTION 34.20.(b) The Division of Motor Vehicles and the Department of Public Instruction shall collaborate to revise the driver knowledge test and to create a process for administration of the test and certification of passage by public schools administering driver education programs. The Division and the Department shall report to the Joint Legislative Transportation Oversight Committee, the Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division no later than March 1, 2014, on their progress in meeting the requirements of this subsection.

SECTION 34.20.(c) Subsection (a) of this section becomes effective July 1, 2013, and applies to driver education courses beginning on or after that date.

ADDITIONAL ANNUAL FEE FOR ELECTRIC AND HYBRID VEHICLES

SECTION 34.21.(a) G.S. 20-87 is amended by adding the following new subdivisions to read:

"(13) Additional fee for certain electric vehicles. – At the time of an initial registration or registration renewal, the owner of a plug-in electric vehicle that is not a low-speed vehicle and that does not rely on a nonelectric source of power shall pay a fee in the amount of one hundred dollars ($100.00) in addition to any other required registration fees.

(14) Additional fee for certain hybrid vehicles. – At the time of an initial registration, or registration renewal, the owner of a hybrid vehicle that is not a low-speed vehicle shall pay a fee in the amount of fifty dollars ($50.00) in addition to any other required registration fees."

SECTION 34.21.(b) G.S. 20-4.01 reads as rewritten:

"**§ 20-4.01. Definitions.**

Unless the context requires otherwise, the following definitions apply throughout this Chapter to the defined words and phrases and their cognates:

...

(14) House Trailer. – Any trailer or semitrailer designed and equipped to provide living or sleeping facilities and drawn by a motor vehicle.

(14a) Hybrid Vehicle. – A vehicle that derives its transportation energy from electricity and from either a motor fuel (as defined in G.S. 105-449.60) or an alternative fuel (as defined in G.S. 105-449.130).

~~(14a)~~(14b) Impairing Substance. – Alcohol, controlled substance under Chapter 90 of the General Statutes, any other drug or psychoactive substance capable of impairing a person's physical or mental faculties, or any combination of these substances.

...."

SECTION 34.21.(c) Conforming Change. – G.S. 95-111.11 reads as rewritten:

"**§ 95-111.11. Operators.**

...

(b) No person shall operate any amusement device equipment while under the influence of alcohol or any other impairing substance as defined by ~~G.S. 20-4.01(14a).~~G.S. 20-4.01(14b) It shall be a violation of this subsection to knowingly permit the operation of any amusement device while the operator is under the influence of an impairing substance."

SECTION 34.21.(d) This section becomes effective January 1, 2014, and applies to initial or renewal motor vehicle registrations on or after that date.

VISITOR CENTERS FUNDING

SECTION 34.22.(a) G.S. 20-79.7(c)(2) reads as rewritten:

"(c) Use of Funds in Special Registration Plate Account. –

...

(2) From the funds remaining in the Special Registration Plate Account after the deductions in accordance with subdivision (1) of this subsection, there is annually appropriated from the Special Registration Plate Account the sum of ~~one million three hundred thousand dollars ($1,300,000)~~one million four hundred thousand dollars ($1,400,000) to provide operating assistance for the Visitor Centers:

a. on U.S. Highway 17 in Camden County, ($100,000);
b. on U.S. Highway 17 in Brunswick County, ($100,000);
c. on U.S. Highway 441 in Macon County, ($100,000);
d. in the Town of Boone, Watauga County, ($100,000);
e. on U.S. Highway 29 in Caswell County, ($100,000);
f. on U.S. Highway 70 in Carteret County, ($100,000);
g. on U.S. Highway 64 in Tyrrell County, ($100,000);
h. at the intersection of U.S. Highway 701 and N.C. 904 in Columbus County, ($100,000);
i. on U.S. Highway 221 in McDowell County, ($100,000);
j. on Staton Road in Transylvania County, ($100,000);
k. in the Town of Fair Bluff, Columbus County, near the intersection of U.S. Highway 76 and N.C. 904, ($100,000);
l. on U.S. Highway 421 in Wilkes County, ($100,000); and
m. at the intersection of Interstate 73 and Interstate 74 in Randolph County, ~~($100,000).~~($100,000) each, for two centers."

SECTION 34.22.(b) Notwithstanding G.S. 20-79.7(c)(3), the remaining revenue in the Special Registration Plate Account appropriated to the Department of Transportation during the 2013-2015 fiscal biennium to be used for beautification of highways shall not be reduced below the amounts appropriated in the 2012-2013 fiscal year.

PART XXXV. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 35.1.(a) Effective for the 2013-2015 fiscal biennium, the annual salary of the Governor set by G.S. 147-11(a) shall remain unchanged at the amount of one hundred forty-one thousand two hundred sixty-five dollars ($141,265).

SECTION 35.1.(b) Effective for the 2013-2015 fiscal biennium, the annual salaries for members of the Council of State, payable monthly, shall remain unchanged as follows:

Council of State	Annual Salary
Lieutenant Governor	$124,676
Attorney General	124,676
Secretary of State	124,676
State Treasurer	124,676
State Auditor	124,676
Superintendent of Public Instruction	124,676
Agriculture Commissioner	124,676
Insurance Commissioner	124,676
Labor Commissioner	124,676

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 35.2. Effective for the 2013-2015 fiscal biennium, the annual salaries, payable monthly, for the following executive branch officials shall remain unchanged as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	$110,868
State Controller	155,159
Commissioner of Banks	124,676
Chair, Board of Review, Division of Employment Security	122,255
Members, Board of Review, Division of Employment Security	120,737
Chairman, Parole Commission	101,235
Members of the Parole Commission	93,464
Chairman, Utilities Commission	138,849
Members of the Utilities Commission	124,676
Executive Director, North Carolina Agricultural Finance Authority	107,915

JUDICIAL BRANCH

SECTION 35.3.(a) Effective for the 2013-2015 fiscal biennium, the annual salaries, payable monthly, for specified judicial branch officials shall remain unchanged as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	$142,623
Associate Justice, Supreme Court	138,896
Chief Judge, Court of Appeals	136,682
Judge, Court of Appeals	133,109
Judge, Senior Regular Resident Superior Court	129,492
Judge, Superior Court	125,875
Chief Judge, District Court	114,301
Judge, District Court	110,684
District Attorney	120,737
Administrative Officer of the Courts	128,259
Assistant Administrative Officer of the Courts	117,152
Public Defender	120,737

Director of Indigent Defense Services 124,498

SECTION 35.3.(b) Effective for the 2013-2015 fiscal biennium, the annual salaries of employees of the Judicial Department shall remain unchanged as follows:

(1) The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall remain unchanged.

(2) Notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.

(3) The annual salaries of assistant and deputy clerks of court set under G.S. 7A-102(c1) shall remain unchanged.

(4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or G.S. 7A-171.1(a1)(1) shall remain unchanged.

LEGISLATIVE BRANCH

SECTION 35.4. For the 2013-2015 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly. Effective for the 2013-2015 fiscal biennium, salaries in the legislative branch shall remain unchanged, as follows:

(1) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.

(2) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.

(3) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged.

COMMUNITY COLLEGES PERSONNEL

SECTION 35.5.(a) The annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall remain unchanged for the 2013-2015 fiscal biennium.

SECTION 35.5.(b) For the 2013-2015 fiscal biennium, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall remain unchanged. The minimum salaries for nine-month, full-time curriculum community college faculty shall also remain unchanged as follows:

Education Level	Minimum Salary
Vocational Diploma/Certificate or Less	$34,314
Associate Degree or Equivalent	34,819
Bachelor's Degree	37,009
Masters Degree or Education Specialist	38,952
Doctoral Degree	41,753

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 35.6.(a) The annual compensation of all University of North Carolina EPA faculty, EPA nonfaculty, SPA employees, and teachers employed by the North Carolina School of Science and Mathematics shall remain unchanged for the 2013-2015 fiscal biennium.

SECTION 35.6.(b) The annual compensation of all employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall remain unchanged for the 2013-2015 fiscal biennium.

MOST STATE EMPLOYEES

SECTION 35.7. For the 2013-2015 fiscal biennium, the salaries in effect June 30, 2013, for the following employees shall remain unchanged, effective July 1, 2013:

(1) Permanent full-time State officials and persons whose salaries are set in accordance with the State Personnel Act.

(2) Permanent full-time State officials and persons in positions exempt from the State Personnel Act.

(3) Permanent part-time State employees.

(4) Temporary and permanent hourly State employees.

SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES ONLY/NO AUTOMATIC INCREASES

SECTION 35.8.(a) The annual compensation of all employees subject to or exempt from the State Personnel Act, including employees of local boards of education, community colleges, and The University of North Carolina, for the 2013-2015 fiscal biennium shall remain unchanged from that authorized on June 30, 2013, or the last date in pay status during the 2011- 2013 fiscal biennium, if earlier, except that an increase may be allowed during the 2013-2015 fiscal biennium under the following special circumstances:

(1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, salaries may be increased for reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties or responsibilities, none of which are subject to the salary freeze otherwise provided by this Part. All other salary increases are prohibited.

(1a) For employees of the North Carolina Community College System, notwithstanding subdivision (1) of this subsection, salaries may be increased if the increase is funded from local funding sources.

(2) For The University of North Carolina, (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund and (ii) faculty, nonfaculty, and other employee adjustments, including retention adjustments, funded from non-State funding sources.

(3) For employees of the judicial branch, for local supplementation as authorized by G.S. 7A-300.1.

The cumulative salary adjustment allowed under this subsection for each fiscal year during the 2013-2015 fiscal biennium may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 35.8.(b) The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the 2013-2015 fiscal biennium.

SECTION 35.8.(c) The salary increase provisions of G.S. 20-187.3 are suspended for the 2013-2015 fiscal biennium.

SECTION 35.8.(d) During the 2013-2015 fiscal biennium, notwithstanding G.S. 53C-2-3(c), employees of the Office of the Commissioner of Banks shall not be awarded (i) compensation increases unless allowed under subdivision (1) of subsection (a) of this section or (ii) compensation bonuses.

SECTION 35.8.(e) Employees of the Lottery Commission shall not receive compensation bonuses during the 2013-2015 fiscal biennium.

MONITOR MOST SALARY INCREASES

SECTION 35.9.(a) The Office of State Budget and Management and the Office of State Personnel shall monitor jointly the compliance of the following units of government with the provisions of Section 35.8 of this act and shall submit quarterly reports of their monitoring activities to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division: (i) State agencies, departments, and institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii) The University of North Carolina and its constituent institutions.

The quarterly reports required by this section shall include the following information:

(1) For agencies reporting through the BEACON HR/Payroll system, (i) a breakdown by action type (including, but not limited to, promotion, reallocation, career progression, salary adjustment, and any similar actions increasing employee pay) of the number and annual amount of those increases and (ii) a breakdown by action reason (including in-range higher level, acting pay, trainee adjustment, and other similar action reasons) of the number and annual amount of those action types coded as salary adjustment.

(2) For The University of North Carolina and its constituent institutions, a breakdown of the number and annual amount of those increases categorized by the University as promotions, changes in job duties or responsibilities, Distinguished Professorships, retention pay, career progression, and any other similar actions increasing employee pay.

(3) A summary of actions taken by the Office of State Budget and Management and the Office of State Personnel with respect to unauthorized salary increases.

SECTION 35.9.(b) The Legislative Services Officer shall report quarterly to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on compliance with Section 35.8 this act.

ESTABLISH SEVERANCE EXPENDITURE RESERVE

SECTION 35.10.(a) There are established in the Office of State Budget and Management General Fund and Highway Fund reserve budget codes for the purpose of funding severance-related obligations to State employees subject to the State Personnel Act, and employees exempt from the State Personnel Act, who are separated from service due to a reduction-in-force action. Severance-related expenditures from these reserves shall include obligations to fund:

(1) A State employee's severance salary continuation with an age adjustment factor as authorized by G.S. 126-8.5, including employer-related contributions for social security, and

(2) Noncontributory health premiums for up to 12 months as authorized by G.S. 135-48.40(b)(8) for employees of employing units as defined by G.S. 135-48.1(11).

SECTION 35.10.(b) The Director of the Budget shall allocate funds appropriated in Sections 2.1 and 3.1 of this act to the Severance Expenditure Reserve to public agencies to

fund severance-related obligations incurred by the agencies as a result of reduction-in-force actions that cause State-supported public employees to be terminated from public employment. Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety before funds appropriated to a public agency for State-supported personal services expenditures may be used to fund any severance-related obligations.

Funds appropriated to the Severance Expenditure Reserve may be allocated to public agencies for positions that are funded by the General Fund or Highway Fund. Funds appropriated to the Severance Expenditure Reserve may also be allocated to public agencies for positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund but only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

For the purposes of this subsection, the term "public employee" means an employee of a State agency, department, or institution; The University of North Carolina; the North Carolina Community College System; or a local school administrative unit.

TEACHER SALARY SCHEDULES

SECTION 35.11.(a) The following monthly salary schedules shall apply for the 2013-2014 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 37 steps, with each step corresponding to one year of teaching experience. Public school employees paid according to this salary schedule and receiving NBPTS certification or obtaining a masters degree shall not be prohibited from receiving the appropriate increase in salary. Provided, however, teachers employed during the 2012-2013 school year who did not work the required number of months to acquire an additional year of experience shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2013-2014 Monthly Salary Schedule

Years of Experience	"A" Teachers "A" Teachers	NBPTS Certification
0-2	$3,080	N/A
3-5	$3,080	$3,450
6	$3,122	$3,497
7	$3,167	$3,547
8	$3,303	$3,699
9	$3,445	$3,858
10	$3,580	$4,010
11	$3,711	$4,156
12	$3,816	$4,274
13	$3,865	$4,329
14	$3,914	$4,384
15	$3,965	$4,441
16	$4,015	$4,497
17	$4,066	$4,554
18	$4,118	$4,612
19	$4,171	$4,672
20	$4,226	$4,733
21	$4,282	$4,796
22	$4,337	$4,857
23	$4,397	$4,925
24	$4,456	$4,991
25	$4,515	$5,057

26	$4,577	$5,126
27	$4,639	$5,196
28	$4,706	$5,271
29	$4,771	$5,344
30	$4,836	$5,416
31	$4,903	$5,491
32	$4,972	$5,569
33	$5,044	$5,649
34	$5,116	$5,730
35	$5,215	$5,841
36+	$5,318	$5,956

2013-2014 Monthly Salary Schedule

"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0-2	$3,388	N/A
3-5	$3,388	$3,795
6	$3,434	$3,846
7	$3,484	$3,902
8	$3,633	$4,069
9	$3,790	$4,245
10	$3,938	$4,411
11	$4,082	$4,572
12	$4,198	$4,702
13	$4,252	$4,762
14	$4,305	$4,822
15	$4,362	$4,885
16	$4,417	$4,947
17	$4,473	$5,010
18	$4,530	$5,074
19	$4,588	$5,139
20	$4,649	$5,207
21	$4,710	$5,275
22	$4,771	$5,344
23	$4,837	$5,417
24	$4,902	$5,490
25	$4,967	$5,563
26	$5,035	$5,639
27	$5,103	$5,715
28	$5,177	$5,798
29	$5,248	$5,878
30	$5,320	$5,958
31	$5,393	$6,040
32	$5,469	$6,125
33	$5,548	$6,214
34	$5,628	$6,303
35	$5,737	$6,425
36+	$5,850	$6,552

SECTION 35.11.(b) Annual longevity payments for teachers shall be at the rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three

and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service. The longevity payment shall be paid in a lump sum once a year.

SECTION 35.11.(c) Certified public schoolteachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public schoolteachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers.

SECTION 35.11.(d) The first step of the salary schedule for school psychologists shall be equivalent to Step 10, corresponding to 10 years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

Certified psychologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for certified psychologists. Certified psychologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for certified psychologists.

SECTION 35.11.(e) Speech pathologists who are certified as speech pathologists at the masters degree level and audiologists who are certified as audiologists at the masters degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

Speech pathologists and audiologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for speech pathologists and audiologists. Speech pathologists and audiologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for speech pathologists and audiologists.

SECTION 35.11.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 35.11.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SECTION 35.11.(h) Public school employees and State agency employees paid on the teacher salary schedule shall not move up on salary schedules or receive automatic step increases, or other increments during the 2014-2015 Fiscal Year unless authorized by the General Assembly.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 35.12.(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 2013-2014 fiscal year, commencing July 1, 2013. Provided, however, school-based administrators (i) employed during the 2012-2013 school year who did not work the required number of months to acquire an additional year of experience and (ii) employed during the 2013-2014 school year in the same classification shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2013-2014 Principal and Assistant Principal Salary Schedules

Years of Exp	Classification: Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-9	$3,828	-	-	-	-
10	$3,977	-	-	-	-
11	$4,123	-	-	-	-
12	$4,240	-	-	-	-
13	$4,295	$4,295	-	-	-
14	$4,348	$4,348	-	-	-
15	$4,406	$4,406	$4,461	-	-
16	$4,461	$4,461	$4,518	-	-
17	$4,518	$4,518	$4,575	$4,634	-
18	$4,575	$4,575	$4,634	$4,695	$4,757
19	$4,634	$4,634	$4,695	$4,757	$4,819
20	$4,695	$4,695	$4,757	$4,819	$4,885
21	$4,757	$4,757	$4,819	$4,885	$4,951
22	$4,819	$4,819	$4,885	$4,951	$5,017
23	$4,885	$4,885	$4,951	$5,017	$5,085
24	$4,951	$4,951	$5,017	$5,085	$5,154
25	$5,017	$5,017	$5,085	$5,154	$5,229
26	$5,085	$5,085	$5,154	$5,229	$5,300
27	$5,154	$5,154	$5,229	$5,300	$5,373
28	$5,229	$5,229	$5,300	$5,373	$5,447
29	$5,300	$5,300	$5,373	$5,447	$5,524
30	$5,373	$5,373	$5,447	$5,524	$5,603
31	$5,447	$5,447	$5,524	$5,603	$5,684
32	$5,524	$5,524	$5,603	$5,684	$5,794
33	$5,603	$5,603	$5,684	$5,794	$5,909
34	$5,684	$5,684	$5,794	$5,909	$6,027
35	$5,794	$5,794	$5,909	$6,027	$6,148
36	$5,909	$5,909	$6,027	$6,148	$6,271
37	-	$6,027	$6,148	$6,271	$6,396
38	-	-	$6,271	$6,396	$6,524
39	-	-	$6,396	$6,524	$6,654
40	-	-	-	$6,654	$6,787
41	-	-	-	$6,787	$6,923
42	-	-	-	-	$7,061

2013-2014 Principal and Assistant Principal Salary Schedules

Years of Exp	Classification: Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-19	$4,885	-	-	-
20	$4,951	-	-	-
21	$5,017	$5,085	-	-
22	$5,085	$5,154	$5,300	-
23	$5,154	$5,229	$5,373	$5,447
24	$5,229	$5,300	$5,447	$5,524
25	$5,300	$5,373	$5,524	$5,603

26	$5,373	$5,447	$5,603	$5,684
27	$5,447	$5,524	$5,684	$5,794
28	$5,524	$5,603	$5,794	$5,909
29	$5,603	$5,684	$5,909	$6,027
30	$5,684	$5,794	$6,027	$6,148
31	$5,794	$5,909	$6,148	$6,271
32	$5,909	$6,027	$6,271	$6,396
33	$6,027	$6,148	$6,396	$6,524
34	$6,148	$6,271	$6,524	$6,654
35	$6,271	$6,396	$6,654	$6,787
36	$6,396	$6,524	$6,787	$6,923
37	$6,524	$6,654	$6,923	$7,061
38	$6,654	$6,787	$7,061	$7,202
39	$6,787	$6,923	$7,202	$7,346
40	$6,923	$7,061	$7,346	$7,493
41	$7,061	$7,202	$7,493	$7,643
42	$7,202	$7,346	$7,643	$7,796
43	$7,346	$7,493	$7,796	$7,952
44	-	$7,643	$7,952	$8,111
45	-	$7,796	$8,111	$8,273
46+	-	-	$8,273	$8,438

SECTION 35.12.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

Classification	Number of Teachers Supervised
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 35.12.(c) A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certificated employee of the public schools and an additional step for every three years of experience as a principal. Provided, however, a principal who acquires an additional step for the 2013-2014 or 2014-2015 fiscal years shall not receive a corresponding increase in salary during the 2013-2015 fiscal biennium. A principal or 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 35.12.(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.

SECTION 35.12.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

SECTION 35.12.(f) If a principal is reassigned to a higher job classification because the principal is transferred to a school within a local school administrative unit with a larger number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the higher job classification.

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

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

SECTION 35.12.(g) Participants in an approved full-time masters in-school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the masters program. The stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time masters in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 35.12.(h) During the 2013-2015 fiscal biennium, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

SECTION 35.12.(i) Public school employees and State agency employees paid on the school based administrator salary schedule shall not move up on salary schedules or receive automatic step increases, or other increments during the 2014-2015 Fiscal Year unless authorized by the General Assembly.

CENTRAL OFFICE SALARIES

SECTION 35.13.(a) The monthly salary ranges that follow, which apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers, shall remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.

School Administrator I	$3,349	$6,281
School Administrator II	$3,550	$6,662
School Administrator III	$3,769	$7,068
School Administrator IV	$3,920	$7,349
School Administrator V	$4,078	$7,647
School Administrator VI	$4,326	$8,109
School Administrator VII	$4,500	$8,436

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

SECTION 35.13.(b) The monthly salary ranges that follow, which apply to public school superintendents, shall remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.

Superintendent I	$4,777	$8,949
Superintendent II	$5,071	$9,490
Superintendent III	$5,380	$10,067
Superintendent IV	$5,710	$10,679
Superintendent V	$6,060	$11,330

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

SECTION 35.13.(c) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

SECTION 35.13.(d) Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for under this section.

SECTION 35.13.(e) The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

SECTION 35.13.(f) The salaries of all permanent, full-time personnel paid from the Central Office Allotment shall remain unchanged for the 2013-2015 fiscal biennium.

NONCERTIFIED PERSONNEL SALARIES

SECTION 35.14. The annual salary for permanent, full-time and part-time noncertified public school employees whose salaries are supported from the State's General Fund shall be remain unchanged for the 2013-2015 fiscal biennium.

SALARY-RELATED CONTRIBUTIONS

SECTION 35.15.(a) Effective for the 2013-2015 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital

medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

Notwithstanding any other provision of law, an employing unit, as defined in G.S. 135-48.1, that hires or has hired as an employee a retiree that is in receipt of monthly retirement benefits from any retirement system supported in whole or in part by contributions of the State shall enroll the retiree in the active group and pay the cost for the hospital medical benefits if that retiree is employed in a position that would require the employer to pay hospital medical benefits if the individual had not been retired.

SECTION 35.15.(b) Effective July 1, 2013, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2013-2015 fiscal biennium are (i) fourteen and sixty-eight hundredths percent (14.68%) – Teachers and State Employees; (ii) nineteen and sixty-eight hundredths percent (19.68%) – Law Enforcement Officers; (iii) fourteen and twenty-eight hundredths percent (14.28%) – Law Enforcement Officers with the Department of Public Safety; (iv) twelve and sixty-seven hundredths percent (12.67%) – University Employees' Optional Retirement System; (v) twelve and sixty-seven hundredths percent (12.67%) – Community College Optional Retirement Program; (vi) thirty-three and forty-one hundredths percent (33.41%) – Consolidated Judicial Retirement System; and (vii) five and forty hundredths percent (5.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and forty hundredths percent (5.40%) for hospital and medical benefits except for the law enforcement officers with the Department of Public Safety. The rate for Teachers and State Employees, State Law Enforcement Officers, Law Enforcement Officers with the Department of Public Safety, Community College Optional Retirement Program, and the University Employees' Optional Retirement Program includes forty-three hundredths percent (0.43%) for the Disability Income Plan. The rates for Teachers and State Employees, State Law Enforcement Officers, and Law Enforcement Officers with the Department of Public Safety include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers and Law Enforcement Officers with the Department of Public Safety includes five percent (5%) for Supplemental Retirement Income.

SECTION 35.15.(c) Effective July 1, 2013, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2013-2014 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare eligible employees and retirees – four thousand one hundred eight dollars ($4,108) and (ii) non-Medicare eligible employees and retirees – five thousand two hundred eighty-five dollars ($5,285).

SECTION 35.15.(d) Effective July 1, 2014, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2014-2015 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare eligible employees and retirees – four thousand one hundred ninety-eight dollars ($4,198) and (ii) non-Medicare eligible employees and retirees – five thousand four hundred two dollars ($5,402).

AMEND SALARY CONTINUATION LAWS FOR LAW ENFORCEMENT OFFICERS

SECTION 35.16.(a) Article 12B of Chapter 143 of the General Statutes reads as rewritten:

"Article 12B.

"Salary Continuation Plan for Certain State Law-Enforcement Officers.

"§ 143-166.13. Persons entitled to benefits under Article.

(a) The following persons who are subject to the Criminal Justice Training and Standards Act are entitled to benefits under this Article:

(1) State Government Security Officers, Department of Administration;

(2) State Correctional Officers, Division of Adult Correction of the Department of Public Safety;
(3) State Probation and Parole Officers, Division of Adult Correction of the Department of Public Safety;
(4) Sworn State Law-Enforcement Officers with the power of arrest, Division of Adult Correction of the Department of Public Safety;
(5) Alcohol Law-Enforcement Agents, Department of Public Safety;
(6) State Highway Patrol Officers, Department of Public Safety;
(7) General Assembly Special Police, General Assembly;
(8) Sworn State Law-Enforcement Officers with the power of arrest, Department of Health and Human Services;
(9) Juvenile Justice Officers, Division of Juvenile Justice of the Department of Public Safety;
(10) Insurance Investigators, Department of Insurance;
(11) State Bureau of Investigation Officers and Agents, Department of Justice;
(12) Director and Assistant Director, License and Theft Enforcement Section, Division of Motor Vehicles, Department of Transportation;
(13) Members of License and Theft Enforcement Section, Division of Motor Vehicles, Department of Transportation, designated by the Commissioner of Motor Vehicles as either "inspectors" or uniformed weigh station personnel;
(14) Utilities Commission Transportation Inspectors and Special Investigators;
(15) North Carolina Ports Authority Police, Department of Transportation;
(16) Sworn State Law-Enforcement Officers with the power of arrest, Department of Environment and Natural Resources;
(17) Sworn State Law-Enforcement Officers with the power of arrest, Department of Public Safety.
(18) Sworn State Law-Enforcement Officers with the power of arrest, Department of Revenue.
(19) Sworn State Law-Enforcement Officers with the power of arrest, University System.

(b) The following persons are entitled to benefits under this Article regardless of whether they are subject to the Criminal Justice Training and Standards Act:
(1) Driver License Examiners injured by accident arising out of and in the course of giving a road test, Division of Motor Vehicles, Department of Transportation;
(2) Employees of the Division of Adult Correction of the Department of Public Safety injured by a direct and deliberate act of an offender supervised by the Division or while performing supervisory duties over offenders which place the employees at risk of such injury.

(c) As used in this Article, the term "eligible person" or "person" shall mean any individual listed under subsection (a) or (b) of this section.

"§ 143-166.14. Payment of salary notwithstanding incapacity; Workers' Compensation Act applicable after two years; duration of payment.

The salary of any ~~of the above listed persons~~ eligible person shall be paid as long as ~~his~~ the person's employment in that position continues, notwithstanding ~~his~~ the person's total or partial incapacity to perform any duties to which ~~he~~ the person may be lawfully assigned, if that incapacity is the result of an injury ~~by accident or an occupational disease arising out of and in the course of the performance by him of his~~ or injuries due to extreme activity which occurred in the course and scope of the eligible person's official duties, except if that incapacity continues for more than two years from its inception, the person shall, during the further continuance of that incapacity, be subject to the provisions of Chapter 97 of the General

Statutes pertaining to workers' compensation. Salary paid to ~~a~~ an eligible person pursuant to this Article shall cease upon the resumption of ~~his~~ the person's regularly assigned duties, retirement, resignation, or death, whichever first occurs, except that temporary return to duty shall not prohibit payment of salary for a subsequent period of incapacity which can be shown to be directly related to the original injury.

"§ 143-166.15. Application of § 97-27; how payments made.

Notwithstanding the provisions of G.S. 143-166.14 of this Article, the persons entitled to benefits shall be subject to the provisions of G.S. 97-27 during the two-year period of payment of full salary. All payments of salary shall be made at the same time and in the same manner as other salaries are paid to other persons in the same department.

"§ 143-166.16. Effect on workers' compensation and other benefits; application of § 97-24.

The provisions of G.S. 143-166.14 shall be in lieu of all compensation provided for the first two years of incapacity by G.S. 97-29 and 97-30, but shall be in addition to any other benefits or compensation to which such person shall be entitled under the provisions of the Workers' Compensation Act. The provisions of G.S. 97-24 will commence at the end of the two-year period for which salary is paid pursuant to G.S. 143-166.14.

"§ 143-166.17. Period of incapacity not charged against sick leave or other leave.

The period for which the salary of any person is paid pursuant to G.S. 143-166.14 while ~~he~~ the person is incapacitated as a result of an injury ~~by accident or an occupational disease arising out of and in the course of the performance by him of his~~ or injuries due to extreme activity which occurred in the course and scope of the eligible person's official duties, shall not be charged against any sick or other leave to which ~~he~~ the person shall be entitled under any other provision of law.

"§ 143-166.18. Report of incapacity.

Any person designated in G.S. 143-166.13, who, as a result of an injury ~~by accident arising out of and in the course of the performance by him of his~~ or injuries due to extreme activity which occurred in the course and scope of the eligible person's official duties, is totally or partially incapacitated to perform any duties to which ~~he~~ the person may be lawfully assigned, shall report the incapacity as soon as practicable in the manner required by the secretary or other head of the department to which the agency is assigned by statute.

"§ 143-166.19. Determination of cause and extent of incapacity; hearing before Industrial Commission; appeal; effect of refusal to perform duties.

Upon the filing of the report, the secretary or other head of the department or, in the case of the General Assembly, the Legislative Services Officer, shall determine the cause of the incapacity and to what extent the claimant may be assigned to other than ~~his~~ the claimant's normal duties. The finding of the secretary or other head of the department shall determine the right of the claimant to benefits under this Article. Notice of the finding shall be filed with the North Carolina Industrial Commission. ~~Unless the claimant, within 30 days after he receives notice, files with the North Carolina Industrial Commission, upon the form it shall require, a request for a hearing, the finding of the secretary or other department head shall be final.~~ The finding of the secretary or other department head shall be final unless the claimant, within 30 days of receipt of the notice, files a request for a hearing with the North Carolina Industrial Commission using a form required by the Commission. Upon the filing of a request, the North Carolina Industrial Commission shall proceed to hear the matter in accordance with its regularly established procedure for hearing claims filed under the Worker's Compensation Act, and shall report its findings to the secretary or other head of the department. From the decision of the North Carolina Industrial Commission, an appeal shall lie as in other matters heard and determined by the Commission. Any person who refuses to perform any duties to which ~~he~~ the person may be properly assigned as a result of the finding of the secretary, other head of the

department or of the North Carolina Industrial Commission shall be entitled to no benefits pursuant to this Article as long as the refusal continues.

"**§ 143-166.20. Subrogation.**

The same rights and remedies set forth in G.S. 97-10.2 shall apply in all third party liability cases occurring under this Article, including cases involving the right of the affected State agency to recover the salary paid to an injured officer during ~~his~~ the officer's period of disability."

SECTION 35.16.(b) This section becomes effective October 1, 2013, and applies to incapacity commencing on or after that date.

SEPARATE INSURANCE BENEFITS PLAN ASSETS/PAYMENT OF HEALTH INSURANCE PREMIUMS FOR LAW ENFORCEMENT OFFICERS

SECTION 35.17.(a) G.S. 143-166.60 is amended by adding a new subsection to read:

"(d1) In addition to the benefits provided under subsection (d) of this section, the assets of the Plan may be used to pay the employer health insurance contributions and contribution rates on behalf of law enforcement officers, as defined in G.S. 135-1(11c), employed by the State and former law enforcement officers receiving a retirement allowance from the Teachers' and State Employees' Retirement System."

SECTION 35.17.(b) During the 2013-2015 fiscal biennium, the Department of Public Safety shall report monthly to the State Health Plan for Teachers and State Employees the total amount of employer premiums due on behalf of sworn law enforcement officers employed by the Department. The Plan shall reduce the total premiums the Department of Public Safety owes by this amount, and the Department of State Treasurer shall transfer the same amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60 to the Plan.

SECTION 35.17.(c) For each fiscal year of the 2013-2015 fiscal biennium, the Department of State Treasurer shall calculate the total compensation for which the Department of Public Safety has paid retirement contributions on behalf of sworn law enforcement officers. The Department of State Treasurer shall multiply this total compensation by five and forty hundredths percent (5.40%) for months during the 2013-2014 fiscal year and five and fifty-one hundredths percent (5.51%) for months during the 2014-2015 fiscal year and shall transfer the resulting amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60 to the Retiree Health Benefit Fund established under G.S. 135-7(f).

PART XXXVI. CAPITAL APPROPRIATIONS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 36.1. The appropriations made by the 2013 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 APPROPRIATIONS/GENERAL FUND

SECTION 36.2.(a) There is appropriated from the General Fund for the 2013-2015 fiscal biennium the following amounts for capital improvements:

Capital Improvements – General Fund	**2013-2014**	**2014-2015**
Department of Administration		
Sandhills State Veterans Facility – Committal Enclosure	$ 125,000	-

Goldsboro State Veterans' Cemetery	600,000	-
Department of Agriculture and Consumer Services		
Agricultural Water Resources Assistance Program	500,000	-
Department of Environment and Natural Resources		
Water Resources Development Projects	6,917,000	5,000,000
Department of Public Safety		
National Guard	5,000,000	3,250,000
The University of North Carolina System		
Appalachian State University – Health Sciences		
Building Advance Planning	2,000,000	-
University of North Carolina Asheville – Land Purchases	2,000,000	-
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$ 17,142,000**	**8,250,000**

SECTION 36.2.(b) Funds appropriated in subsection (a) of this section for the Agricultural Water Resources Assistance Program shall revert in accordance with Section 13.2 of this act.

SECTION 36.2.(c) Funds appropriated in subsection (a) of this section for the Sandhills State Veterans Facility – Committal Enclosure shall be used to match non-State funds. The total project cost authorized is three hundred thousand dollars ($300,000).

SECTION 36.2.(d) Funds appropriated in subsection (a) of this section for the Goldsboro State Veterans' Cemetery shall be used to pay for environmental, architectural, and engineering costs associated with constructing a State Veterans' Cemetery in Goldsboro. The State shall establish, own, operate, maintain, expand, and improve a State Veterans' Cemetery in Goldsboro in accordance with 38 C.F.R. Part 39 unless subdivision (1) or (2) of subsection (e) of this section is true.

SECTION 36.2.(e) Any unspent and unencumbered funds appropriated in subsection (a) of this section for the Goldsboro State Veterans' Cemetery shall revert to the General Fund three years after the effective date of this act if on that date any of the following are true:

(1) The State has not received federal grant funds in an amount that, when added to the funds appropriated in subsection (a) of this section, is sufficient to pay for the cost of completing the State Veterans' Cemetery authorized in that subsection.

(2) Land in Wayne County sufficient in size and quality to build the State Veterans' Cemetery described in subsection (a) of this section has not been conveyed to the State by the County or some other party.

(3) Any of the funds are not required to complete the Goldsboro State Veterans' Cemetery.

SECTION 36.2.(f) G.S. 65-41 reads as rewritten:

"**§ 65-41. Land acquisition.**

The State may accept land for the establishment of not more than ~~three~~ four veterans cemeteries."

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 36.3.(a) The Department of Environment and Natural Resources shall allocate funds for water resources projects during the 2013-2015 biennium in accordance with

the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources 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 twenty-one million two hundred sixty thousand dollars ($21,260,000) in federal funds in the 2013-2014 fiscal year and will provide a State match for additional federal funds in the 2014-2015 fiscal year.

	Name of Project	2013-2015
(1)	B. Everett Jordan Lake Water Supply Storage A	$ 200,000
(2)	Wilmington Harbor Deepening (75/25)	2,266,000
(3)	Morehead City Harbor Maintenance	-
(4)	Wilmington Harbor Maintenance (Disposal Area 8 & 10)	2,000,000
(5)	Wilmington Harbor Improvements Feasibility (50/50)	500,000
(6)	Planning Assistance to Communities (50/50)	25,000
(7)	Manteo Old House Channel Cap Sec. 204 (65/35)	1,500,000
(8)	Wrightsville Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,077,000
(9)	Ocean Isle Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,453,000
(10)	Carolina Beach Coastal Storm Damage Reduction Project (65/35)(40% project)	215,000
(11)	Kure Beach Coastal Storm Damage Reduction Project (65/35)(40% project)	188,000
(12)	Surf City/NTB Coastal Storm Damage Reduction Study-PED (75/25)	37,000
TOTALS		**$ 9,461,000**

SECTION 36.3.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the eleven million nine hundred seventeen thousand dollars ($11,917,000) appropriated for water resources development projects in Section 36.2(a) of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

	Name of Project	Amount Carried Forward
(1)	Wilmington Harbor Maintenance (Disposal Area 8 & 10)	$ 1,200,000
(2)	Wilmington Harbor Improvements Feasibility (50/50)	57,000
(3)	Manteo Old House Channel Cap Sec. 204 (65/35)	1,250,000
(4)	Surf City/NTB Coastal Storm Damage Reduction Study-PED (75/25)	37,000
TOTALS		**$ 2,544,000**

SECTION 36.3.(c) Subject to the limitations imposed by Section 36.2(a) of this act, the Department of Environment and Natural Resources may determine which projects listed in subsection (a) of this section shall receive an allocation of State funds in each fiscal year of the biennium.

SECTION 36.3.(d) 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 2013-2015 fiscal biennium, 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 2013-2015 fiscal biennium.

(3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2014-2015 fiscal year.

SECTION 36.3.(e) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) All projects listed in this section.

(2) The estimated cost of each project.

(3) The date that work on each project began or is expected to begin.

(4) The date that work on each project was completed or is expected to be completed.

(5) The actual cost of each project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 36.3.(f) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2013-2015 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 36.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

Name of Project	**Amount of Non-General Fund Funding Authorized for FY 2013-2014**
Department of Environment and Natural Resources	
Zoo Ocelot	$ 642,000
Zoo Storage Facility	490,000
Aquariums – Exhibit Improvements & Interior Renovations at Roanoke Island	5,000,000
Department of Public Safety	
Tabor Correctional Visitor Registration Center	121,754
Correction Enterprise Storage Buildings	75,000
NC National Guard	
Albemarle Readiness Center	410,000
Fort Fisher Training Site	1,138,000
Fort Bragg Regional Training Inst.	250,000
USPFO Administration Building	350,000
Camp Butner West Perimeter Road	495,000
J4 Annex Motor Pool New Latrine	30,000
High Point Readiness Center Maintenance Shop	70,000

Camp Butner Classroom Building Phase 1 Design	50,000
Department of Transportation	
Lexington Equipment Shop	2,288,000
Division 2 Equipment Shop	7,044,300
Clay County Equipment Shop	1,210,000
Halifax County Salt Storage Shed	186,000
Lake Junaluska Salt Storage Shed	266,000
Nantahala Salt Storage Shed	35,000
Currituck Ferry Welcome Center	1,200,000
McDowell County Maintenance/Bridge Maintenance Assembly Office	1,500,000
Huntersville Satellite Maintenance Facility	96,300
Elizabeth City District/Resident Engineers Office	1,000,000
Southport Dormitory	862,000
Asheboro Maintenance Warehouse and Sign Subshop	489,000
Hatteras Toll Booth	76,000
Graham County Maintenance Assembly	704,000
Division 8 Office	141,000
Wildlife Resources Commission	
Land Purchases	3,750,000
Table Rock Hatchery Building Replacement	500,000
Construction of New Fishing Access Areas	240,000
Construction of New Boating Access Areas	800,000
Construction of New Shooting Ranges	1,500,000
New Cold Water Hatchery – Advance Planning	100,000
Holly Shelter Game Lands – Maintenance Building Replacement	250,000
Sandhills Depot – Building Replacement	600,000
Renovations to Existing BAAs	800,000
ADA Initiative of Existing BAAs	280,000
Infrastructure R&R	1,500,000
Sandhills Depot Shop and Storage Building	435,000
Holly Shelter Shop and Secure Storage Building	250,000
Tiffany Depot Storage Shed and Shop	165,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$37,389,354**

SECTION 36.4.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of thirty thousand dollars ($30,000) for the 2013-2014 fiscal year and the sum of thirty thousand dollars ($30,000) for the 2014-2015 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 36.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2013-2014 and the 2014-2015 fiscal year, the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

(1) Forty-six percent (46%) shall be allocated to the Board of Governors of The University of North Carolina.

(2) Fifty-four percent (54%) shall be allocated to the Office of State Budget and Management.

The Office of State Budget and Management shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with G.S. 143C-4-3(e). The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-4-3(d).

SECTION 36.5.(b) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for the installation of fire sprinklers in university residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the university's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

(1) The safety and well-being of the residents of campus housing programs.

(2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.

(3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund or from bonds or certificates of participation supported by the General Fund since 1996.

(4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.

(5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports also shall include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

SECTION 36.5.(c) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for campus public safety improvements allowable under G.S. 143C-4-3(b).

SECTION 36.5.(d) G.S. 143C-4-3(b), as rewritten by Section 6.12(l) of this act, reads as rewritten:

"(b) Use of Funds. – The funds in the Repairs and Renovations Reserve shall be used only for the repair and renovation of (i) State facilities and related infrastructure that are supported from the General ~~Fund.~~Fund or (ii) State Information Technology Services facilities and related infrastructure. Funds from the Repairs and Renovations Reserve shall be used only for the following types of projects:

(1) Roof repairs and replacements;

(2) Structural repairs;

(3) Repairs and renovations to meet federal and State standards;

(4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning systems;
(5) Improvements to meet the requirements of the Americans with Disabilities Act, 42 U.S.C. § 12101, et seq., as amended;
(6) Improvements to meet fire safety needs;
(7) Improvements to existing facilities for energy efficiency;
(8) Improvements to remove asbestos, lead paint, and other contaminants, including the removal and replacement of underground storage tanks;
(9) Improvements and renovations to improve use of existing space;
(10) Historical restoration;
(11) Improvements to roads, walks, drives, utilities infrastructure; and
(12) Drainage and landscape improvements.

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

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 36.6. The appropriations made by the 2013 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall approve the elements of the method of financing of those projects, including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

Capital improvement projects authorized by the 2013 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. Capital improvement projects authorized by the 2013 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

REPORTING ON CAPITAL PROJECTS

SECTION 36.7.(a) Definitions. – The following definitions apply in this section:
(1) Capital project. – Any capital improvement, as that term is defined in G.S. 143C-1-1, that is not complete by the effective date of this section and that is funded in whole or in part with State funds, including receipts, non-General Fund sources, or statutorily or constitutionally authorized indebtedness of any kind. This term includes only projects with a total cost of one hundred thousand dollars ($100,000) or more.

(2) Construction phase. – The status of a particular capital project as described using the terms customarily employed in the design and construction industries.

(3) New capital project. – A capital project that is authorized in this act or subsequent to the effective date of this act.

SECTION 36.7.(b) Reporting. – The following reports are required:

(1) By October 1, 2013, and every six months thereafter, each State agency shall report on the status of agency capital projects to the Joint Legislative Commission on Governmental Operations and to the Joint Legislative Oversight Committee on Capital Improvements.

(2) By October 1, 2013, and quarterly thereafter, each State agency shall report on the status of agency capital projects to the Fiscal Research Division and to the Office of State Budget and Management.

SECTION 36.7.(c) The reports required by subsection (b) of this section shall include at least the following information about every agency capital project:

(1) The current construction phase of the project.

(2) The anticipated time line from the current construction phase to project completion.

(3) Information about expenditures that have been made in connection with the project, regardless of source of the funds expended.

(4) Information about the adequacy of funding to complete the project, including estimates of how final expenditures will relate to initial estimates of expenditures, and whether or not scope reductions will be necessary in order to complete the project within its budget.

(5) For new capital projects only, an estimate of the operating costs for the project for the first five fiscal years of its operation.

SECTION 36.7.(d) In addition to the other reports required by this section, on October 1, 2013, and every six months thereafter, the Office of State Construction shall report on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative Commission on Governmental Operations. The report shall include (i) summary information about the average length of time that passes between FCAP assessments for an average State building; (ii) detailed information about when the last FCAP assessment was for each State building complex; and (iii) detailed information about the condition and repairs and renovations needs of each State building complex.

SECTION 36.7.(e) In addition to the other reports required by this section, on October 1, 2013, and quarterly thereafter, the State Construction Office shall report to the General Assembly on the status of plan review, approval, and permitting for each State capital improvement project and community college capital improvement project over which the Office exercises plan review, approval, and permitting authority. Each report shall include (i) summary information about the workload of the Office during the previous quarter, including information about the average length of time spent by the State Construction Office on each major function it performs that is related to capital project approval and (ii) detailed information about the amount of time spent engaged in those functions for each project that the State Construction Office worked on during the previous quarter.

REQUIRE PRIOR LEGISLATIVE AUTHORIZATION FOR SALES, LEASES, OR RENTALS OF CERTAIN PROPERTY BELOW FAIR MARKET VALUE

SECTION 36.8. G.S. 146-29.1 is amended by adding the following new subsections to read:

"(f) If the fair market value of State-owned real property exceeds one million dollars ($1,000,000), a gift of any interest in the property or a sale, lease, or rental of any interest in the property for below fair market value shall not be effective until the later of the following:.

(1) If a bill that specifically disapproves the transaction is introduced in either house of the General Assembly before the 31st legislative day of the next regular session of the General Assembly that begins at least 25 days after the date that the agreement making the transfer is entered into, the earlier of (i) the day that an unfavorable final action is taken on the bill or (ii) the day that the General Assembly adjourns without ratifying the bill.

(2) The 31st legislative day of the session of the General Assembly described in subdivision (1) of this section, if a bill disapproving the transaction is not introduced before that day.

(f1) For the purpose of subsection (f) of this section:

(1) "Next regular session" means:

a. For odd-numbered years its initial convening.

b. For even-numbered years the first reconvening of the regular session as provided in the joint resolution setting the date for reconvening.

(2) "Adjourns" means:

a. For odd-numbered years the date the General Assembly adjourns by joint resolution for a period of more than 30 days.

b. For even-numbered years the date of sine die adjournment.

(f2) If the transaction is approved under subsection (f) of this section, but the agreement provides a later effective date, then it takes effect on the date specified in the agreement.

(f3) Nothing in subsection (f) of this section restricts the General Assembly from enacting a law specifically approving the transaction.

(g) If the General Assembly ratifies a disapproving bill, the disapproved transaction shall not be effective unless it is vetoed by the Governor and the veto is not overridden, and in such case the transaction is effective upon sine die adjournment of that regular session.

The terms of any agreement to transfer an interest in real property under this section are deemed to incorporate the provisions of subsections (f) through (f2) of this section, and any transaction that does not comply with these subsections is void."

AUTHORIZE UNC CARRYFORWARD FUNDS TO BE USED FOR REPAIRS AND RENOVATIONS

SECTION 36.9. Notwithstanding any other provision of law, for purposes of G.S. 143C-8-12, the term "non-General Fund money" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3. However, these funds shall only be used for projects listed in G.S. 143C-4-3(b). This section shall expire on June 30, 2014.

LIMIT UNC REPAIRS AND MAINTENANCE EXEMPTION

SECTION 36.10. G.S. 116-13.1(c) reads as rewritten:

"(c) Approval of Certain Repair and Maintenance Projects. – Notwithstanding G.S. 143C-8-7, the chancellor of a constituent institution may approve the expenditure of available operating funds in an amount not to exceed one million dollars ($1,000,000) per project ~~for repairs to institution facilities, renovations to institution facilities, maintenance of those facilities, and related equipment purchases.~~for projects that are of a type listed in G.S. 143C-4-3(b) and that are for State facilities and related infrastructure that are supported from the General Fund. Funds contractually obligated to an approved project shall not revert at the end of the fiscal year and will remain available to fund the completion of the project. Projects approved pursuant to this subsection shall in all other respects accord with applicable laws governing capital improvement projects. The chancellor of a constituent institution shall

report the approval of an expenditure under this subsection to the Office of State Budget and Management and to the Fiscal Research Division of the Legislative Services Commission within 60 days of the approval."

NATIONAL GUARD PROJECTS

SECTION 36.11.(a) The Department of Public Safety shall allocate funds for National Guard capital projects during the 2013-2015 fiscal biennium in accordance with the schedule that follows. These funds will provide a State match for an estimated twenty-one million dollars ($21,000,000) in federal funds. The projects authorized, the allocation of State funds for each project, and the total project cost authorized for each project are as follows:

	Name of Project	State Fund Allocation	Total Project Cost
(1)	Wilmington Building Expansion/Rehab	$ 375,000	$ 1,125,000
(2)	Wilmington Site Expansion/Rehab	250,000	1,250,000
(3)	Nashville Building Expansion/Rehab	375,000	1,125,000
(4)	Nashville Site Expansion/Rehab	250,000	1,250,000
(5)	Clinton Building Expansion/Rehab	375,000	1,125,000
(6)	Clinton Site Expansion/Rehab	250,000	1,250,000
(7)	Salisbury Building Expansion/Rehab	375,000	1,125,000
(8)	Salisbury Site Expansion/Rehab	250,000	1,250,000
(9)	Parkton Building Expansion/Rehab	375,000	1,125,000
(10)	Parkton Site Expansion/Rehab	250,000	1,250,000
(11)	Benson Building Expansion/Rehab	375,000	1,125,000
(12)	Benson Site Expansion/Rehab	250,000	1,250,000
(13)	Charlotte Building Expansion/Rehab	375,000	1,125,000
(14)	Asheboro Site Expansion/Rehab	250,000	1,250,000
(15)	Winston-Salem Building Expansion/Rehab	375,000	1,125,000
(16)	Winston-Salem Site Expansion/Rehab	250,000	1,250,000
(17)	Concord Building Expansion/Rehab	375,000	1,125,000
(18)	Concord Site Expansion/Rehab	250,000	1,250,000
(19)	Burlington Site Expansion/Rehab	375,000	1,125,000
(20)	Albemarle Site Expansion/Rehab	375,000	1,125,000
(21)	Belmont Building Rehab	375,000	1,125,000
(22)	Beulaville Building Expansion/Rehab	375,000	1,125,000
(23)	Boone Building Expansion/Rehab	375,000	1,125,000
(24)	Dunn Building Expansion/Rehab	375,000	1,125,000
(25)	Durham Building Expansion/Rehab	375,000	1,125,000
TOTALS		**$ 8,250,000**	**29,250,000**

SECTION 36.11.(b) Subject to the limitations imposed by Section 36.2(a) of this act, the Adjutant General of the National Guard may determine which projects listed in subsection (a) of this section shall receive an allocation of State funds in each fiscal year of the biennium.

SECTION 36.11.(c) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Adjutant General of the National Guard may adjust the allocations among projects as needed. However, State funds shall not be allocated to a project in excess of the maximum amount of State funds authorized to be allocated to the project under subsection (a) of this section. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2013-2015 fiscal biennium, 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) Future project feasibility studies.

(2) Survey, testing, and permitting.

(3) Planning and execution for reversion of facilities no longer in use.

SECTION 36.11.(d) No later than June 1, 2015, and every two years thereafter, the Department shall report 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) The status of all projects listed in this section.
(2) The estimated total cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of each project, including federal matching funds.
(6) Facilities planned for closure or reversion.
(7) A list of projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 36.11.(e) Chapter 127A of the General Statutes is amended by adding a new Article to read:

"Article 17.

"Armory and Facility Development Projects and Plan.

"**§ 127A-210. Armory and facility development project plan.**

(a) Plan Prepared. – No later than July 1 of each year, the Department of Public Safety shall prepare a statewide plan for armories for a period of seven years into the future. The plan shall be known as the Armory and Facilities Development Plan. If the plan differs from the Armory and Facilities Development Plan adopted for the preceding calendar year, the Department shall indicate the changes and the reasons for such changes. The Department shall submit the plan to the Director of the Budget for review.

(b) Projects Listed. – The plan shall list the following armory and facilities projects based on their status as of May 1 of the year in which the plan is prepared:

(1) Projects approved by the Congress of the United States but for which federal funds have not been appropriated.
(2) Projects for which the Congress of the United States has appropriated funds.

(c) Project Priorities and Funding Recommendations. – The Department shall assign a priority to each project within each of the two categories listed under subsection (b) of this section, either by giving the project a number with "1" assigned to the highest priority, or by recommending no funding. The Department shall state its reasons for recommending the funding, deferral, or elimination of a project. The Department shall determine the priority of a project based on the following criteria: federal requirements, a project's proximity to transportation infrastructure and other critical State and federal assets, and a project's ability to further the mission of the National Guard.

(d) Distribution of the Plan. – The Director of the Budget shall provide copies of the plan to the General Assembly along with the recommended biennial budget and the recommended revised budget for the second year of the biennium.

(e) Budget Recommendations. – The Director of the Budget shall determine which projects, if any, will be included in the recommended biennial budget and in the recommended revised budget for the second year of the biennium. The budget document transmitted to the General Assembly shall identify the projects or types of projects recommended for funding.

(f) Definitions. – For purposes of this section, the terms "armory," "armory site," and "facilities" shall have the same meaning as in G.S. 127A-161."

SECTION 36.11.(f) G.S. 127A-169 reads as rewritten:

"**§ 127A-169. Unexpended portion of State appropriation.**

The unexpended portion of any appropriation from the General Fund of the State for the purposes set out in this ~~Article,~~Article, or in Article 17 of this Chapter, remaining at the end of any biennium, shall not revert to the General Fund of the State, but shall constitute part of a permanent fund to be expended from time to time in the manner and for the purposes set out in this Article."

TWO-THIRDS BONDS ACT OF 2013

SECTION 36.12.(a) Short Title. – This section may be cited as the "Two-Thirds Bonds Act of 2013."

SECTION 36.12.(b) Findings and Determinations. – It is the intent and purpose of the General Assembly by this section to provide for the issuance of general obligation bonds or notes of the State in order to provide funds for the cost of State capital facilities.

SECTION 36.12.(c) Definitions. – The following definitions apply in this section unless the context otherwise requires:

(1) Bonds. – Bonds issued under this section.

(2) Cost. – The term includes all of the following:

a. The cost of constructing, reconstructing, renovating, repairing, enlarging, acquiring, and improving State capital facilities, including the acquisition of land, rights-of-way, easements, franchises, equipment, machinery, furnishings, and other interests in real or personal property acquired or used in connection with a State capital facility.

b. The cost of engineering, architectural, and other consulting services as may be required.

c. Administrative expenses and charges.

d. The cost of providing personnel to ensure effective project management.

e. The cost of bond insurance, investment contracts, credit enhancement and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs of bond and note issuance, to the extent and as determined by the State Treasurer.

f. Finance charges, reserves for debt service and other types of reserves required pursuant to the terms of any bond or note or related documents, interest before and during construction or acquisition of a State capital facility and, if considered advisable by the State Treasurer, for a period not exceeding two years after the estimated date of completion of construction or acquisition.

g. The cost of bond insurance, investment contracts, credit enhancement facilities and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs of the incurrence or issuance of any bond or note.

h. The cost of reimbursing the State for any payments made for any cost described in this subdivision.

i. Any other costs and expenses necessary or incidental to the purposes of this section.

(3) Credit facility. – An agreement entered into by the State Treasurer on behalf of the State with a bank, savings and loan association or other banking institution, an insurance company, reinsurance company, surety company or other insurance institution, a corporation, investment banking firm or other investment institution, or any financial institution or other similar provider

of a credit facility, which provider may be located within or without the United States, such agreement providing for prompt payment of all or any part of the principal or purchase price (whether at maturity, presentment or tender for purchase, redemption, or acceleration), redemption premium, if any, and interest on any bonds or notes payable on demand or tender by the owner, in consideration of the State agreeing to repay the provider of the credit facility in accordance with the terms and provisions of such agreement.

(4) Notes. – Notes issued under this section.

(5) Par formula. – A provision or formula adopted by the State to provide for the adjustment, from time to time, of the interest rate or rates borne by any bonds or notes, including:

a. A provision providing for such adjustment so that the purchase price of such bonds or notes in the open market would be as close to par as possible.

b. A provision providing for such adjustment based upon a percentage or percentages of a prime rate or base rate, which percentage or percentages may vary or be applied for different periods of time.

c. Such other provisions as the State Treasurer may determine to be consistent with this section and will not materially and adversely affect the financial position of the State and the marketing of bonds or notes at a reasonable interest cost to the State.

(6) State. – The State of North Carolina, including any State agency.

(7) State agency. – Any agency, institution, board, commission, bureau, council, department, division, officer, or employee of the State. The term does not include counties, municipal corporations, political subdivisions, local boards of education, or other local public bodies.

SECTION 36.12.(d) Authorization of Bonds and Notes. – The State Treasurer is authorized, by and with the consent of the Council of State, to issue and sell at one time or from time to time general obligation bonds of the State to be designated "State of North Carolina General Obligation Bonds," with any additional designations as may be determined, or notes of the State, in the aggregate principal amount of one hundred million dollars ($100,000,000), this amount being not in excess of two-thirds of the amount by which the State's outstanding indebtedness was reduced during the biennium ended June 30, 2013, for the purpose of providing funds, with any other available funds, for the purposes authorized by this section.

If the one hundred million dollar ($100,000,000) maximum principal amount of bonds and notes authorized by this section shall be in excess of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the biennium ended June 30, 2013, then the maximum amount of bonds and notes authorized in this section is reduced by such excess.

SECTION 36.12.(e) Uses of Bond and Note Proceeds. – The proceeds of bonds and notes shall be used to finance the capital facility costs of repairing and renovating State facilities and related infrastructure as provided in this section.

The proceeds of bonds and notes may be used with any other moneys made available by the General Assembly for the capital facility costs of repairing and renovating State facilities and related infrastructure, including the proceeds of any other State bond issues, whether heretofore made available or which may be made available at the session of the General Assembly at which this section is ratified or any subsequent sessions. The proceeds of bonds and notes shall be expended and disbursed under the direction and supervision of the Director of the Budget. The funds provided by this section shall be disbursed for the purposes provided in this section upon warrants drawn on the State Treasurer by the State Controller,

which warrants shall not be drawn until requisition has been approved by the Director of the Budget and which requisition shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.

The Office of State Budget and Management shall provide semiannual reports to the Chairs of the Senate Appropriations/Base Budget Committee and the House of Representatives Appropriations Committee, and to the Fiscal Research Division on the expenditure of moneys authorized by this section. The reports shall continue until the completion of the projects provided for in this section.

SECTION 36.12.(f) Allocation of Proceeds. – The proceeds of bonds and notes shall be allocated to the Reserve for Repairs and Renovations and reallocated and expended pursuant to Section 36.5 of this act.

SECTION 36.12.(g) Issuance of Bonds and Notes. –

(1) Terms and conditions. – Bonds or notes may bear a date or dates, may be serial or term bonds or notes, or any combination thereof, may mature in such amounts and at such time or times, not exceeding 40 years from their date or dates, may be payable at such place or places, either within or without the United States of America, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, may bear interest at such rate or rates, which may vary from time to time, and may be made redeemable before maturity, at the option of the State or otherwise as may be provided by the State, at such price or prices, including a price less than or greater than the face amount of the bonds or notes, and under such terms and conditions, all as may be determined by the State Treasurer, by and with the consent of the Council of State.

(2) Signatures; form and denomination; registration. – Bonds or notes may be issued in certificated or uncertificated form. If issued in certificated form, bonds or notes shall be signed on behalf of the State by the Governor or shall bear the Governor's facsimile signature, shall be signed by the State Treasurer or shall bear the State Treasurer's facsimile signature, and shall bear the Great Seal of the State, or a facsimile of the Seal shall be impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall also bear a manual signature which may be that of a bond registrar, trustee, paying agent, or designated assistant of the State Treasurer. Should any officer whose signature or facsimile signature appears on bonds or notes cease to be such officer before the delivery of the bonds or notes, the signature or facsimile signature shall nevertheless have the same validity for all purposes as if the officer had remained in office until delivery. Bonds or notes may bear the facsimile signatures of persons who at the actual time of the execution of the bonds or notes shall be the proper officers to sign any bond or note, although at the date of the bond or note, such persons may not have been such officers. The form and denomination of bonds or notes, including the provisions with respect to registration of the bonds or notes and any system for their registration, shall be as the State Treasurer may determine in conformity with this section.

(3) Manner of sale; expenses. – Subject to the approval by the Council of State as to the manner in which bonds or notes shall be offered for sale, whether at public or private sale, whether within or without the United States, and whether by publishing notices in certain newspapers and financial journals, mailing notices, inviting bids by correspondence, negotiating contracts of

purchase or otherwise, the State Treasurer is authorized to sell bonds or notes at one time or from time to time at any rates of interest, which may vary from time to time, and at any prices, including a price less than or greater than the face amount of the bonds or notes, as the State Treasurer may determine. All expenses incurred in the preparation, sale, and issuance of bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes or other available moneys.

(4) Notes; repayment. –

a. By and with the consent of the Council of State, the State Treasurer is hereby authorized to borrow money and to execute and issue notes of the State for the same, but only in the following circumstances and under the following conditions:

1. For anticipating the sale of bonds, the issuance of which the Council of State has approved, if the State Treasurer considers it advisable to postpone the issuance of the bonds;
2. For the payment of interest on or any installment of principal of any bonds then outstanding, if there are not sufficient funds in the State treasury with which to pay the interest or installment of principal as they respectively become due;
3. For the renewal of any loan evidenced by notes authorized in this section;
4. For the purposes authorized in this section; and
5. For refunding bonds or notes as authorized in this section.

b. Funds derived from the sale of bonds or notes may be used in the payment of any bond anticipation notes issued under this section. Funds provided by the General Assembly for the payment of interest on or principal of bonds shall be used in paying the interest on or principal of any notes and any renewals thereof, the proceeds of which shall have been used in paying interest on or principal of the bonds.

(5) Refunding bonds and notes. – By and with the consent of the Council of State, the State Treasurer is authorized to issue and sell refunding bonds and notes pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding bonds or notes issued pursuant to this section. The refunding bonds and notes may be combined with any other issues of State bonds and notes similarly secured. Refunding bonds or notes may be issued at any time prior to the final maturity of the debt obligation to be refunded. The proceeds from the sale of any refunding bonds or notes shall be applied to the immediate payment and retirement of the bonds or notes being refunded or, if not required for the immediate payment of the bonds or notes being refunded, the proceeds shall be deposited in trust to provide for the payment and retirement of the bonds or notes being refunded and to pay any expenses incurred in connection with the refunding. Money in a trust fund may be invested in (i) direct obligations of the United States government, (ii) obligations the principal of and interest on which are guaranteed by the United States government, (iii) obligations of any agency or instrumentality of the United States government if the timely payment of principal and interest on the obligations is unconditionally guaranteed by the United States government, or (iv) certificates of deposit issued by a bank or trust company located in the State if the certificates are secured by a pledge of any of the obligations described in (i), (ii), or (iii) above having an aggregate market

value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured. This section does not limit the duration of any deposit in trust for the retirement of bonds or notes being refunded but that have not matured and are not presently redeemable or, if presently redeemable, have not been called for redemption.

(6) Tax exemption. – Bonds and notes shall at all times be free from taxation by the State or any political subdivision or any of their agencies, excepting estate, inheritance or gift taxes, income taxes on the gain from the transfer of bonds or notes, and franchise taxes. The interest on bonds or notes is not subject to taxation as income.

(7) Investment eligibility. – Bonds and notes are securities in which all of the following may invest, including capital in their control or belonging to them: public officers, agencies, and public bodies of the State and its political subdivisions, all insurance companies, trust companies, investment companies, banks, savings banks, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State, executors, administrators, trustees, and other fiduciaries. Bonds and notes are hereby made securities which may properly and legally be deposited with and received by any officer or agency of the State or political subdivision of the State for any purpose for which the deposit of bonds, notes, or obligations of the State or any political subdivision is now or may hereafter be authorized by law.

(8) Faith and credit. – The faith and credit and taxing power of the State are hereby pledged for the payment of the principal of and the interest on bonds and notes. The State expressly reserves the right to amend any provision of this section to the extent it does not impair any contractual right of a bond owner.

(9) Other agreements. – The State Treasurer may authorize, execute, obtain, or otherwise provide for bond insurance, investment contracts, credit and liquidity facilities, interest-rate swap agreements and other derivative products, and any other related instruments and matters the State Treasurer determines are desirable in connection with issuance, incurrence, carrying, or securing of bonds or notes. The State Treasurer is authorized to employ and designate any financial consultants, underwriters, and bond attorneys to be associated with any bond or note issue under this section as the State Treasurer considers necessary.

SECTION 36.12.(h) Variable Rate Demand Bonds and Notes. – In fixing the details of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

(1) Be made payable from time to time on demand or tender for purchase by the owner, if a credit facility supports the bonds or notes, unless the State Treasurer specifically determines that a credit facility is not required upon a finding and determination by the State Treasurer that the absence of a credit facility will not materially and adversely affect the financial position of the State and the marketing of the bonds or notes at a reasonable interest cost to the State;

(2) Be additionally supported by a credit facility;

(3) Be made subject to redemption or a mandatory tender for purchase prior to maturity;

(4) Bear interest at a rate or rates that may vary for any period of time, as may be provided in the proceedings providing for the issuance of the bonds or

notes, including, without limitation, such variations as may be permitted pursuant to a par formula; and

(5) Be made the subject of a remarketing agreement whereby an attempt is made to remarket bonds or notes to new purchasers prior to their presentment for payment to the provider of the credit facility or to the State.

If the aggregate principal amount payable by the State under a credit facility is in excess of the aggregate principal amount of bonds or notes secured by the credit facility, whether as a result of the inclusion in the credit facility of a provision for the payment of interest for a limited period of time or the payment of a redemption premium or for any other reason, then the amount of authorized but unissued bonds or notes during the term of such credit facility shall not be less than the amount of such excess, unless the payment of such excess is otherwise provided for by agreement of the State executed by the State Treasurer.

SECTION 36.12.(i) Interpretation of Section. –

(1) Additional method. – The foregoing sections of this section shall be deemed to provide an additional and alternative method for the doing of the things authorized under it and shall be regarded as supplemental and additional to powers conferred by other laws and shall not be regarded as in derogation of any powers now existing.

(2) Statutory references. – References in this section to specific sections or Chapters of the General Statutes or to specific acts are intended to be references to such sections, Chapters, or acts as they may be amended from time to time by the General Assembly.

(3) Broad construction. – This section, being necessary for the health and welfare of the people of the State, shall be broadly construed to effect the purposes thereof.

(4) Inconsistent provisions. – Insofar as the provisions of this section are inconsistent with the provisions of any general, special, or local laws, or parts thereof, the provisions of this section shall be controlling.

(5) Severability. – If any provision of this section or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the section which can be given effect without the invalid provision or application, and to this end the provisions of this section are declared to be severable.

SECTION 36.12.(j) Effective Date. – This section is effective when it becomes law.

PART XXXVII. FINANCE PROVISIONS

SECTION 37.0. This section is reserved.

PART XXXVIII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 38.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

MOST TEXT APPLIES ONLY TO THE 2013-2015 FISCAL BIENNIUM

SECTION 38.2. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2013-2015 fiscal biennium, the textual

provisions of this act apply only to funds appropriated for, and activities occurring during, the 2013-2015 fiscal biennium.

EFFECT OF HEADINGS

SECTION 38.3. 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.

COMMITTEE REPORT

SECTION 38.4.(a) The Senate Appropriations/Base Budget Committee Report on the Continuation, Expansion, and Capital Budgets dated May 21, 2013, which was distributed in the Senate and the House of Representatives and used to explain this act, shall indicate action by the General Assembly on this act and shall therefore be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, and for these purposes shall be considered a part of this act and as such shall be printed as a part of the Session Laws.

SECTION 38.4.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2013-2015 biennial budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted a recommended continuation budget to the General Assembly on March 15 and 18, 2013, in the document "State of North Carolina Recommended Continuation Budget and Fund Purpose Statements, 2013-2015" and in the Budget Support Document for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly are set out in the Committee Report.

SECTION 38.4.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation.

In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

SEVERABILITY CLAUSE

SECTION 38.5. 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 38.6. Except as otherwise provided, this act becomes effective July 1, 2013.

Attachment 5

SENATE APPROPRIATIONS/ BASE BUDGET COMMITTEE

REPORT ON THE CONTINUATION, EXPANSION, AND CAPITAL BUDGETS

Senate Bill 402
North Carolina General Assembly

May 21, 2013

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General Fund Availability Statement

		FY 2013-14	FY 2014-15
1	Unappropriated Balance Remaining from Previous Year	213,432,877	106,360,611
2	Anticipated Overcollections from FY 2012-13	405,700,000	0
3	Overcollections Due to MSA Disputed Payments	51,510,749	
4	Anticipated Reversions from FY 2012-13	170,000,000	0
5	Net Supplemental Medicaid Appropriations (H.B. 980)	(306,100,000)	
6	**Less Earmarkings of Year End Fund Balance**		
7	Savings Reserve	(165,075,883)	(74,244,692)
8	Repairs and Renovations	(100,000,000)	(25,502,274)
9	**Beginning Unreserved Fund Balance**	**269,467,743**	**6,613,645**
10			
11	**Revenues Based on Existing Tax Structure**	**19,628,100,000**	**20,549,000,000**
12			
13	**Non-tax Revenues**		
14	Investment Income	13,700,000	14,100,000
15	Judicial Fees	250,200,000	251,400,000
16	Disproportionate Share	110,000,000	109,000,000
17	Insurance	72,500,000	73,400,000
18	Other Non-Tax Revenues	173,000,000	175,000,000
19	Highway Trust Fund/Use Tax Reimbursement Transfer	0	0
20	Highway Fund Transfer	218,100,000	215,900,000
21	**Subtotal Non-tax Revenues**	**837,500,000**	**838,800,000**
22			
23	**Total General Fund Availability**	**20,735,067,743**	**21,394,413,645**
24			
25	**Adjustments to Availability: 2013 Session**		
26	Finance Package	(217,100,000)	(553,100,000)
27	Tobacco Master Settlement Agreement (MSA)	137,500,000	137,500,000
28	MSA Disputed Payments Erroneously Paid to Golden LEAF (S.L. 2011-145)	24,639,357	0
29	Repeal North Carolina Public Campaign Fund	3,500,000	0
30	Transfer from NC Flex FICA Fund Balance	2,000,000	0
31	Transfer from E-Commerce Reserve Fund Balance	5,111,585	4,000,000
32	Transfer from Misdemeanant Confinement Fund	1,000,000	1,000,000
33	Repeal Portion of Solid Waste Disposal Tax Earmark	2,300,000	2,300,000
34	Increase Lobbyist Fees	400,000	400,000
35	Adjust Transfer from Insurance Regulatory Fund	(460,589)	(460,589)
36	Adjust Transfer from Treasurer's Office	175,215	175,215
37	Adjust Gross Premiums Tax for Volunteer Safety Workers	(3,000,000)	(3,000,000)
38			
39	**Subtotal Adjustments to Availability: 2013 Session**	**(43,934,432)**	**(411,185,374)**
40			
41	**Revised General Fund Availability**	**20,691,133,311**	**20,983,228,271**
42			
43	Less: General Fund Appropriations	(20,584,772,700)	(20,955,157,819)
44			
44	**Unappropriated Balance Remaining**	**106,360,611**	**28,070,452**

SUMMARY:

GENERAL FUND APPROPRIATIONS

Summary of General Fund Appropriations Fiscal Year 2013-14 2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2013-14	Adjustments	Adjustments	Changes	Changes	2013-14
Education:						
Community Colleges	1,037,430,475	(23,115,008)	12,000,000	(11,115,008)	2.50	1,026,315,467
Public Education	7,984,924,757	(108,282,241)	(26,950,674)	(135,232,915)	(43.25)	7,849,691,842
University System	2,709,551,807	(69,907,058)	(26,280,156)	(96,187,214)	0.00	2,613,364,593
Total Education	**11,731,907,039**	**(201,304,307)**	**(41,230,830)**	**(242,535,137)**	**(40.75)**	**11,489,371,902**
Health and Human Services:						
Central Management and Support	54,028,354	1,511,658	9,529,134	11,040,792	(6.00)	65,069,146
Aging and Adult Services	54,443,196	(300,855)	0	(300,855)	0.00	54,142,341
Blind and Deaf / Hard of Hearing Services	8,178,618	0	0	0	0.00	8,178,618
Child Development and Early Education	259,254,083	(1,590,625)	(2,624,189)	(4,214,814)	(14.00)	255,039,269
Health Service Regulation	16,761,992	(300,000)	0	(300,000)	0.00	16,461,992
Medical Assistance	3,069,576,810	413,997,962	1,170,982	415,168,944	0.00	3,484,745,754
Mental Health, Devel. Disabilities, & Substance Abuse Svcs	706,797,747	(42,403,664)	11,344,203	(31,059,461)	(589.03)	675,738,286
NC Health Choice	80,131,026	(12,953,685)	0	(12,953,685)	0.00	67,177,341
Public Health	156,784,502	(7,605,505)	(2,000,000)	(9,605,505)	(48.00)	147,178,997
Social Services	170,629,904	(3,000,573)	4,826,346	1,825,773	0.00	172,455,677
Vocational Rehabilitation	39,284,143	(510,974)	0	(510,974)	0.00	38,773,169
Total Health and Human Services	**4,615,870,375**	**346,843,739**	**22,246,476**	**369,090,215**	**(657.03)**	**4,984,960,590**
Justice and Public Safety:						
Public Safety	1,722,061,784	(9,811,866)	371,399	(9,440,467)	(507.70)	1,712,621,317
Judicial	458,416,996	(4,290,254)	2,750,000	(1,540,254)	(24.50)	456,876,742
Judicial - Indigent Defense	114,505,898	(5,148,634)	5,000,000	(148,634)	(3.25)	114,357,264
Justice	77,773,575	(30,408,001)	111,424	(30,296,577)	(414.00)	47,476,998
Total Justice and Public Safety	**2,372,758,253**	**(49,658,755)**	**8,232,823**	**(41,425,932)**	**(949.45)**	**2,331,332,321**

Summary of General Fund Appropriations Fiscal Year 2013-14 2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget 2013-14	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2013-14
Natural And Economic Resources:						
Agriculture and Consumer Services	108,918,334	3,751,568	2,000,800	5,752,368	15.00	114,670,702
Commerce	33,469,442	6,119,468	3,072,946	9,192,414	(7.17)	42,661,856
Commerce - State Aid	59,714,814	(50,459,004)	250,000	(50,209,004)	0.00	9,505,810
Environment and Natural Resources	109,140,591	42,683,820	6,065,720	48,749,540	82.32	157,890,131
Labor	16,196,339	500,000	0	500,000	0.00	16,696,339
Wildlife Resources Commission	18,476,588	(9,000,000)	0	(9,000,000)	0.00	9,476,588
Total Natural and Economic Resources	**345,916,108**	**(6,404,148)**	**11,389,466**	**4,985,318**	**90.15**	**350,901,426**
General Government:						
Administration	68,316,992	(49,148)	(1,150,659)	(1,199,807)	(4.90)	67,117,185
Auditor	11,013,547	203,921	0	203,921	2.00	11,217,468
Cultural Resources	63,626,477	(1,713,559)	1,021,579	(691,980)	(3.00)	62,934,497
Cultural Resources - Roanoke Island	1,058,757	(1,058,757)	0	(1,058,757)	0.00	0
General Assembly	52,845,390	(499,499)	(896,608)	(1,396,107)	(3.60)	51,449,283
Governor	5,539,743	(419,693)	0	(419,693)	0.00	5,120,050
Housing Finance Agency	9,408,417	(32,168)	(876,785)	(908,953)	0.00	8,499,464
Insurance	38,454,593	(460,589)	0	(460,589)	(9.00)	37,994,004
Insurance - Workers' Compensation Fund	2,623,654	(2,623,654)	0	(2,623,654)	0.00	0
Lieutenant Governor	444,047	231,042	6,000	237,042	3.00	681,089
Office of Administrative Hearings	4,335,464	221,692	170,388	392,080	1.00	4,727,544
Revenue	80,031,575	5,285,510	19,660	5,305,170	3.00	85,336,745
Secretary of State	11,845,185	(229,184)	0	(229,184)	(2.00)	11,616,001
State Board of Elections	5,213,445	(20,313)	1,505,900	1,485,587	10.00	6,699,032
State Budget and Management	6,951,706	(114,634)	0	(114,634)	(2.00)	6,837,072
State Budget and Management - Special	49,000	(49,000)	1,800,000	1,751,000	0.00	1,800,000
State Controller	29,279,290	(1,118,599)	0	(1,118,599)	(15.00)	28,160,691
Treasurer - Operations	6,851,090	175,215	1,111,585	1,286,800	(1.00)	8,137,890
Treasurer - Retirement / Benefits	23,179,042	0	0	0	0.00	23,179,042
Total General Government	**421,067,414**	**(2,271,417)**	**2,711,060**	**439,643**	**(21.50)**	**421,507,057**
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	707,080,339	17,977,457	0	17,977,457		725,057,796
Federal Reimbursement	1,616,380	0	0	0		1,616,380
Subtotal Debt Service	**708,696,719**	**17,977,457**	**0**	**17,977,457**		**726,674,176**

Summary of General Fund Appropriations						
Fiscal Year 2013-14						
2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2013-14	Adjustments	Adjustments	Changes	Changes	2013-14
Statewide Reserves:						
Statewide Compensation Study	0	0	1,000,000	1,000,000	0.00	1,000,000
Severance Expenditure Reserve	0	0	37,126,314	37,126,314	0.00	37,126,314
Disability Income Plan of North Carolina	0	(1,100,000)	0	(1,100,000)	0.00	(1,100,000)
Teachers' & State Employees' Retirement Contribution	0	36,000,000	0	36,000,000	0.00	36,000,000
Judicial Retirement System Contribution	0	1,000,000	0	1,000,000	0.00	1,000,000
Information Technology Fund	6,053,142	0	0	0	0.00	6,053,142
Information Technology Reserve Fund	0	7,335,000	23,665,000	31,000,000	33.00	31,000,000
One North Carolina Fund	9,000,000	0	0	0	0.00	9,000,000
State Health Plan	0	34,000,000	0	34,000,000	0.00	34,000,000
Contingency and Emergency Fund	5,000,000	0	0	0	0.00	5,000,000
Firemen's and Rescue Squad Workers' Pension Fund	0	(820,000)	0	(820,000)	0.00	(820,000)
NC Government Efficiency and Reform Project	0	0	2,000,000	2,000,000	0.00	2,000,000
Unemployment Insurance Reserve	0	0	23,800,000	23,800,000	0.00	23,800,000
Job Development Investment Grants (JDIG)	27,400,000	24,423,772	0	24,423,772	0.00	51,823,772
Reserve for Escheat Fund Global TransPark Debt Repayment	0	0	27,000,000	27,000,000	0.00	27,000,000
Subtotal Statewide Reserves	**47,453,142**	**100,838,772**	**114,591,314**	**215,430,086**	**33.00**	**262,883,228**
Total Reserves and Debt Service	**756,149,861**	**118,816,229**	**114,591,314**	**233,407,543**	**33.00**	**989,557,404**
Total General Fund for Operations	**20,243,669,050**	**206,021,341**	**117,940,309**	**323,961,650**	**(1,545.58)**	**20,567,630,700**
Capital Improvements						
Water Resources Development Projects	0	0	6,917,000	6,917,000	0.00	6,917,000
Other Capital Improvements	0	0	10,225,000	10,225,000	0.00	10,225,000
Total Capital Improvements	**0**	**0**	**17,142,000**	**17,142,000**	**0.00**	**17,142,000**
Total General Fund Budget	**20,243,669,050**	**206,021,341**	**135,082,309**	**341,103,650**	**(1,545.58)**	**20,584,772,700**

Summary of General Fund Appropriations Fiscal Year 2014-15 2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget 2014-15	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2014-15
Education:						
Community Colleges	1,037,430,475	(23,115,008)	0	(23,115,008)	2.50	1,014,315,467
Public Education	8,111,097,830	(78,509,502)	0	(78,509,502)	(43.25)	8,032,588,328
University System	2,737,874,470	(110,005,310)	0	(110,005,310)	4.00	2,627,869,160
Total Education	**11,886,402,775**	**(211,629,820)**	**0**	**(211,629,820)**	**(36.75)**	**11,674,772,955**
Health and Human Services:						
Central Management and Support	54,718,515	7,072,041	864,655	7,936,696	(6.00)	62,655,211
Aging and Adult Services	54,443,196	(100,855)	0	(100,855)	0.00	54,342,341
Blind and Deaf / Hard of Hearing Services	8,178,618	0	0	0	0.00	8,178,618
Child Development and Early Education	259,254,083	(1,590,625)	(2,624,189)	(4,214,814)	(14.00)	255,039,269
Health Service Regulation	16,761,992	(300,000)	0	(300,000)	0.00	16,461,992
Medical Assistance	3,083,576,810	571,509,742	0	571,509,742	0.00	3,655,086,552
Mental Health, Devel. Disabilities, & Substance Abuse Svcs	706,797,747	(45,054,252)	16,848,589	(28,205,663)	(589.03)	678,592,084
NC Health Choice	80,131,026	(23,849,621)	0	(23,849,621)	0.00	56,281,405
Public Health	156,784,502	(17,804,004)	6,000,000	(11,804,004)	(208.00)	144,980,498
Social Services	170,629,904	(2,937,001)	4,826,346	1,889,345	0.00	172,519,249
Vocational Rehabilitation	39,284,143	(510,974)	0	(510,974)	0.00	38,773,169
Total Health and Human Services	**4,630,560,536**	**486,434,451**	**25,915,401**	**512,349,852**	**(817.03)**	**5,142,910,388**
Justice and Public Safety:						
Public Safety	1,732,859,184	(18,846,044)	(21,825,152)	(40,671,196)	(472.70)	1,692,187,988
Judicial	458,416,996	(4,290,254)	1,250,000	(3,040,254)	(24.50)	455,376,742
Judicial - Indigent Defense	114,505,898	(5,148,634)	0	(5,148,634)	(3.25)	109,357,264
Justice	80,773,575	(30,408,001)	1,000,000	(29,408,001)	(414.00)	51,365,574
Total Justice and Public Safety	**2,386,555,653**	**(58,692,933)**	**(19,575,152)**	**(78,268,085)**	**(914.45)**	**2,308,287,568**

Summary of General Fund Appropriations Fiscal Year 2014-15 2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget 2014-15	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2014-15
Natural And Economic Resources:						
Agriculture and Consumer Services	108,918,334	4,351,568	1,500,000	5,851,568	15.00	114,769,902
Commerce	33,469,442	9,373,317	2,850,000	12,223,317	(8.17)	45,692,759
Commerce - State Aid	61,954,814	(52,699,004)	0	(52,699,004)	0.00	9,255,810
Environment and Natural Resources	109,220,682	48,355,081	(190,000)	48,165,081	67.32	157,385,763
Labor	16,196,339	500,000	0	500,000	0.00	16,696,339
Wildlife Resources Commission	18,476,588	(9,000,000)	0	(9,000,000)	0.00	9,476,588
Total Natural and Economic Resources	**348,236,199**	**880,962**	**4,160,000**	**5,040,962**	**74.15**	**353,277,161**
General Government:						
Administration	68,241,992	(194,212)	(1,476,543)	(1,670,755)	(5.90)	66,571,237
Auditor	11,013,547	203,921	0	203,921	2.00	11,217,468
Cultural Resources	63,629,480	(2,359,776)	156,725	(2,203,051)	(4.00)	61,426,429
Cultural Resources - Roanoke Island	1,058,757	(1,058,757)	0	(1,058,757)	0.00	0
General Assembly	52,845,390	(529,499)	(831,124)	(1,360,623)	(3.60)	51,484,767
Governor	5,541,825	(419,693)	0	(419,693)	0.00	5,122,132
Housing Finance Agency	9,408,417	(32,168)	(876,785)	(908,953)	0.00	8,499,464
Insurance	38,464,213	(460,589)	0	(460,589)	(9.00)	38,003,624
Insurance - Workers' Compensation Fund	2,623,654	(2,623,654)	0	(2,623,654)	0.00	0
Lieutenant Governor	444,047	231,042	0	231,042	3.00	675,089
Office of Administrative Hearings	4,350,431	222,150	80,000	302,150	1.00	4,652,581
Revenue	80,031,575	5,285,510	0	5,285,510	3.00	85,317,085
Secretary of State	11,845,185	(229,184)	0	(229,184)	(2.00)	11,616,001
State Board of Elections	5,213,445	(20,313)	828,400	808,087	10.00	6,021,532
State Budget and Management	7,034,217	(114,634)	0	(114,634)	(2.00)	6,919,583
State Budget and Management - Special	49,000	(49,000)	1,500,000	1,451,000	0.00	1,500,000
State Controller	29,279,290	(1,118,599)	0	(1,118,599)	(15.00)	28,160,691
Treasurer - Operations	6,851,090	175,215	0	175,215	(1.00)	7,026,305
Treasurer - Retirement / Benefits	23,179,042	0	0	0	0.00	23,179,042
Total General Government	**421,104,597**	**(3,092,240)**	**(619,327)**	**(3,711,567)**	**(23.50)**	**417,393,030**
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	707,080,339	38,391,499	0	38,391,499		745,471,838
Federal Reimbursement	1,616,380	0	0	0		1,616,380
Subtotal Debt Service	**708,696,719**	**38,391,499**	**0**	**38,391,499**		**747,088,218**

Summary of General Fund Appropriations Fiscal Year 2014-15 2013 Legislative Session						
		Legislative Adjustments				Revised
	Continuation Budget 2014-15	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2014-15
Statewide Reserves:						
Firemen's and Rescue Squad Workers' Pension Fund	0	(820,000)	0	(820,000)	0.00	(820,000)
Disability Income Plan of North Carolina	0	(1,100,000)	0	(1,100,000)	0.00	(1,100,000)
Teachers' & State Employees' Retirement Contribution	0	36,000,000	0	36,000,000	0.00	36,000,000
Judicial Retirement System Contribution	0	1,000,000	0	1,000,000	0.00	1,000,000
Reserve for Future Benefit Needs	0	56,400,000	0	56,400,000	0.00	56,400,000
Information Technology Fund	6,053,142	0	0	0	0.00	6,053,142
Information Technology Reserve Fund	0	11,820,000	24,180,000	36,000,000	44.00	36,000,000
One North Carolina Fund	9,000,000	0	0	0	0.00	9,000,000
State Health Plan	0	77,000,000	0	77,000,000	0.00	77,000,000
Contingency and Emergency Fund	5,000,000	0	0	0	0.00	5,000,000
NC Government Efficiency and Reform Project	0	0	2,000,000	2,000,000	0.00	2,000,000
Unemployment Insurance Reserve	0	0	13,600,000	13,600,000	0.00	13,600,000
Job Development Investment Grants (JDIG)	27,400,000	35,645,357	0	35,645,357	0.00	63,045,357
Subtotal Statewide Reserves	**47,453,142**	**215,945,357**	**39,780,000**	**255,725,357**	**44.00**	**303,178,499**
Total Reserves and Debt Service	**756,149,861**	**254,336,856**	**39,780,000**	**294,116,856**	**44.00**	**1,050,266,717**
Total General Fund for Operations	**20,429,009,621**	**468,237,276**	**49,660,922**	**517,898,198**	**(1,673.58)**	**20,946,907,819**
Capital Improvements						
Water Resources Development Projects	0	0	5,000,000	5,000,000	0.00	5,000,000
Other Capital Improvements	0	0	3,250,000	3,250,000	0.00	3,250,000
Total Capital Improvements	**0**	**0**	**8,250,000**	**8,250,000**	**0.00**	**8,250,000**
Total General Fund Budget	**20,429,009,621**	**468,237,276**	**57,910,922**	**526,148,198**	**(1,673.58)**	**20,955,157,819**

EDUCATION
Section F

Public Education

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$7,984,924,757**		**$8,111,097,830**	
Legislative Changes				
A. Technical Adjustments				
1 Average Daily Membership (ADM) Revises projected ADM to reflect 6,642 more students than originally projected in FY 2013-14 and 6,636 more students than originally projected in FY 2014-15. This adjustment includes revisions to all position, dollar, and categorical allotments. Total revised allotted ADM for FY 2013-14 is 1,509,985, an increase of 17,192 students over FY 2012-13. Total revised allotted ADM for FY 2014-15 is 1,526,591, an increase of 16,606 students over FY 2013-14.	$11,776,341	R	$12,316,344	R
2 Average Salaries for Certified Personnel Revises budgeted funding for certified personnel salaries based on actual salary data from December 2012. The adjustment does not reduce any salary paid to certified personnel, nor does it reduce the number of guaranteed State-funded teachers, administrators, or instructional support personnel.	($11,873,083)	R	($11,980,756)	R
3 Civil Penalties Increases budgeted receipts from Civil Penalties and takes a corresponding General Fund reduction to reflect one-time transfers from the Department of Transportation in FY 2012-13. These funds are used to support State Public School Fund requirements.	($25,950,674)	NR		
4 Small County Supplemental Funding Adjusts this supplemental allotment for small counties to align funding availability with actual school district eligibility. This adjustment will not reduce funding to eligible districts. $44.0 million will be available in this allotment in FY 2013-14 and FY 2014-15.	($1,555,885)	R	($1,555,885)	R
5 Sales Tax Receipts Transfer to State Public School Fund Increases the annual transfer from the Department of Revenue (DOR) to the State Public School Fund based on projected growth in State sales tax proceeds. This transfer was initiated in S.L. 2005-276 in lieu of a State sales tax refund to local school administrative units (LEAs). Funds from the DOR transfer are used to support State Public School Fund requirements. The total DOR transfer will be $51.3 million in FY 2013-14; $52.8 million in FY 2014-15.	($5,025,426)	R	($6,553,965)	R

	FY 13-14		FY 14-15	
6 Low Wealth Supplemental Funding Adjusts the supplemental allotment for school districts in low wealth communities to align funding availability with actual school district eligibility. This adjustment will not reduce funding to eligible districts. In addition, Section 8.3 of this act adjusts the Low Wealth formula to modify the income eligibility criteria of certain districts with a significant military presence. $212.5 million will be available in this allotment in FY 2013-14 and FY 2014-15.	($14,945,402)	R	($14,945,402)	R
B. Elimination of the LEA Adjustment				
7 LEA Adjustment Elimination Eliminates the LEA Adjustment completely. The elimination is accomplished by: 1) providing additional General Fund support to lower the recurring amount of the Adjustment, and, 2) reducing specific allotments in approximately the same proportion as school districts have done the last two years in implementing the Adjustment.	$376,124,279	R	$376,124,279	R
8 Classroom Teachers Adjusts funding to school districts for guaranteed Classroom Teachers positions, modifying this allotment in approximately the same proportion that school districts had done in previous fiscal years to implement the LEA Adjustment. Nearly 70% of all funds foregone by LEAs over the last two years to comply with the Adjustment came from the Classroom Teachers and Career Technical Education Months of Employment allotments. Revised ratios for distributing guaranteed positions from this allotment are as follows: FY 2013-14 K: 1 teacher per 19 students 1-3: 1 teacher per 18 students 4-6: 1 teacher per 24 students 7-8: 1 teacher per 23 students 9: 1 teacher per 26.5 students 10-12: 1 teacher per 29 students FY 2014-15 K: 1 teacher per 19 students 1: 1 teacher per 18 students 2-3: 1 teacher per 17 students 4-6: 1 teacher per 24 students 7-8: 1 teacher per 23 students 9: 1 teacher per 26.5 students 10-12: 1 teacher per 29 students	($286,433,312)	R	($245,897,168)	R
9 Instructional Support Personnel Adjusts funding to school districts for guaranteed Instructional Support positions, modifying this allotment in approximately the same proportion that school districts had done in previous fiscal years to implement the LEA Adjustment. Nearly 5% of all funds foregone by LEAs over the last two years to comply with the Adjustment came from this allotment. $323.0 million will be available in this allotment in FY 2013-14; $326.1 million will be available in FY 2014-15.	($16,990,590)	R	($17,186,802)	R

	FY 13-14		FY 14-15	
10 Instructional Supplies Adjusts funding to school districts for Instructional Supplies, modifying this allotment in approximately the same proportion that school districts had done in previous fiscal years to implement the LEA Flexibility Adjustment. LEAs gave up over $5 million in FY 2012-13 from this allotment to comply with the Adjustment. $43.2 million will be available in this allotment in FY 2013-14; $43.3 million will be available in FY 2014-15.	($6,919,008)	R	($7,372,550)	R
C. Other Public School Funding Adjustments				
11 Limited English Proficiency Reduces the allotment for Limited English Proficiency. Of the $6 million reduction, $3 million is reduced to account for declining enrollment based on revised student headcount figures. $75.3 million will be available in this allotment in FY 2013-14; $82.0 million will be available in FY 2014-15.	($6,000,000)	R	($6,000,000)	R
12 ACT Assessments Provides a dedicated source of State funding for the administration of the ACT testing suite, which include the ACT, PLAN, EXPLORE, and WorkKeys diagnostic assessments.	$7,500,000	R	$7,500,000	R
13 School Bus Replacement Reduces funding for school bus replacement and modifies the school bus replacement standards. Currently school buses are eligible for replacement after 20 years or 200,000 miles of service. This item modifies the mileage standard to 250,000 miles of service and appropriates sufficient funding to replace all school buses meeting the revised criteria. 604 buses will be replaced in FY 2013-14; 721 buses will be replaced in FY 2014-15. $39.1 million will be available for this purpose in FY 2013-14; $54.1 million will be available in FY 2014-15.	($28,425,435)	R	($34,560,126)	R
14 Education Value Added Assessment System (EVAAS) Increases General Fund support for EVAAS to continue expansion initially supported by receipts in FY 2012-13. That expansion enables: 1) direct access to value-added information for teachers who teach classes with an End of Course/End of Grade test, and 2) capability for users to export EVAAS data and merge it with other relevant analyses. Total EVAAS funding will be $2.7 million.	$850,000	R	$850,000	R
15 EVAAS School Performance Grades Provides funds for the data collection, analysis and calculation of school performance grades, as described in Section 9.4.	$300,000	NR	$100,000	R
16 Teacher Assistants Reduces and modifies Teacher Assistants funding. The current allotment provides LEAs with $1,182.69 per student in grades K-3 for teacher assistants. The revised allotment will provide the funding equivalent of a Teacher Assistant position for every 18 students in grades K-1, or $1,727.83 per student. In FY 2013-14, $428.4 million will remain in this allotment. In FY 2014-15, $438.2 million will remain in this allotment.	($142,329,582)	R	($149,188,180)	R

	FY 13-14		FY 14-15	
17 Education-Based Salary Supplements Phases out education-based salary supplements in FY 2014-15 for education personnel not compensated for such supplements in FY 2013-14, as directed in Section 8.22.			($23,500,000)	R
18 Education Services for Children at Certain Juvenile Facilities Transfers responsibility and funding for teachers in juvenile facilities to the Department of Public Instruction (DPI), effective July 1, 2014. Local Education Agencies with a Youth Development Center or a Detention Center within the district will be responsible for providing services and will receive funding from DPI to carry out these tasks.			$3,828,824	R
D. Pass-through Funds				
19 Teach for America Provides additional State support to Teach for America (TFA), an organization that focuses on new teacher recruitment, training and placement in high-need school districts. Funds will support the establishment of a TFA program in the Triad region, growth of existing efforts in Southeastern North Carolina, targeted subject-specific recruitment, and the assumption of management responsibilities for the NC Teacher Corps program beginning in FY 2014-15. State support for TFA will total $6 million in both years of the biennium.	$5,100,000	R	$5,100,000	R
20 Tarheel ChalleNGe Transfers funding from the Department of Public Instruction for Tarheel ChalleNGe, a National Guard program for at-risk youth, to the Department of Public Safety (DPS) budget. The State funds were transferred to DPI in 2009, but federal matching funds remain with DPS. This transfer consolidates all of the funding for Tarheel ChalleNGe in one place. A corresponding increase can be found in the Justice and Public Safety Section of this budget.	($767,719)	R	($767,719)	R
21 North Carolina Center for the Advancement of Teaching (NCCAT) Eliminates State support for the ongoing operations of this teacher professional development provider. $88,616 will remain available in FY 2013-14 for upkeep of the two NCCAT facilities until they are otherwise conveyed. Anticipated severance costs are included in the Severance Expenditure Reserve.	($3,130,606) -46.25	R	($3,219,222) -46.25	R
22 Teaching Fellows Continues the phase-out, begun in S.L. 2011-145, of State support for the Teaching Fellows program . This adjustment continues the reductions initiated in the preceding biennium while preserving the prior General Assembly's intent to support obligations made to previous Fellows classes until the State's scholarship commitment is completed. Additionally, this item reduces the cash balance of the Teaching Fellows Trust Fund by $1.3 million in FY 2013-14.	($3,095,000) ($1,300,000)	R NR	($6,190,000)	R

Senate Subcommittee on Education	FY 13-14		FY 14-15	
E. Department of Public Instruction				
23 Office of Charter Schools Adds three consultant positions to DPI's Office of Charter Schools. These positions will be used to keep pace with the increase of newly-established charter schools in North Carolina. Funds are included for salaries and benefits, travel, technology needs, and miscellaneous expenses.	$320,000 3.00	R	$320,000 3.00	R
24 DPI Flexible Reduction Reduces State support for Department of Public Instruction operations, including salaries and benefits, by 2.5%. The State Board of Education may allocate this reduction at its discretion.	($1,040,654)	R	($1,040,654)	R
F. Excellent Public Schools Act				
25 Excellent Public Schools Act Provides additional funds to the Department of Public Instruction to carry out the elements of the Excellent Public Schools Act contained in Section 7A.1 of S.L. 2012-142.	$18,578,841	R	$35,109,480	R
26 Merit Pay for Teachers Provides funds to allow superintendents to provide a $500 annual pay raise in FY 2014-15 for each teacher opting to enter into a four-year contract based on effectiveness, pursuant to Section 9.6.			$10,200,000	R
Total Legislative Changes	**($108,282,241)** **($26,950,674)**	R NR	**($78,509,502)**	R
Total Position Changes	-43.25		-43.25	
Revised Budget	**$7,849,691,842**		**$8,032,588,328**	

Community Colleges

GENERAL FUND

	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$1,037,430,475**		**$1,037,430,475**	
Legislative Changes				
A. Enrollment				
27 Enrollment Model Funding Change Modifies the community college enrollment funding model. Currently, community colleges are funded based on the higher of the prior year's actual enrollment or the three-year average enrollment. This adjustment shifts the three-year average to a two-year average, and accounts for varying enrollment among the tiered funding levels. The State Board of Community Colleges shall allocate the $4 million nonrecurring in FY 2013-14 to phase in the reduction for those colleges most affected by the policy change.	($19,893,462) $4,000,000	R NR	($19,893,462)	R
B. Tuition and Fees				
28 Curriculum Tuition Increases curriculum tuition by $2.50 per credit hour and makes a corresponding General Fund reduction in anticipation of increased tuition receipts. Tuition will increase from $69 to $71.50 per credit hour for residents and from $261 to $263.50 for nonresidents. Tuition for full-time resident students will increase by a maximum of $80 per year, from $2,208 to $2,288.	($10,433,065)	R	($10,433,065)	R
29 Continuing Education Fee Increases continuing education fees by $5 per course and takes a corresponding General Fund reduction in anticipation of increased tuition receipts. The new fees will be as follows: Classes 1-24 hours - $70, Classes 25-50 hours - $125, Classes 51+ hours - $180.	($664,509)	R	($664,509)	R
30 Senior Citizens Tuition Waiver Eliminates the tuition waiver found in G.S. 115D-5(b)(11) that waives tuition for up to six hours of credit instruction and one course of noncredit instruction per academic semester for senior citizens age 65 or older who are qualified as legal residents of North Carolina.	($970,000)	R	($970,000)	R

	FY 13-14		FY 14-15	
C. State Aid Adjustments				
31 Restore Management Flexibility Reduction Provides funding to restore 12% of the management flexibility reduction. These funds will be distributed to colleges in accordance with the Community College Institutional Performance Accountability structure, as amended in Section 10.5. The remaining management flexibility reduction will be $73,233,302.	$10,000,000	R	$10,000,000	R
32 Equipment Provides funds for the purchase of instructional equipment and technology at all 58 colleges. These funds are in addition to the $49 million included in the base budget for this purpose. Funds shall be distributed in accordance with the existing equipment formula.	$10,000,000	NR		
33 Manufacturing Solutions Center Provides additional funding for the Manufacturing Solutions Center at Catawba Valley Community College. Total funding for this program will be $696,922.	$150,000	R	$150,000	R
34 Textile Technology Center Provides additional funding for the Textile Technology Center at Gaston College. Total funding for this program will be $503,954.	$150,000	R	$150,000	R
35 Customized Training Reduces the Customized Training budget on a one-time basis. Total recurring funding for the program is $12.5 million; however, per G.S. 115D-5.1(f2), unexpended funds for the program do not revert and are instead carried forward to the next year. The total amount available for expenditure in FY 2013-14 is projected to be $20.8 million.	($2,000,000)	NR		
36 Data Connectivity Eliminates a portion of the recurring funding for data connectivity at each community college's main campus. Due to their concentrated buying power, community colleges were able to negotiate lower rates and these funds have remained unspent. Total funding remaining for the initiative will be $4,986,528.	($647,972)	R	($647,972)	R
37 BioNetwork Reduces funds for the BioNetwork program. Total funding remaining for the program will be $4,159,611.	($100,000)	R	($100,000)	R
38 Botanical Laboratory Reduces support for the categorical allotment for the botanical laboratory at Fayetteville Technical Community College. The college will continue to receive regular FTE formula funding for enrollment at the botanical laboratory, and may use other State funding allocated to it to continue the program.	($164,000)	R	($164,000)	R
39 Mentoring Program Reduces funding for the Minority Male Mentoring program by 20% and expands the program mission to include all community college students with an increased likelihood of dropping out. Total funding remaining for the new program will be $648,000.	($162,000)	R	($162,000)	R

	FY 13-14		FY 14-15	
D. Community Colleges System Office Adjustments				
40 GED Program Office Shifts $104,266 in FY 2013-14 and $208,533 in FY 2014-15 from the Basic Skills Block Grant to the Community Colleges System Office to administer the Adult High School and General Education Development (GED) Programs. S.L. 2011-145 shifted this program's budget and the associated 2.5 positions from General Fund appropriations to receipt support from GED exam fees. Due to changes in the GED exam, these fees will no longer be paid to the System Office as of January 1, 2014. This item shifts the program budget, including two GED and Adult High School Tech positions and one-half of the Education Program Director position, back to General Fund appropriations.	2.50		2.50	
41 State Board of Community Colleges Budget Reduces funding for the State Board Reserve ($250,000) and State Board travel ($10,000). Section 10.10 reduces the annual number of required State Board meetings from ten to eight.	($260,000)	R	($260,000)	R
42 System Office Advertising and Travel Reduces the System Office budget for advertising ($100,000) and travel ($20,000).	($120,000)	R	($120,000)	R
Total Legislative Changes	**($23,115,008)** **$12,000,000**	R NR	**($23,115,008)**	
Total Position Changes	2.50		2.50	
Revised Budget	**$1,026,315,467**		**$1,014,315,467**	

UNC System

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$2,709,551,807**		**$2,737,874,470**	
Legislative Changes				
43 Management Flexibility Reduction Mandates a management flexibility reduction for the UNC operating budget. As directed in Section 11.5, the UNC Board of Governors shall not allocate this reduction on an across-the-board basis to constituent institutions.	($47,988,719)	R	($75,386,050)	R
44 Administrative and Operational Efficiencies Reduces funding in anticipation of savings from the implementation of administrative and operational efficiencies, including: - Shared services for residency determination, internal audit, financial aid review, and IT infrastructure; - Strategic purchasing; - Span of control evaluations; - Improved business practices; and - Energy efficiency measures.	($10,000,000)	R	($15,000,000)	R
45 Instructional Efficiencies Reduces funding in anticipation of savings from the implementation of system-wide academic programming measures, including system-wide section size guidelines and improved transferability of credits between UNC campuses.	($15,800,000)	R	($21,100,000)	R
46 Program Consolidation Reduces funding in anticipation of savings from the consolidation of small or duplicative programs within the UNC System.			($1,900,000)	R
47 Optional Retirement Program Forfeitures Reduces UNC's budget by $4 million annually. The UNC System shall offset this reduction by replacing contributions to the Optional Retirement Program with forfeitures the Program receives under G.S. 135-5.1(b)(5).	($4,000,000)	R	($4,000,000)	R
48 McNair Hall Building Reserve Eliminates recurring operating funds previously budgeted for an addition to McNair Hall at NCA&T State University. The McNair Hall addition was to be part of the Graduate Engineering School Project but has been cancelled.	($150,185)	R	($150,185)	R

	FY 13-14		FY 14-15	
49 WCU Engineering Degree Program at Biltmore Park			$719,844	R
Provides funding for a general engineering degree program at Western Carolina University's Biltmore Park Town Square location in Buncombe County. Funds will help support start-up costs, four full-time equivalent positions, and ongoing program operations.	$698,962	NR	4.00	
50 Tuition Grant for NC Science & Math Graduates	($1,248,310)	R	($2,469,075)	R
Completes the phase out of the UNC tuition grant for graduates of the North Carolina School of Science and Math (NCSSM). $1,220,765 will remain in the budget for FY 2013-14 to pay tuition for students who graduated from NCSSM in 2010; all funding is eliminated for FY 2014-15.				
51 National Board Certification Loan Program	($3,174,500)	R	($3,174,500)	R
Reduces recurring funding for this revolving loan program for teachers pursuing certification by the National Board for Professional Teaching Standards. Total remaining recurring funding will be $100,000. Additionally, Section 11.2 reduces the available fund balance for the program, leaving $1,300,000 to support ongoing operations.				
52 UNC Need-Based Grant Forward Funding Reserve	$3,454,656	R	$3,454,656	R
Provides additional funding for the UNC Need-Based Grant Forward Funding Reserve, in order to shift the entire program to forward funding for FY 2014-15. In addition to these funds, Section 11.2 appropriates an additional $60.2 million in FY 2013-14 to the reserve.	$20,882	NR		
A total of $122,475,842 will be available for scholarships for the 2013-14 academic year; $123,447,347 will be available in the 2014-15 academic year.				
53 UNC Need-Based Grant				
Decreases General Fund support for the program on a nonrecurring basis, to offset a one-time increase from the Escheat Fund. Total funding available for scholarships in the 2013-14 academic year will remain at $122,475,842.	($27,000,000)	NR		
54 Institute for Regenerative Medicine	$7,000,000	R	$7,000,000	R
Transfers funds for the Institute for Regenerative Medicine at Wake Forest University from the Commerce-State Aid budget to the UNC System budget.				
55 North Carolina Center for Vaccine Innovation	$2,000,000	R	$2,000,000	R
Provides start-up funding for the North Carolina Center for Vaccine Innovation, a non-profit consortium of the Schools of Medicine at UNC-Chapel Hill, East Carolina University, Wake Forest University, and Duke University; as well as North Carolina State University, UNC Charlotte, the North Carolina Biotechnology Center, the North Carolina Biosciences Organization, and the National Center for Biotechnology Workforce.				

Senate Subcommittee on Education	FY 13-14		FY 14-15	
Total Legislative Changes	($69,907,058)	R	($110,005,310)	R
	($26,280,156)	NR		
Total Position Changes			4.00	
Revised Budget	$2,613,364,593		$2,627,869,160	

HEALTH
&
HUMAN SERVICES
Section G

Health and Human Services

GENERAL FUND

	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$4,615,870,375**		**$4,630,560,536**	
Legislative Changes				
(1.0) Division of Central Management and Support				
1 Office of Citizen Services Positions Eliminates six positions associated with the elimination of the NC Care Line in S.L. 2011-145. 60037847 Processing Assistant III 60037849 Community Service Consultant 60037850 Administrative Officer I 60037854 Processing Assistant V 60037855 Human Service Planner/Evaluator II 60090103 Administrative Officer I	($339,787) -6.00	R	($339,787) -6.00	R
2 Adjustment Based on Historical Transfers Reduces funds based on transfers from the Division of Central Management to the Division of Medical Assistance. In FY 2010-11 approximately $3.7 million was transferred from lapsed salary, contracts and Division of Information and Resource Management (DIRM) administration accounts. In FY 2011-12 approximately $2.7 million was transferred from lapsed salary and indirect cost accounts. These funds were transferred to the Division of Medical Assistance to cover Medicaid shortfalls in both years.	($1,982,830)	R	($1,982,830)	R
3 North Carolina Families Accessing Services Through Technology (NC FAST) Provides funds to match federal receipts and continue the development and implementation of NC FAST.			$864,655	NR
4 Department of Justice Settlement Agreement Provides funds pursuant to the agreement between the State and the U.S. Department of Justice to develop and implement housing, support, and other services for people with mental illness. The funds will be used to provide services to an additional 150 people in FY 2013-14 and up to 708 people in FY 2014-15.	$3,834,275	R	$9,394,658	R
5 Medicaid Management Information System (MMIS) Directs the Department to use prior-year earned revenue to fund this system. FY 2013-14: $9,658,152 NR FY 2014-15: $1,666,625 NR				

	FY 13-14		FY 14-15	
6 DHHS Competitive Block Grant for Non-Profits				
Creates a performance-based, competitive block grant process to fund services historically provided by the non-State entities specifically designated for direct appropriation in S.L. 2012-142, Section 10.19(a). In FY 2012-13, funds were provided in specific amounts to these non-profit entities on a nonrecurring basis. Funds appropriated in FY 12-13 (approximately $9.2 million), funds provided to the High School Athletic Association (approximately $300,000), and the federal block funding indicated below have been consolidated into a State block grant to be administered by the Office of the Secretary in the Department of Health and Human Services. The Department is directed to create a Request For Application (RFA) process that will allow non-State entities to receive State funds on a competitive basis.	$9,529,134	NR		
Additional federal block grant funds available for this purpose include:				
Social Service Block Grant (SSBG) - $3,852,500 Maternal and Child Health Block Grant - $89,374 Preventive Health Services Block Grant - $1,331,961				
(2.0) Division of Child Development and Early Education				
7 Regulatory Positions Shifted from State to Federal Funding	($900,000)	R	($900,000)	R
Transfers $604,541 in salaries and $204,962 in benefits for14 positions as well as $90,497 in operating costs to receipt support by utilizing the Child Care Development Fund block grant. The Child Care Regulatory fund has $1.5 million remaining in state appropriations. The following positions are affected:	-14.00		-14.00	
60038736 Child Day Care Specialist 60038746 Child Day Care Specialist 60038747 Child Day Care Specialist 60038610 Child Day Care Specialist 60038743 Child Day Care Specialist 60038742 Child Day Care Specialist 60038735 Child Day Care Specialist 60038741 Child Day Care Specialist 60038745 Child Day Care Specialist 60038734 Child Day Care Specialist 60038739 Child Day Care Specialist 60038749 Child Day Care Specialist 60038730 Child Day Care Specialist 60038835 Program Assistant V				
8 Seat Management Funding Elimination	($38,125)	R	($38,125)	R
Eliminates funding for seat management, the outsourcing of management of workstation capabilities for employees, including hardware and software.				

	FY 13-14		FY 14-15	
9 Adjustments Based on Historical Transfers Reduces funds based on transfers from the Division of Child Development and Early Education to the Division of Medical Assistance. In FY 2011-12 approximately $870,000 was transferred from lapsed salary, contracts and administrative services to the Division of Medical Assistance to cover the Medicaid shortfall.	($652,500)	R	($652,500)	R
10 Pre-K Slot Transfers Transfers 2,500 Pre-K slots in FY 2013-14 and 5,000 in FY 2014-15 along with the General Fund appropriation to Child Care Subsidy. $52.6 million in General Fund appropriation is available for Pre-K in FY 2013-14, and $40.1 million General Fund appropriation is available for Pre-K in FY 2014-15.	($12,440,000)	R	($24,880,000)	R
11 Child Care Subsidy Increase Increases funding to address the waiting list for Child Care Subsidy. FY 2013-14 funding will serve approximately 2,600 additional children. FY 2014-15 funding will serve approximately 5,200 additional children.	$12,440,000	R	$24,880,000	R
12 State Funds for Child Care Subsidy Replacement Replaces the General Fund appropriation for child care subsidy with block grant funds and a transfer from the Pre-K Program. There is an overall net increase to child care subsidy of $9.8 million in FY 2013-14 and a net increase of $22.2 million in FY 2014-15. Total funds from all sources will be $360 million in FY 2013-14 and $372 million in FY 2014-15.	($2,624,189)	NR	($2,624,189)	NR
(4.0) Division of Social Services				
13 Seat Management Funding Elimination Eliminates funding for seat management, the outsourcing of management of workstation capabilities for employees, including hardware and software.	($606,695)	R	($606,695)	R
14 Adjustment Based on Historical Transfers Reduces funds based on historical transfers from the Division of Social Services to the Division of Medical Assistance. In FY 2010-11 $9.7 million was transferred from contracts, unused adoption and foster care services funding, and other administrative funds. In FY 2011-12 the division transferred approximately $15.3 million. Of this amount approximately $4.5 million was from unspent foster care and adoption services funding, $600,000 from lapsed salary, $1 million in contracts, and $4 million from non-recurring revenue from prior year earned revenue, indirect costs and prior year audit and adjustments. The remaining funds came from administration, including seat management. Some of the historical transfers are reduced in the seat management and contract and administrative reduction items. Foster Care and Adoption services funding was reduced in the continuation budget.	($1,875,000)	R	($1,875,000)	R

	FY 13-14		FY 14-15	
15 Contract and Administrative Savings Eliminates funds for the Child Welfare Multiple Response System (MRS) Conference that trained county staff on MRS. The conference is no longer needed as MRS has been implemented statewide. Also eliminates funds for the forms and supply warehouse that is no longer needed as the warehouse has closed. The remaining reduction is from administration and internet billing costs.	($1,066,123)	R	($1,066,123)	R
16 Federal Funds for County Child Welfare Services Replacement Provides funds to partially replace federal funding for child welfare administration due to a change in the application of federal policy. The State supports county DSS agencies at an overall rate of 31% of the non-federal share of their county budgets for public assistance and service programs. This appropriation replaces 33% of the lost federal funding on a nonrecurring basis to support the counties while the North Carolina Families Accessing Services through Technology (NCFAST) information system is being developed and implemented. Once fully implemented, NCFAST is projected to save administrative costs for counties.	$4,826,346	NR	$4,826,346	NR
17 NC Reach - Child Welfare Postsecondary Education Provides funds to support an additional 100 former foster care youth and children adopted after age 12 who attend college within the UNC and Community College systems. NC Reach funding is the payer of last resort and covers items such as books, supplies, transportation, and room and board not covered by other funding sources.	$547,245	R	$610,817	R
(6.0) Division of Vocational Rehabilitation				
18 Independent Living Program Administration Reduction Reduces the administrative budget for the Independent Living Program.	($10,000)	R	($10,000)	R
19 Vocational Rehabilitation Services Administration Funding Replaces General Fund appropriations budgeted for administrative expenses in the Vocational Rehabilitation Basic Support program with program receipts.	($102,236)	R	($102,236)	R
20 State Funding in the Assistive Technology Program Replaced Replaces the General Fund appropriation in the Assistive Technology Program with program receipts.	($98,738)	R	($98,738)	R
21 Historical Transfers to Medicaid Reduces funding based on transfers from the Division of Vocational Rehabilitation to the Division of Medical Assistance. In FY 2011-12 approximately $845,000 was transferred from indirect costs funds to the Division of Medical Assistance to cover the Medicaid shortfall.	($300,000)	R	($300,000)	R

	FY 13-14		FY 14-15	
(7.0) Division of Aging and Adult Services				
22 Seat Management Funding Elimination Eliminates funding for seat management within the Division. The Department discontinued outsourcing management of its workstation capabilities including hardware and software.	($855)	R	($855)	R
23 Adjustment Based on Historical Transfers Reduces funding based on transfers from the Division of Aging and Adult Services to the Division of Medical Assistance. In FY 2011-12 approximately $470,000 was transferred from lapsed salary and administration accounts were transferred to the Division of Medical Assistance to cover the Medicaid shortfall.	($300,000)	R	($300,000)	R
24 Home and Community Care Block Grant (HCCBG) Reduces the HCCBG and transfers the funds to expand Project C.A.R.E. statewide. $24.6 million in General Fund appropriation remains in the HCCBG to provide home and community-based services to seniors and disabled adults.	($2,900,000)	R	($2,900,000)	R
25 Caregiver Alternatives to Running on Empty (Project C.A.R.E.) Provides $500,000 to replace an expiring federal grant and an additional $2.4 million to expand Project C.A.R.E. statewide. The program provides respite and support services to families caring for a person with dementia at home.	$2,900,000	R	$2,900,000	R
26 Long-Term Care Ombudsman Replaces lost federal receipts and maintains the current level of service. In the FY 2011-13 budget, General Fund support for the Long-Term Care Ombudsman was replaced with federal civil monetary penalties receipts. Since then, the Centers for Medicare and Medicaid Services (CMS) has restricted the use of those federal receipts for this purpose.			$200,000	R
(8.0) Division of Public Health				
27 Early Intervention - Children's Developmental Services Agencies Reduces FY 2013-14 funding to the Division of Public Health based on historical transfers to the Division of Medical Assistance. In FY 2010-11, approximately $17.1 million was transferred from lapsed salary, administration, and contract accounts to address the Medicaid shortfall. In FY 2011-12, approximately $17.4 million was transferred. Of the amounts transferred, over half was lapsed salary and other unspent funds budgeted to the Early Intervention Branch. Also eliminates funding, effective July 1, 2014, for 4 of the 16 Children's Development Service Agencies (CDSAs). In determining which CDSAs to close, the Division shall make it a priority to maintain the CDSAs that have the highest caseloads of children who reside in rural or medically underserved areas of the State.	($8,000,000)	NR	($10,000,000) -160.00	R

	FY 13-14		FY 14-15	
28 AIDS Drug Assistance Program (ADAP) Drug Purchases	($8,000,000)	R	($8,000,000)	R
Reduces ADAP funding to more accurately reflect current spending levels. ADAP provides pharmaceuticals to financially-eligible persons with AIDS. There are currently two ADAP funding sources: federal Ryan White CARE Act and State appropriations. Nonrecurring funds are provided in each year of the biennium to address potential waiting lists for AIDS pharmaceutical assistance.	$6,000,000	NR	$6,000,000	NR
29 Food and Lodging Permit Fee	($750,000)	R	($750,000)	R
Reduces the General Fund appropriation and budgets increased food and lodging permit fee receipts. Effective July 1, 2013, the annual food and lodging permit fee increases from $75 to $120; the State's portion increases from $25 to $50.				
30 Oral Health Section	($2,865,762)	R	($3,583,681)	R
Eliminates 39 dental hygienist, 2 dental technician, and 7 administrative positions effective October 1, 2013, and reduces funding for administration. A portion of the savings will be allocated to local health department dental clinics to increase the number of dental hygienists and dental assistants providing clinical dental treatment and services.	-48.00		-48.00	
In addition to the 41 dental hygienist and dental equipment technician positions, the following administrative positions are eliminated:				
60039581 Accounting Clerk V 60039585 Dental Hygienist Regional Coordinator 60039588 Public Health Regional Dentist Supervisor 60039589 Dental Hygienist Regional Coordinator 60039608 Public Health Regional Dentist Supervisor 60039627 Public Health Regional Dentist Supervisor 60039644 Education Media Specialist I				
31 Local Health Department Dental Clinics	$1,558,257	R	$2,077,677	R
Provides funding to local health departments that operate or sponsor dental clinics, effective October 1, 2013. The local health departments shall use the funds to hire dental hygienists to provide clinical dental treatment and services.				
32 State Public Health Laboratory	$1,052,000	R	$1,052,000	R
Provides funding for the State Public Health Laboratory to offset receipts lost due to FY 2010-11 Medicaid provider rate reductions.				
33 NC Tobacco Use Quitline	$1,400,000	R	$1,400,000	R
Provides funds to continue the operation of the North Carolina Tobacco Use Quitline (NC Quitline). NC Quitline provides free tobacco cessation services and treatment for NC residents.				

	FY 13-14		FY 14-15	
(9.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services				
34 LME/MCO Administration Reduces funds provided for Local Management Entities (LME)/Managed Care Organizations (MCO) administration funding formula. The LME/MCO transition phase will be fully implemented by July 1, 2013 resulting in savings to the General Fund.	($15,228,245)	R	($15,228,245)	R
35 Gambling Fund Balance Budgets accumulated lottery budget receipts transferred to the Division for gambling addiction education and treatment programs. This reduction is not anticipated to affect the level of services provided.	($416,264)	NR		
36 Alcohol and Drug Abuse Treatment Centers (ADATC) Closes the three State-operated ADATCs, effective July 1, 2013. Each ADATC has 80 beds, with average bed costs ranging from $570 to $670 per day. A portion of the resulting savings will be added to the single-stream funding and will be allocated to the Local Management Entities/Managed Care Organizations to be used for alcohol and substance abuse treatment services.	($37,951,761) -548.88	R	($50,602,349) -548.88	R
37 Alcohol and Substance Abuse Treatment Budgets a portion of the savings resulting from the closure of the three State-operated residential alcohol and drug abuse treatment facilities (ADATCs) to fund community-based and residential alcohol and substance abuse treatment services.	$10,000,000	R	$20,000,000	R
38 NC High School Athletic Association (NCHSAA) Eliminates the special appropriation for the NCHSAA and transfers the funding to the Division of Central Management and Support to be used for the performance-based, competitive block grant process, for which NCHSAA would be eligible to apply.	($332,491)	R	($332,491)	R
39 Wright School Closes the Wright School, a 24-bed residential school for children with mental health or behavioral disorders, effective July 1, 2013.	($2,709,912) -40.15	R	($2,709,912) -40.15	R
40 Broughton Hospital Beds Realigns the Division's base budget to transfer $3,513,000 recurring from Fund Code 1910 - Reserves and Transfers to Fund Code - 1561 Broughton Hospital to open 19 additional adult psychiatric care beds. These funds were originally appropriated by S.L. 2012-142 for this purpose but contingent upon the status of the Medicaid budget. Due to the contingency, FY 2012-13 funds were placed in the reserve account and then transferred to Budget Code 14445 to address the Medicaid budget shortfall. In the Division's FY 2013-15 continuation budget, the funds remain in Fund Code 1910.				

	FY 13-14		FY 14-15	
41 Three-Way Contracts Realigns the Division's base budget to transfer $9 million recurring from Fund Code 1910 Reserves and Transfers to Fund Code 1464, Crisis Services to increase the number of three-way contract community hospital beds available to Local Management Entities/Managed Care Organizations from 141 to 186. These funds were originally appropriated by S.L. 2012-142 for this purpose but contingent upon the status of the Medicaid budget. Due to the contingency, FY 2012-13 funds were placed in the reserve account and then transferred to Budget Code 14445 to address the Medicaid budget shortfall. In the Division's FY 2013-15 continuation budget, the funds remain in Fund Code 1910.				
42 Statewide Telepsychiatry Program Provides funds to establish a statewide telepsychiatry program to provide consultant services as an alternative to alleviate hospital emergency department wait times, involuntary commitments, and local law enforcement involvement in the transport of patients who have been involuntarily committed, especially in rural and medically underserved areas. The funds shall be used to establish and administer the program and to purchase telepsychiatry equipment for the State-owned hospitals.	$2,000,000	R	$2,000,000	R
43 New Broughton Hospital Provides funds to purchase medical equipment, furniture, and information technology infrastructure for the new, expanded Broughton Hospital scheduled to open in December 2014.	$11,510,467	NR	$16,598,589	NR
44 NC Child Treatment Program Provides funds for the statewide implementation of the NC Child Treatment Program. Funds will be used to provide clinical training to Medicaid-certified physicians, child trauma treatment services, and to develop an online database system.	$1,818,745 $250,000	R NR	$1,818,745 $250,000	R NR
(10.0) Division of Health Service Regulation				
45 Adjustment Based on Historical Transfers Establishes a recurring reduction in the Division of Health Service Regulation at the level of historical transfers made to cover Medicaid shortfalls. Approximately $600,000 was transferred to the Division of Medical Assistance in FY 2010-11; approximately $800,000 was transferred to the Division of Medical Assistance in FY 2011-12.	($300,000)	R	($300,000)	R

	FY 13-14		FY 14-15	
(11.0) Division of Medical Assistance				
46 Health Homes for the Chronically Ill Reflects the last quarter of increased federal match under the Health Homes for the Chronically Ill program for qualified care management per member per month expenditures. Includes an enhanced federal match for all Medicaid care management payments for recipients with comorbid conditions including a chronic health condition and severe and persistent mental health conditions paid through September 30, 2013.	($3,757,682)	NR		
47 Mental Health Drug Management Reduces funds for prescription drugs. Mental health drugs will be subject to prior authorization to ensure appropriate use and clinical outcomes effective January 1, 2014. A 72-hour emergency supply may be provided if a beneficiary is waiting for acknowledgement of the prior authorization request. This will put mental health drugs on parity with all other medications paid for by Medicaid.	($4,975,290)	R	($11,258,127)	R
48 Hospital Provider Assessment Effective July 1, 2013 the hospital provider assessment will be modified so the State's retention of hospital assessments will be 15.6% of the total assessment paid by hospitals instead of a stated amount of $43 million.	($7,000,000)	R	($7,140,000)	R
49 Report Separately Payments to CCNC and CCNC Providers Establishes a separate budget item for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are	$59,340,923	R	$62,046,013	R

FY 2013-14	Total Requirements	State Funds
Care Management	$125,800,000	$44,000,000
Provider Payments	$ 43,800,000	$15,300,000
FY 2014-15		
Care Management	$131,600,000	$46,100,000
Provider Payments	$ 45,700,000	$16,000,000

	FY 13-14		FY 14-15	
50 Physician Expenditures Adjustment to Appropriately Report CCNC Payments	($59,340,923)	R	($62,046,013)	R

Establishes a separate budget item for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are:

FY 2013-14	Total Requirements	State Funds
Care Management	($125,800,000)	($44,000,000)
Provider Payments	($ 43,800,000)	($15,300,000)
FY 2014-15		
Care Management	($131,600,000)	($46,100,000)
Provider Payments	($ 45,700,000)	($16,000,000)

51 Hospital Base Rates	$0	R	$0	R

Recalibrate the hospital inpatient payment system so that the base rates will be regionally set for all hospitals in that region to eliminate the disparity in rates for the same services between hospitals that exist in the current system. Hospital inpatient services are paid based on a diagnosis related group (DRG) system. There are 746 DRG's in the Medicaid program that represent classifications of services provided during an inpatient hospitalization. Each of the 746 DRG's has a weight that represents the relative resources required for services related to that diagnosis, recipient age, sex and the presence of complications or comorbidities. Hospital payment is determined by applying a base rate, unique to each hospital, to the DRG weight. The hospital base rates were developed using each hospital's costs in 1994. Changes to these base rates have only occurred when the General Assembly has approved an increase or decrease in rates. DHHS will work with hospitals to identify appropriate regional differences and define regional definitions.

52 Medicaid Co-payments	($3,308,100)	R	($4,962,150)	R

Increases nominal copays for eligible Medicaid services to the maximum allowed by the Centers for Medicare and Medicaid Services (CMS) effective November 1, 2013. Services that are excluded from copays by CMS are medical emergency services, family planning services, "preventative" services for children and pregnancy-related services. DHHS will maintain all nominal copays at the maximum allowed by CMS.

53 Medicaid Contract Reductions	$0	R	($2,016,771)	R

Adjusts contract expenditures in the second year of the biennium to reflect a reduced cost of operation and adjudication of claims related to the new Medicaid Management Information System that will be implemented July 1, 2013 .

	FY 13-14		FY 14-15	
54 Hospital Outpatient Payments at 70% of Costs Reduces interim outpatient payments to hospitals to reflect the impact of reducing the settlement to 70% of costs effective January 1, 2014. Hospitals are currently paid for outpatient services at 80% of costs. This will result in $17.1 million less spending for outpatient services in FY 2013-14 and $35.6 million in FY 2014-15. The Hospital GAP plan allows hospitals to receive supplemental payments to increase the overall payments for hospital outpatient services to 100% of costs. The reduction in the outpatient patient percentage will result in an increase in the hospital assessment, of which the State will retain 15.6% of the increase assessment, totaling $3.2 million in FY 2013-14 and $6.6 million in FY 2014-15.	($20,294,954)	R	($42,132,325)	R
55 Shared Savings Payment Plan Establishes a 4% withhold on selective services effective July 1, 2013. Services subject to the withhold include inpatient hospital, physician (excluding primary care physicians until January 1, 2015), dental, optical services and supplies, podiatry, chiropractors, hearing aids, personal care services, nursing homes, adult care homes and drugs. DHHS will work with providers to develop a shared savings plan that will be implemented by January 1, 2015 that will include incentives to provide effective and efficient care that results in positive outcomes for Medicaid recipients. In FY 2013-14 the State share of the amount withheld will be $24.8 million. This represents a total impact of $70.9 million in provider payments, including both the State and federal shares. In FY 2014-15 the State share of the withhold will be $49.5 million, providers will be eligible for shared savings that are projected to total $14.9 million and the impact of the shared savings plan on expenditures is projected to be $27.5 million.	($31,643,177)	R	($50,742,748)	R
56 Prescribed Drugs- Payment Based on Invoice Cost Implements a payment system for all medications based on an invoice cost that will be established through quarterly surveys to determine the actual cost of drugs to pharmacies effective January 1, 2014. Currently, brand drugs are paid a Wholesale Acquisition Cost (WAC) plus 6% and generic drugs are paid at 195% of the State Medicaid Average Costs (SMAC). The change to invoice pricing will reduce expenditures for drugs by $27 million and $55 million in FY 2014-15. Effective January 1, 2014, dispensing fees will be increased to an average payment of $9.87 for all drugs. The payment system for dispensing fees will retain a $2 incentive differential for generic drugs and those on the preferred drug list. This will increase expenditures by $9 million in FY 2013-14 and $18 million in FY 2014-15.	($18,498,384)	R	($36,996,767)	R
57 Private Duty Nursing Limitation Limits adult Private Duty Nursing (PDN) to a cost not to exceed $432 per day, effective January 1, 2014.	($5,001,351)	R	($5,001,351)	R
58 Rehabilitation Services Limitation Limits adult rehabilitative services for set up and training to three visits per year, effective January 1, 2014 .	($2,748,350)	R	($5,651,495)	R

	FY 13-14		FY 14-15	
59 Exchange Premiums for Selected Medicaid Eligibles Reduces funds by purchasing insurance on the Health Benefits Exchange (HBE) for selected Medicaid recipients that are between 133% and 185% of the Federal Poverty Level effective January 1, 2014. Providers providing services to these recipients will be reimbursed through the insurance product the individual purchases and not from Medicaid funding.	($4,089,627)	R	($20,735,543)	R
60 Physician Office Visits Limitation Reduces the limit on office visits for adults from 22 visits a year to 10 visits a year effective January 1, 2014. Prior authorization will be required for medically necessary visits in excess of 10 per year. Recipients with chronic conditions will be exempted from this limitation.	($3,676,525)	R	($7,560,122)	R
61 Rate Freeze for Services Subject to Automatic Increases Freezes rates for hospital outpatient services, nursing home services and other rates that contain an inflation or increase factor not specifically approved by the General Assembly at the rate in effect June 30, 2013. Hospital outpatient services percentage of cost will be adjusted to compensate for expected inflation for which hospitals would be eligible. The cost settlement will be limited to that percentage. Nursing direct care services will not receive case mix index increases after June 30, 2013 until reinstated. Federally Qualified Health Centers, Rural Health Centers, State Operated services, Hospice, Part B and D Premiums, third party and HMO premiums, drugs and MCO capitation payments are excluded.	($18,332,670)	R	($28,027,681)	R
62 Medicaid Rate Methodologies Modification for Acquired Providers Modifies Medicaid rate methodologies to ensure that rates paid to hospital or physician providers that were acquired, merged, leased or managed after December 31, 2011 will not exceed rates that would have been paid if the provider had not been acquired, merged, leased or managed.				
63 Non-emergency Fee for Emergency Services Establishes a triage fee for non-emergency services provided in a hospital-owned and operated emergency department on parity with similar services provided in a physician's office. The fee will be effective January 1, 2014.	($1,198,401)	R	($2,464,298)	R
64 Additional Personal Care Services for Qualified Individuals Establishes an increased limit of up to130 hours per month for qualified recipients with Alzheimer's Disease and other memory disorders in Special Care Units in Adult Care Homes (ACH). DHHS will implement an additional savings component that addresses the higher acuity level for Alzheimer's/memory care recipients in Adult Care Homes. The unit rate for all Personal Care Services will be reduced to $14.12.	$0	R	$0	R

	FY 13-14		FY 14-15	
65 Medicaid Rebase Provides Medicaid funding for the continuation of the program at the current level, adjusted for changes in enrollment, mix of enrollment, consumption, new service and new policy. Additionally, the rebase includes the impact of changes in federal match (FMAP), annualization of reductions not fully implemented during FY 2012-13, the extension of Medicaid to the former foster care children until age 26 beginning January 1, 2014, contracts and settlements.	$434,000,000	R	$607,000,000	R
66 Provider Cost Settlements Increases funding for Medicaid cost settlements to provide for the growth in Medicaid recipients and the cost of serving Medicaid recipients for those providers whose payments are cost settled after the providers fiscal year. Providers that are cost settled include hospitals, skilled nursing facilities, and Intermediate Care for the Mentally Retarded facilities (ICF-MRs).	$18,000,000	R	$18,000,000	R
67 Contracts Provides funding for Medicaid contracts that ensure the appropriate level of medical service is provided, including contracts that provide prior authorization, utilization reviews and assessments of individuals receiving medical care. This increase is due to estimated increases in the Medicaid population being served. Funding is also provided for the asset verification contract which will ensure Medicaid recipients are within the asset limit for eligibility determination purposes.	$11,000,000	R	$11,000,000	R
68 "Woodwork" and Affordable Care Act Provides funding for expenditures for new Medicaid recipients. Even though North Carolina has decided not to expand Medicaid eligibility under the Affordable Care Act (ACA) effective January 1, 2014, 69,683 new enrollees are expected to join Medicaid in FY 2013-14 and 72,426 are expected to join in FY 2014-15 as a result of provisions contained in the ACA related to penalties for non-coverage and outreach efforts.	$49,684,791	R	$114,119,120	R
69 Transfer of Health Choice Children Transfers all children under 133% of the Federal Poverty Level beginning January 1, 2014 in accordance with the Affordable Care Act which requires they be covered under Medicaid instead of Health Choice. Provides funding for the increase in costs that will be incurred as a result of these recipients being eligible for broader benefits under Medicaid than they had when covered under Health Choice. In FY 2013-14 there will be about 51,000 recipients impacted. The State will retain the State Children's Health Insurance Program federal match instead of the traditional Medicaid federal match. There is a partial offset in Health Choice for this amount.	$22,080,000	R	$46,080,000	R
70 MMIS Implementation Costs Provides funding to implement manual processes to ensure the appropriate payment of claims by hiring temporary staff or through external contracts. The new Medicaid Management Information System (MMIS) for the adjudication of claims is scheduled to be implemented July 1, 2013. The new system will not contain all of the functionality of the current MMIS.	$4,828,664	NR		

	FY 13-14		FY 14-15	
71 Community Care Of North Carolina Study Provides funding for a study to determine whether the Community Care of North Carolina model saves money and improves health outcomes. This was recommended by the State Auditor in the January 2013 performance audit of the Medicaid Program. Total funding available for the study is $200,000 as the State funds may be used to match federal Medicaid administrative funds.	$100,000	NR		
(12.0) NC Health Choice				
72 Mental Health Drug Management Reduces funds for prescription drugs. Mental health drugs will subject to prior authorization to ensure appropriate use and clinical outcomes, effective January 1, 2014. This will put mental health drugs on parity with all other medications paid for by Health Choice.	($254,504)	R	($356,861)	R
73 Transfer of Health Choice Children Reduces funds by transferring children to Medicaid. Beginning January 1, 2014 the Affordable Care Act requires all children under 133% of the Federal Poverty Level be covered under Medicaid instead of Health Choice. In FY 2013-14 there will be about 51,000 recipients impacted and the State will retain the State Children's Health Insurance Plan federal match instead of the traditional Medicaid federal match.	($12,348,000)	R	($25,480,000)	R
74 Contract Budget Adjustment Reduces Health Choice contract expenditures to actual amounts.	($2,800,000)	R	($2,800,000)	
75 Rates Freeze for Services Subject to Automatic Increases Freezes rates for hospital outpatient services, nursing home services and other rates that contain an inflation or increase factor not specifically approved by the General Assembly at the rate in effect June 30, 2013. Hospital outpatient services percentage of cost will be adjusted to compensate for expected inflation for which hospitals would be eligible. Cost settlement will be limited to that percentage. Nursing direct care services will not receive case mix index increases after June 30, 2013 until reinstated. Federally Qualified Health Centers, Rural Health Centers, State Operated services, Hospice, Part B and D Premiums, third party and HMO premiums, drugs and MCO capitation payments are excluded.	($1,265,912)	R	($1,405,614)	R
76 Shared Savings Payment Plan Establishes a 4% withhold on selective services effective January 1, 2014. Services subject to the withhold include inpatient hospital, physician services (excluding primary care until January 1, 2015), dental, optical services and supplies, podiatry, chiropractors, hearing aids, personal care services, nursing homes, adult care homes and drugs. DHHS will collaborate with providers to develop and implement a shared savings plan that will be implemented by January 1, 2015 to provide incentives for effective and efficient care that results in positive outcomes for Medicaid recipients.	($1,175,520)	R	($2,383,942)	R

	FY 13-14		FY 14-15	
77 Non-emergency Fee for Emergency Services Establishes a triage fee for non-emergency services provided in a hospital-owned and operated emergency department on parity with similar services provided in a physician's office. The fee will be effective January 1, 2014.	($88,796)	R	($183,809)	R
78 Prescribed Drugs- Payment Based on Invoice Costs Implements a payment system for all medications based on an invoice cost that will be established through quarterly surveys to determine the actual cost of drugs to pharmacies effective January 1, 2014. Currently, brand drugs are paid a Wholesale Acquisition Cost (WAC) plus 6% and generic drugs are paid at 195% of the State Medicaid Average Costs (SMAC). The change to invoice pricing will reduce expenditures for drugs by $1.2 million and $2.5 million in FY 2014-15. Effective January 1, 2014, dispensing fees will be increased to an average payment of $9.87 for all drugs. The payment system for dispensing fees will retain a $2 incentive differential for generic drugs and those on the preferred drug list. This will increase expenditures by $401,633 in FY 2013-14 and $803,265 in FY 2014-15.	($832,236)	R	($1,664,473)	R
79 Physician Expenditures Adjusted to Appropriately Report CCNC Payments Establishes a separate budget for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are	$2,557,144	R	$2,699,001	R
80 Physician Expenditures Adjustment to Appropriately Report CCNC Payments Establishes a separate budget for per member per month payments to the North Carolina Community Care Network for care management activities and to Community Care North Carolina (CCNC) physicians for CCNC activities for reporting and tracking purposes. The respective amounts are	($2,557,144)	R	($2,699,001)	R

	Total Requirements	State Funds
FY2013-14		
CCNC Care Management	$5,800,000	$1,400,000
Provider Payments	$4,500,000	$1,100,000
FY 2014-15		
CCNC Care Management	$6,100,000	$1,500,000
Provider Payments	$4,700,000	$1,200,000

	Total Requirements	State Funds
FY2013-14		
CCNC Care Management	($5,800,000)	($1,400,000)
Provider Payments	($4,500,000)	($1,100,000)
FY 2014-15		
CCNC Care Management	($6,100,000)	($1,500,000)
Provider Payments	($4,700,000)	($1,200,000)

Senate Subcommittee on Health and Human Services	FY 13-14		FY 14-15	
81 Health Choice Rebase Provides Health Choice funding to continue of the program at the current level, adjusted for changes in enrollment, mix of enrollment, consumption, new services and new policy. Additionally, the rebase includes the impact of changes in federal match (FMAP), annualization of reductions not fully implemented during FY 2012-13.	$6,176,522	R	$11,178,930	R
82 Cost Settle Hospital Outpatient Services to 70% of Cost Reduces interim outpatient payments to hospitals to reflect the impact of reducing the settlement to 70% of costs effective January 1, 2014. Hospitals are currently paid for outpatient services at 80% of costs.	($365,239)	R	($753,852)	R
Total Legislative Changes	**$346,843,739**	R	**$486,434,451**	R
	$22,246,476	NR	**$25,915,401**	NR
Total Position Changes	-657.03		-817.03	
Revised Budget	**$4,984,960,590**		**$5,142,910,388**	

NATURAL & ECONOMIC RESOURCES
Section H

Agriculture and Consumer Services

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$108,918,334**		**$108,918,334**	
Legislative Changes				
Department-wide				
1 Management Flexibility Reserve	($1,500,000)	R	($1,500,000)	R
Reduces operational support to encourage increased efficiency. The reduction equates to a 1.4% operating reduction from the Department's continuation budget.				
Food & Drug				
2 Food Compliance Officer Position	$64,338	R	$64,338	R
Provides funding to support a new position in the Food and Drug Division to improve the compliance inspection process in the Grade "A" Milk program.	$800 1.00	NR	 1.00	
Forest Service				
3 Forest Service Operational Support/Aircraft Maintenance	$350,000	R	$350,000	R
Provides an additional $350,000 in recurring funding for operational support. Of the recurring funds provided, the Department shall establish an administrative position whose primary responsibility will be the collection of Forest Service receipts. This section also provides a nonrecurring appropriation of $500,000 in FY 2013-14 for aircraft maintenance.	$500,000 1.00	NR	 1.00	
Markets				
4 Additional Marketing Funding	$1,500,000	R	$1,500,000	R
Provides an additional $1.5 million recurring to expand domestic and international marketing initiatives to support North Carolina agricultural products. The Department shall also use the additional funds to support the Wine and Grape Growers Council that was funded on nonrecurring basis in FY 2012-13. The time-limited position supporting the Wine & Grape Growers Council (60080945) will be made permanent and will be supported by funds allocated to the Wine and Grape Growers Council.	1.00		1.00	
5 Funding for Southeastern NC Agricultural Center	$362,230	R	$362,230	R
Restores recurring funding and positions to the Southeastern NC Agricultural Center in Lumberton. The Center was provided nonrecurring funding in FY 2012-13 and directed to study alternative operating models.	6.00		6.00	

Senate Subcommittee on Natural and Economic Resources	FY 13-14		FY 14-15	
Plant Industry				
6 Plant Conservation Continuation Provides recurring funding to restore the amount no longer transferred from the Natural Heritage Trust Fund. Shifts one position (60012489) previously supported by Natural Heritage Trust Fund receipts to General Fund support.	$75,000 1.00	R	$75,000 1.00	R
Research Stations				
7 Bioenergy Development Provides funding to the Department of Agriculture & Consumer Services to stimulate energy production from North Carolina agricultural or forestry based products. Funding is provided to support up to five new positions and a grant program. Operating expenses, including personnel and travel, are not to exceed $400,000 in FY 2013-14 and $500,000 in FY 2014-15.	$900,000 5.00	R	$1,500,000 5.00	R
8 Research Stations Equipment Provides funds to modernize farming equipment on Research Stations in each year of the biennium.	$2,500,000	NR	$2,500,000	NR
Reserves & Transfers				
9 Agricultural Development and Farmland Preservation Trust Fund Reduces the General Fund appropriation by $1 million on nonrecurring basis in each year of the biennium. Reduction in General Fund support will be offset by $1 million in each year of the biennium from TVA Settlement funds.	($1,000,000)	NR	($1,000,000)	
10 Tobacco Trust Fund Provides funding to the Tobacco Trust Fund to be evenly disbursed as grants and loans to displaced tobacco farmers. Administrative expenses may be deducted proportionately from all funds available, but shall not exceed $350,000 in any fiscal year.	$2,000,000	R	$2,000,000	R
Total Legislative Changes	**$3,751,568** **$2,000,800**	R NR	**$4,351,568** **$1,500,000**	R NR
Total Position Changes	15.00		15.00	
Revised Budget	**$114,670,702**		**$114,769,902**	

Labor

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$16,196,339**		**$16,196,339**	
Legislative Changes				
Occupational Safety & Health				
11 Partial Restoration of OSHA Federal Receipts Provides funds to offset federal funding reductions.	$500,000	R	$500,000	R
Standards & Inspections				
12 Apprenticeship Bureau Transfers $350,000 recurring in Workforce Investment Act funds from the Department of Commerce to the Department of Labor for the Apprenticeship program.				
Total Legislative Changes	**$500,000**	R	**$500,000**	R
Total Position Changes				
Revised Budget	**$16,696,339**		**$16,696,339**	

Environment & Natural Resources

GENERAL FUND

	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$109,140,591**		**$109,220,682**	
Legislative Changes				
Department-wide				
13 Management Flexibility Reserve Reduces funding to the Department by 2% and provides the Secretary with the flexibility to take the reduction to programs and activities that cause the least disruption in service.	($2,277,894)	R	($2,277,894)	R
Aquariums				
14 Admission Receipts Budgets over-realized admission fee receipts in the General Fund to offset the operating costs of the State's three aquariums at Roanoke Island, Fort Fisher, and Pine Knoll Shores.	($100,000)	R	($100,000)	R
Conservation, Planning, and Community Affairs				
15 Sustainable Communities Task Force Abolishes the Community Planner position (60031547) that supports the Sustainable Communities Task Force, which was created by the General Assembly in 2010 to lead and support the State's sustainable communities initiatives. Also, sunsets the Task Force on June 30, 2013.	($95,331) -1.00	R	($95,331) -1.00	
16 Operating Support Restores personnel and operating funds for the Office of Conservation, Planning and Community Affairs that had been previously supported with a transfer from the Natural Heritage Trust Fund. 60036191 Program Development Coordinator 60036192 Program Development Coordinator 60036213 Educational Development Coordinator	$325,000 3.00	R	$325,000 3.00	R
17 Water and Land Conservation Authority Provides funding to establish a new Water and Land Conservation Fund comprised of the former Natural Heritage Trust Fund and Clean Water Management Trust Fund, and creates a new Authority to oversee the expenditures from the Fund. Provides staff (13.50 FTE) to administer the new fund and continues funding for the Natural Heritage Program (15.75 FTE).	$12,000,000 29.25	R	$14,000,000 29.25	R

Senate Subcommittee on Natural and Economic Resources	FY 13-14		FY 14-15	
Energy, Mineral and Land Resources				
18 Energy Office Transfers the Energy Office from the Department of Commerce to the Department of Environment and Natural Resources as a Type I transfer, including 49.91 FTEs supported by receipts in special funds.	$1,762,714 6.17	R	$1,762,714 6.17	R
19 Pass-through Funding to Appalachian State University Reduces funding to Appalachian State University. Instead, provides nonrecurring funds from the Tennessee Valley Authority settlement, which must be spent in accordance with either the Consent Decree ("Categories of Projects," paragraph 128) or the Compliance Agreement ("Environmental Mitigation Projects," Appendix C).	($240,000)	NR	($240,000)	NR
20 Shale Gas Exploration Provides funding to support up to four positions to assist the Energy and Mining Commission as well as operating support including but not limited to annual membership dues to the Southern States Energy Board and marketing expenses related to shale gas resources. Also provides nonrecurring funding to provide for data collection and analysis of geological samples associated with the State's shale gas basins: Deep River Basin, Dan River Basin, and the Cumberland-Marlboro Basin.	$300,000 $300,000 4.00	R NR	$400,000 $250,000 4.00	R NR
Environmental Assistance and Outreach				
21 Small Business Assistance Program Budgets Air Quality permit fees to partially offset General Fund support of a Senior Environmental Specialist (60035965) in the federally mandated Small Business Assistance Program, which helps small businesses comply with the requirements of the Clean Air Act.	($19,422) -0.30	R	($19,422) -0.30	R
22 Solid Waste Management Provides funding for the activities of the Solid Waste Management Outreach Program (previously the Solid Waste Management Trust Fund), which now includes developing secondary markets for the reuse of scrap tires.	$1,100,000	R	$1,100,000	R
23 Operating Funds Provides funds to support personnel and operating costs that were previously funded from the Solid Waste Management Trust Fund.	$1,375,000 15.50	R	$1,375,000 15.50	R
Marine Fisheries				
24 Temporary Wages Reduces temporary wages in the License Administration and Trip Ticket programs, the Purchasing/Warehouse Unit and the Marine Patrol Section. Total funding remaining for temporary wages is $103,503.	($183,183)	R	($183,183)	R

	FY 13-14		FY 14-15	
25 Shellfish Rehabilitation Program Reduces funding for the Shellfish Rehabilitation Program by cutting temporary wages ($27,474). Also eliminates one Marine Biologist position (60032767), which supports the Oyster Shell Recycling program, and associated operating costs.	($81,605) -1.00	R	($81,605) -1.00	R
26 Fisheries Resource Grant Program Eliminates the remaining appropriation for the Fishery Resource Grant Program which promotes cooperative research among commercial fishers, recreational anglers, seafood businesses and university researchers.	($100,000)	R	($100,000)	R
27 Marine Patrol Budgets anticipated federal receipts due to the creation of a Joint Enforcement Agreement that would allow the Division of Marine Fisheries to receive federal funds for enforcing federal fisheries laws in federal waters and law enforcement officers to be cross-sworn as National Marine Fisheries Agents. North Carolina is the only coastal state without a Joint Enforcement Agreement.	($150,000)	NR	($200,000)	NR
28 At-Sea Observer Program Provides nonrecurring funding for six new positions to support a statewide at-sea observer program for all fisheries, with an emphasis on the commercial estuarine gill net fishery. These positions, combined with nine existing positions, are necessary to meet federal requirements to monitor multiple fisheries.	$1,100,000 15.00	NR		
Museum of Natural Sciences				
29 Grassroots Science Museums Transfers the funding and grant oversight for the Grassroots Science Museums to the Museum of Natural Sciences, the State's lead science museum.	$2,289,782	R	$2,286,043	R
30 Museum of Forestry Eliminates funding for the Museum of Forestry and transfers ownership of the Museum to the City of Whiteville. Provides funding for the Museum through the Grassroots Science Program. 60035027 Natural Science Museum Program Chief 60035029 Art Exhibits Technician 60035033 Natural Science Curator II 60035028 Administrative Assistant	($357,397) -4.00	R	($357,397) -4.00	R
Parks and Recreation				
31 Adopt-a-Trails Eliminates funding for the Adopt-a-Trails Program. Grant funding for trail projects is still available through the NC Parks and Recreation Trust Fund.	($108,000)	R	($108,000)	R
32 Parks Operations Restores funding to the Division's operating budget which was reduced on a nonrecurring basis in the 2011-13 biennium.	$6,000,000	R	$6,000,000	R

	FY 13-14		FY 14-15	
33 Parks and Recreation Trust Fund Provides a recurring General Fund appropriation to the Parks and Recreation Trust Fund to replace the loss of the deed stamp tax revenue which will now be deposited in the State's General Fund. Continues funding for staff associated with Trust Fund activities.	$11,000,000 15.00	R	$13,000,000 15.00	R
Waste Management				
34 Texfi Site Contamination Provides nonrecurring funds to be used for the cleanup and monitoring of groundwater and other contamination located at the Texfi site in Fayetteville as well as any emergency cleanup activities at that site.	$50,000	NR		
35 Scrap Tire Program Provides recurring funding to support a portion of the salaries (.25 FTE) of four positions in four regional offices ($80,000) and $420,000 for scrap tire grants to counties. 60034594 Environmental Senior Specialist (0.25 FTE) 60034602 Environmental Program Supervisor (0.25 FTE) 60034608 Environmental Specialist (0.25 FTE) 60034595 Environmental Specialist (0.25 FTE)	$500,000 1.00	R	$500,000 1.00	R
36 Bernard Allen Memorial Emergency Drinking Water Fund Provides funds to replace the loss of scrap tire tax revenue, which will now be deposited into the State's General Fund.	$800,000	R	$800,000	R
37 Inactive Hazardous Waste Sites Provides funding for the Inactive Hazardous Sites Program to hire one engineer and one hydrogeologist to evaluate areas with known contamination that have limited data on water supply wells. The staff will sample water supply wells as well as investigate and abate contamination sources.	$250,000 2.00	R	$250,000 2.00	R
38 Noncommercial Fund Provides a nonrecurring appropriation for the Noncommercial Leaking Underground Storage Tank Fund to assist homeowners with the cleanup costs of petroleum releases from home heating oil tanks and smaller farm tanks.	$3,500,000	NR		
Water Infrastructure Authority				
39 Water Infrastructure Authority (WIA) Creates a new division and authority within the Department of Environment and Natural Resources for the purpose of addressing critical public water and wastewater infrastructure needs. Provides funding for a new Assistant Secretary for Infrastructure, a new Division Director, as well as a recurring General Fund appropriation for a water and sewer database and planning and supplemental grants to assist local governments. WIA will also administer the State Revolving Funds and the Community Development Block Grant Infrastructure Grant Program.	$4,000,000 2.00	R	$5,500,000 2.00	R

	FY 13-14		FY 14-15	
40 Drinking Water State Revolving Fund				
Provides funding to meet State match requirements of $4.71 million to allow the Department to draw down the maximum amount of federal funds available ($23.54 million) for the Drinking Water State Revolving Fund for FY 2013-14. State match will be provided by combining a nonrecurring General Fund appropriation of $1,255,720 with $3.8 million in State funds from the Drinking Water Reserve.	$1,255,720	NR		
41 Clean Water State Revolving Fund	$4,925,000	R	$5,000,000	R
Provides funding for the required State match to draw down the maximum amount of federal funds available for the Clean Water State Revolving Fund. This program provides low-interest loans to local governments to construct wastewater facilities and provides $5 in federal capitalization grant funds for every $1 the state provides in matching funds.				
Water Quality				
42 Clean Water State Revolving Fund				
Transfers the Clean Water State Revolving Fund program and staff to the newly created Division of Water Infrastructure.				
Water Resources				
43 Receipt Support	($409,521)	R	($409,521)	R
Budgets additional federal receipts and shifts 4.3 positions from General Fund appropriation to receipt support.	-4.30		-4.30	
60034385 Engineering Manager (1.00 FTE) 60034388 Engineer (0.80 FTE) 60034394 Engineering Supervisor (1.00 FTE) 60034398 Engineering Supervisor (1.00 FTE) 60034397 Geologist (0.50 FTE)				
44 Drinking Water State Revolving Fund				
Transfers the Drinking Water State Revolving Fund program and staff to the newly created Division of Water Infrastructure.				
Zoo				
45 Operating Reductions	($211,323)	R	($211,323)	R
Reduces operating support for temporary wages, worker's compensation and equipment.				
46 Zoo Tram				
Provides funding to support repair and replacement of zoo trams.	$250,000	NR		

Senate Subcommittee on Natural and Economic Resources	FY 13-14		FY 14-15	
Total Legislative Changes	**$42,683,820**	**R**	**$48,355,081**	**R**
	$6,065,720	**NR**	**($190,000)**	**NR**
Total Position Changes	82.32		67.32	
Revised Budget	**$157,890,131**		**$157,385,763**	

Wildlife Resources Commission

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$18,476,588**		**$18,476,588**	
Legislative Changes				
Commission-wide				
47 Wildlife Resources Commission Operations Reduces General Fund appropriations by 49% and allows the Wildlife Resources Commission to use other funds available to the Commission to offset the reduction at its discretion.	($9,000,000)	R	($9,000,000)	R
Total Legislative Changes	**($9,000,000)**	**R**	**($9,000,000)**	**R**
Total Position Changes				
Revised Budget	**$9,476,588**		**$9,476,588**	

Commerce

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$33,469,442**		**$33,469,442**	
Legislative Changes				
Department-wide				
48 Management Flexibility Reserve Reduces funding to the Department by 1.2% and provides the Secretary with the flexibility to take the reduction to programs and activities that cause the least disruption in service.	($354,200)	R	($354,200)	R
49 Indirect Cost Receipts Offsets the General Fund appropriation by maximizing the use of indirect cost receipts.	($205,786)	R	($205,786)	R
Administration				
50 Special Funds Offsets the General Fund appropriation for Administration by directing the unencumbered cash balance as of June 30, 2013 from the following funds toward operating costs: NC Green Business Fund (24609-2535) Energy Research Grants Special Fund (24609-2537) International Trade Show Special Fund (24610-2431). Closes the Internation Trade Show Special Fund after transfer.	($332,527)	NR		
51 Director of Internal Operations Eliminates the Director of Internal Operations (60077182) position.	($131,001) -1.00	R	($131,001) -1.00	R
52 Accountant I and Accountant II Eliminates an Account I position (60089502) and an Accountant II position (60077178). These positions are no longer required to monitor nonprofits.	($139,039) -2.00	R	($139,039) -2.00	R
53 Processing Assistant Eliminates a Processing Assistant position (60080973).	($47,581) -1.00	R	($47,581) -1.00	R
54 Base Realignment and Closure (BRAC) Provides nonrecurring funding for the State's preparation for Department of Defense BRAC activities.	$1,000,000	NR		

Senate Subcommittee on Natural and Economic Resources	FY 13-14		FY 14-15	
Business and Industry				
55 Regional Office Restructuring Eliminates existing regional office resources; redirects support to new Rural Economic Development Division.	($1,399,422) -19.00	R	($1,399,422) -19.00	R
56 Economic Developer Eliminates an Economic Developer position (60080949).	($83,651) -1.00	R	($83,651) -1.00	R
Commerce Finance Center				
57 Utility Account Proceeds Transfers anticipated proceeds from the Job Development Investment Grant's (JDIG) Industrial Development Fund (IDF) - Utility Account to offset Commerce operating expenses and thereby reduce the agency's General Fund appropriation.	($5,000,000)	NR	($5,000,000)	NR
58 Job Maintenance and Capital Development Fund (JMAC) Provides funds to fulfill JMAC agreements with Goodyear, Bridgestone, and Domtar.	$6,705,473	NR	$7,500,000	NR
Community Assistance				
59 Support Positions and Operating Budget Reduces two part-time administrative positions (60081170) and lowers associated operating budget items.	($43,481) -1.00	R	($43,481) -1.00	R
Energy				
60 Energy Transfers the Energy Office from the Department of Commerce to the Department of Environment and Natural Resources as a Type I transfer.	($1,762,714) -6.17	R	($1,762,714) -6.17	R
Industrial Commission				
61 Management Flexibility Reserve Reduces funding to the Commission by 1.7% and provides the Commissioner with the flexibility to take the reduction in programs and activities that cause the least disruption in service.	($81,539)	R	($81,539)	R
62 Commissioner Eliminates a Commissioner position (60080616). Section 16 of S.L. 2011- 287 reduced the number of Commissioners from seven to six, but did not eliminate the associated funding.	($150,029) -1.00	R	($150,029) -1.00	R
63 Insurance Compliance Program Provides funds to the Industrial Commission to establish a compliance program that will apply data analytics received from North Carolina's Government Data Analytics Center (formerly the Government Business Intelligence Competency Center). This data and its application will enable the Industrial Commission to proactively identify noncompliant businesses and ensure these businesses obtain and maintain the required workers' compensation coverage.	$901,502 13.00	R	$901,502 13.00	R

	FY 13-14		FY 14-15	
64 Investigation Management System	$75,000	R	$75,000	R
Provides the Industrial Commission's newly established compliance program with the technology necessary to process, prioritize and track investigations and results based on data provided by North Carolina's Government Data Analytics Center (formerly the Government Business Intelligence Competency Center).	$50,000	NR		
International Trade				
65 Position Reduction	($286,202)	R	($286,202)	R
Eliminates four positions:	-4.00		-4.00	
60081000 Administrative Assistant I Position 60081001 Events Coordinator Position 60081003 Business Development Manager Position 60081005 Business Development Manager Position				
66 High Point Office	($58,430)	R	($58,430)	R
Eliminates the High Point office and an Office Assistant position (60081007). The remaining Economic Developer position will co-locate with the High Point Market Authority.	-1.00		-1.00	
67 Trade Shows	($48,347)	R	($48,347)	R
Reduces the trade show advertising budget to align with prior year expenditures. Total budget remaining is $92,705.				
Labor and Economic Analysis Division				
68 Common Follow-Up System				
Provides funding for the Common Follow-Up System managed by the Labor and Economic Analysis Division (LEAD), which is used to track performance measures related to current and former participants in State job training, education and placement programs. Recurring funding will be contingent upon the findings of a legislative continuation review.	$500,000	NR		
Marketing				
69 Trade and Investment Event				
Provides funds for the 2014 Southeastern U.S. Canadian Strategic Trade and Investment Partnership Event. In an agreement signed in 2006, North Carolina agreed to host the event, which will identify opportunities to increase trade and investment between six southeastern U.S. States and seven Canadian provinces. The total cost is estimated at $400,000. It is expected that the remaining $250,000 will be raised from private sponsors.	$150,000	NR		

Senate Subcommittee on Natural and Economic Resources	FY 13-14		FY 14-15	
NC Broadband				
70 State Match Eliminates the State match for the federal grant provided by the U.S. Department of Commerce National Telecommunications and Information Administration for State Broadband Data and Development Grant, currently titled NC Broadband-Rigor in Mapping. The required State match has been satisfied and the project will be complete by October 2014.	($172,203)	R	($172,203)	R
Office of Science & Technology				
71 Division Elimination Eliminates the Office of Science and Technology, including the Director position (60081266) and the Executive Assistant (60081264). Directs Commerce Finance to administer outstanding grants.	($213,269) -2.00	R	($213,269) -2.00	R
Rural Economic Development				
72 Rural Economic Development Division Creates a new Division within the Department of Commerce for the purpose of addressing the economic development needs of the State's rural counties. Provides funding for a new Assistant Secretary for Rural Economic Development who will oversee administration of a new infrastructure grant program to local governments in Tier One and Two Counties. The Rural Economic Development Division may use up to three percent (3%) of the funds appropriated in this section to cover its expenses in administering the new infrastructure grant program. The Assistant Secretary will also oversee existing programs, including the Industrial Development Fund - Utility Account and the Community Development Block Grant for Economic Development. Also provides nonrecurring funding to encourage private sector broadband providers to extend connectivity to unserved areas that are otherwise not economically feasible for deployment.	$7,000,000	R	$10,000,000 $350,000	R NR
73 Regional Office Restructuring Establishes regional office resources under the Rural Economic Development Division and provides additional funding in an effort to enhance regional office presence in rural areas, focusing on new business recruitment and existing industry support.	$3,319,860 19.00	R	$3,713,790 19.00	R
Wanchese Seafood Industrial Park				
74 Receipt Support Eliminates funding for the Wanchese Seafood Industrial Park, including the Director position (60080846). The Park must be fully receipt supported beginning in FY 2014-15.			($140,081) -1.00	R

Senate Subcommittee on Natural and Economic Resources	FY 13-14		FY 14-15	
Workforce Solutions				
75 Workforce Investment Act Funds Transfers $350,000 recurring in federal Workforce Investment Act funds from the Department of Commerce to the Department of Labor to be used for the Apprenticeship Program.				
Total Legislative Changes	**$6,119,468** **$3,072,946**	**R** **NR**	**$9,373,317** **$2,850,000**	**R** **NR**
Total Position Changes	-7.17		-8.17	
Revised Budget	**$42,661,856**		**$45,692,759**	

Commerce - State Aid

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$59,714,814**		**$61,954,814**	
Legislative Changes				
(1) State-Aid				
76 Biofuels Center Eliminates General Fund support for operational expenditures.	($2,063,035)	R	($4,303,035)	R
77 Community Development Initiative Eliminates General Fund support for operational expenditures.	($3,806,180)	R	($3,806,180)	R
78 Council of Governments (COGs) Eliminates General Fund support for operational expenditures.	($328,105)	R	($328,105)	R
79 Grassroots Science Museums Reduces General Fund support for operational expenditures and transfers funding of the program to the Department of Environment and Natural Resources.	($2,773,043)	R	($2,773,043)	R
80 Institute of Minority Economic Development Eliminates General Fund support for operational expenditures.	($2,046,080)	R	($2,046,080)	R
81 Land Loss Prevention Project Eliminates General Fund support for operational expenditures.	($575,050)	R	($575,050)	R
82 NC Agriculture Foundation (FFA Foundation) Eliminates General Fund support for operational expenditures from Commerce State-Aid. The Department of Agriculture and Consumer Services may use up to $50,000 of available administrative funds to support the program.	($35,855)	R	($35,855)	R
83 NC Association of Community Development Corporations (CDCs) Eliminates General Fund support for operational expenditures.	($797,102)	R	($797,102)	R
84 NC Farm Bureau - Ag in the Classroom Eliminates General Fund support for operational expenditures.	($21,175)	R	($21,175)	R
85 NC Indian Economic Development Initiative Eliminates General Fund support for operational expenditures.	($86,004)	R	($86,004)	R

Senate Subcommittee on Natural and Economic Resources	FY 13-14		FY 14-15	
86 Partnership for the Sounds Eliminates General Fund support for operational expenditures.	($391,408)	R	($391,408)	R
87 Regional Economic Development Commissions Eliminates General Fund support for operational expenditures.	($2,151,517)	R	($2,151,517)	R
88 Research Triangle Institute Provides funds for the Research Triangle Institute to leverage federal research funds.	$250,000	NR		
89 The Support Center Eliminates General Fund support for operational expenditures.	($2,543,021)	R	($2,543,021)	R
90 Wake Forest Institute of Regenerative Medicine Transfers General Fund support for operational expenditures to the University of North Carolina system.	($7,649,897)	R	($7,649,897)	R
91 Restore Negative Management Flexibility Reserve Provides funding to fill a budget gap created by making a FY 2012-13 nonrecurring reduction permanent in the FY 2013-14 continuation budget.	$28,000	R	$28,000	R
(2) Biotechnology Center				
92 Biotechnology Center Reduces General Fund support for operational expenditures by 50%.	($8,600,338)	R	($8,600,338)	R
(3) Rural Economic Development Center				
93 Rural Economic Development Center Eliminates General Fund support for operational expenditures.	($16,619,194)	R	($16,619,194)	R
Total Legislative Changes	**($50,459,004)**	**R**	**($52,699,004)**	**R**
	$250,000	**NR**		
Total Position Changes				
Revised Budget	**$9,505,810**		**$9,255,810**	

Drinking Water Reserve

Budget Code: 64324

	FY 2013-14		FY 2014-15	
Beginning Unreserved Fund Balance	**$13,298,248**		**$9,498,248**	
Recommended Budget				
Requirements	**$472,051**		**$472,051**	
Receipts	**$472,051**		**$472,051**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
Drinking Water Reserve	$0	R	$0	R
Provides a portion of the State match required to draw down the maximum amount of federal funds available ($23.54 million) for the Drinking Water State Revolving Fund for FY 2013-14.	$3,800,000	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$3,800,000	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Drinking Water Reserve	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

Subcommittee on Natural and Economic Resources

	FY 2013-14	FY 2014-15
Revised Total Requirements	$4,272,051	$472,051
Revised Total Receipts	$472,051	$472,051
Change in Fund Balance	($3,800,000)	$0
Total Positions	0.00	0.00
Unappropriated Balance Remaining	$9,498,248	$9,498,248

Commerce - Special Revenue - GF

Budget Code: 24609

	FY 2013-14		FY 2014-15	
Beginning Unreserved Fund Balance	**$18,348,044**		**$17,797,898**	
Recommended Budget				
Requirements	**$28,711,556**		**$28,711,556**	
Receipts	**$28,476,737**		**$28,476,737**	
Positions	**6.00**		**6.00**	
Legislative Changes				
Requirements:				
NC Green Business Fund	$0	R	$0	R
Transfers a portion of the cash balance to Commerce's Administration Division to offset operating expenses.	$36,827	NR	$0	NR
	0.00		0.00	
Energy Research Grants	$0	R	$0	R
Transfers a portion of the cash balance to Commerce's Administration Division to offset operating expenses.	$278,500	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$315,327	NR	**$0**	NR
	0.00		0.00	
Receipts:				
NC Green Business Fund	$0	R	$0	R
	$0	NR	$0	NR
Energy Research Grants	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

Subcommittee on Natural and Economic Resources

	FY 2013-14	FY 2014-15
Revised Total Requirements	**$29,026,883**	**$28,711,556**
Revised Total Receipts	**$28,476,737**	**$28,476,737**
Change in Fund Balance	**($550,146)**	**($234,819)**
Total Positions	**6.00**	**6.00**
Unappropriated Balance Remaining	**$17,797,898**	**$17,563,079**

Commerce

Commerce- Special, Unbudgeted

Budget Code: 24610

	FY 2013-14		FY 2014-15	
Beginning Unreserved Fund Balance	**$698,929**		**$681,729**	
Recommended Budget				
Requirements	**$66,100**		**$66,100**	
Receipts	**$66,100**		**$66,100**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
International Trade Show	$0	R	$0	R
Transfers the cash balance to Commerce's Administration Division to offset operating expenses. Closes fund 24610 - 2431.	$17,200	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$17,200	NR	**$0**	NR
	0.00		0.00	
Receipts:				
International Trade Show	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

Subcommittee on Natural and Economic Resources

	FY 2013-14	FY 2014-15
Revised Total Requirements	$83,300	$66,100
Revised Total Receipts	$66,100	$66,100
Change in Fund Balance	($17,200)	$0
Total Positions	0.00	0.00
Unappropriated Balance Remaining	$681,729	$681,729

JUSTICE
&
PUBLIC SAFETY
Section I

Public Safety

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$1,722,061,784**		**$1,732,859,184**	
Legislative Changes				
A. Department-wide				
1 Consolidation Efficiencies Allows the Department to identify additional savings resulting from the consolidation of the Departments of Crime Control and Public Safety, Juvenile Justice, and Adult Correction that occurred January 1, 2012.	($5,000,000)	R	($5,000,000)	R
2 Vacant Positions Eliminates 15 vacant positions. No district level State Highway Patrol (SHP) Troopers, custody and security officers or probation and parole positions in the Division of Adult Correction, or court counselors in the Division of Juvenile Justice may be eliminated as a result of this reduction.	($952,582) -15.00	R	($952,582) -15.00	R
B. Administration				
3 Secretary's Office Positions Eliminates two vacant management positions in the Secretary's Office.	($292,384) -2.00	R	($292,384) -2.00	R
4 Operating Budget Reduces various line items from the operating budget for the Division of Administration.	($579,244)	R	($579,244)	R
C. Law Enforcement				
5 DPS Law Enforcement Health Benefits Pays employer health premiums and contributions for sworn law enforcement officers from funds available in the Separate Insurance Benefits Plan.	($16,510,611)	NR	($16,510,611)	NR
6 ALE Position Reduction Eliminates three positions in Alcohol Law Enforcement (ALE) administration: -3.00	($264,600) -3.00	R	($264,600) -3.00	R

Position	Title	Total Position Cost
60084333	ALE Assistant Director	$116,774
60084297	Asst. Special Agent in Charge	$ 84,963
60084287	Accreditation Manager	$ 62,863

7 ALE Permit Inspection Function Transfers responsibility for permit inspections from ALE to the Alcoholic Beverage Control (ABC) Commission. -29.00	($1,900,000) -29.00	R	($1,900,000) -29.00	R

	FY 13-14		FY 14-15	
8 Butner Public Safety Eliminates the State grant to the Butner Public Safety Authority. The Authority can receive State funds through the State Fire Protection Grant Fund. $100,000 is appropriated in the General Government Section of the budget to expand the program to Butner without reducing allotments to other fire departments.	($1,751,118)	R	($1,751,118)	R
9 SCP Positions Provides funding for four telecommunicator positions and four public safety officer positions in the State Capitol Police.	$336,122 $45,751 8.00	R NR	$336,122 8.00	R
10 SHP Vacant Trooper Positions Budgets all vacant trooper positions (including vacant Senior Trooper and vacant Master Trooper positions) at the starting pay for troopers ($37,500 plus benefits). Currently, 69 vacant trooper positions cannot be filled because they are budgeted at $0.10 as a result of reductions taken in FY 2011-12. This appropriation restores that reduction, increasing the total number of troopers statewide.	$2,147,463	R	$2,147,463	R
11 SHP Fuel Provides funding to increase the budget for State Highway Patrol fuel to actual expenditure levels.	$3,677,292	R	$3,677,292	R
12 SHP Aircards Provides funds to support air card connectivity for mobile data computers in trooper vehicles. The air card allows troopers to have mobile access to multiple criminal, court, and DMV databases.	$626,000	R	$626,000	R
13 SHP Mobile Computers Provides funds to replace outdated or failing mobile data computer equipment, including computers, printers, and docking stations, for State Highway Patrol troopers' vehicles.	$1,050,640	NR		
14 SHP Communication Center Consolidation Consolidates communication centers from three troops. Transfers eighteen telecommunicator positions to other troops and provides funding in the first year for equipment required to expand communication operations in two of the remaining troops. Consolidation of communication centers should be completed no later than October 1, 2013.	($1,141,480) -30.00	R	($1,662,707) -30.00	R
15 SHP Aviation Consolidates the Highway Patrol Aviation section from four hangars to two.	($901,900) -9.00	R	($901,900) -9.00	R
16 SHP Consolidation of Technology Services Functions Eliminates six civilian information technology related positions in the Highway Patrol. Consolidation of all law enforcement information technology functions in the Department of Public Safety should result in additional reductions in the future.	($506,517) -6.00	R	($506,517) -6.00	R
17 SHP Warehouse Leases Consolidates three State Highway Patrol warehouses into other existing Department of Public Safety warehouse space.	($191,474)	R	($191,474)	R

	FY 13-14		FY 14-15	
18 SHP Administration Eliminates various positions in State Highway Patrol administration. Positions that are eliminated should all be administrative and/or management positions. No district level positions should be eliminated as a result of this reduction.	($700,000)	R	($700,000)	R
19 SHP Accreditation Unit Eliminates two sworn law enforcement and three civilian positions responsible for overseeing the State Highway Patrol's accreditation process.	($402,978) -5.00	R	($402,978) -5.00	R
20 SHP Support Positions Eliminates nine vacant civilian positions that provide support services to various units within the Highway Patrol.	($772,853) -9.00	R	($772,853) -9.00	R
21 SHP Traffic Safety Information Officers Eliminates the Traffic Safety Information Officer position in each Highway Patrol Troop.	($527,288) -8.00	R	($527,288) -8.00	R
22 VIPER Operations and Maintenance Provides additional funding for the operation and maintenance of the Voice Interoperability Plan for Emergency Responders (VIPER) system.	$2,825,471 13.00	R	$2,825,471 $580,000 13.00	R NR
23 SHP VIPER Technology Upgrade Provides $25 million nonrecurring in FY 2013-14 to upgrade the VIPER system to P-25 technology.	$25,000,000	NR		
24 SHP VIPER Tower Construction Provides $7 million recurring in FY 2014-15 to complete construction of 29 State-funded towers for the VIPER system. Tower construction should be complete in FY 2016-17, at which time this appropriation will be reduced to $2 million recurring to fully fund operation and maintenance of the completed VIPER system.			$7,000,000	R

Position	Title	Total Position Cost
60084955	Quality Accreditation Unit Mgr.	$104,417
60086601	Policy & Procedure Manager	$ 87,923
60085343	Accreditation Manager	$ 87,923
60086920	Civilian Accreditation Mgr.	$ 74,689
60084612	Tech Support Technician	$ 48,026

Senate Subcommittee on Justice and Public Safety	FY 13-14		FY 14-15	
25 State Bureau of Investigation	$32,954,964	R	$30,954,964	R
Transfers the State Bureau of Investigation to the Division of Law Enforcement in the Department of Public Safety.	423.00		423.00	
Removes the following from the SBI and places them under the direct control of the Attorney General: - NC State Crime Laboratory ($13.7 million, 182.80 FTE) - Public Corruption Investigation Unit ($393,723, 5.00 FTE) - DOJ Information Technology Positions ($1.1 million, 16.00 FTE)				
Consolidation of all of the State's major law enforcement agencies and criminal information sections under the Department of Public Safety should result in additional savings in the future. A reduction of $2 million in the second year reflects these anticipated savings.				
D. National Guard				
26 Armories Upgrade	$850,000	R	$850,000	R
Provides funds to address maintenance needs at the State's 93 National Guard Readiness Centers. Additional funds are appropriated in the Capital Section for repair and renovation of the armories.				
27 Tarheel ChalleNGe	$767,719	R	$767,719	R
Transfers funding from the Department of Public Instruction (DPI) for Tarheel ChalleNGe, a National Guard program for at-risk youth, back to the Department of Public Safety (DPS) budget. These funds were transferred to DPI in 2009, but federal matching funds are currently receipted to DPS. This transfer consolidates all of the funding for Tarheel ChalleNGe in one place. A corresponding reduction can be found in the Education Section of the budget.				
E. Adult Correction - General				
28 Purchased Services	($6,000,000)	R	($6,000,000)	R
Reduces the Purchased Services fund to FY 2011-12 actual expenditures.				
29 Budget Reserve Restoration				
Eliminates the partial restoration of a nonrecurring budget reserve reduction from FY 2011-12 that reflected a lower prison population.			($6,554,741)	NR
F. Adult Correction - Prisons				
30 Education Supplies	($36,000)	R	($36,000)	R
Reduces funding for prison substance abuse supplies to reflect actual expenditures, leaving $100,557.				
31 Inmate Health Care	($9,000,000)	R	($9,000,000)	R
Reduces Inmate Health Care funding to account for savings from completion of the new hospitals at Central Prison and NC Correctional Institution for Women, increased Medicaid reimbursements for treatment of qualified inmates, and the payment cap on billed charges to hospital and other providers.				

	FY 13-14		FY 14-15	
32 Morrison CI Electronic Intrusion Eliminates tower positions effective April 1, 2014 at Morrison Correctional Institution through the use of an electronic intrusion system that provides increased security.	($24,202) -12.00	R	($404,911) -12.00	R
33 Bladen Correctional Center Closes Bladen Correctional Center, a 172-bed minimum custody facility, effective October 1, 2013. The closure is part of a reduction in prison capacity to reflect the declining prison population.	($1,969,779) -52.00	R	($2,499,168) -52.00	R
34 Duplin Correctional Center Closes Duplin Correctional Center, a 328-bed minimum custody facility, effective August 1, 2013. The closure is part of a reduction in prison capacity to reflect the declining prison population.	($3,759,729) -80.00	R	($4,101,522) -80.00	R
35 Robeson Correctional Center Closes Robeson Correctional Center, a 276-bed minimum custody facility, effective August 1, 2013. The closure is part of a reduction in prison capacity to reflect the declining prison population.	($3,625,960) -80.00	R	($3,955,592) -80.00	R
36 Wayne Correctional Center Closes Wayne Correctional Center, a 428-bed medium custody facility, effective February 1, 2014. The closure is part of a reduction in prison capacity to reflect the declining prison population.	($3,014,444) -150.00	R	($7,234,666) -150.00	R
37 Western Youth Institution Closes Western Youth Institution, a 708-bed mixed custody facility, effective January 1, 2014. The closure is part of a reduction in prison capacity to reflect the declining prison population. $100,000 is left in the first year for DPS to repurpose the minimum custody portion of the facility.	($7,853,209) -323.00	R	($16,312,132) -323.00	R
38 Buncombe Correctional Center Closes Buncombe Correctional Center, a 182-bed minimum custody facility, effective October 1, 2013. The closure is part of a reduction in prison capacity to reflect the declining prison population.	($1,802,569) -48.00	R	($2,403,425) -48.00	R
39 Orange Correctional Center Closes Orange Correctional Center, a 200-bed minimum custody facility, effective October 1, 2013. The closure is part of a reduction in prison capacity to reflect the declining prison population.	($2,739,773) -73.00	R	($3,653,031) -73.00	R
40 Statewide Misdemeanant Confinement Fund Admin Reallocates the Statewide Misdemeanant Confinement Fund administration allotment to reduce the NC Sheriffs' Association percentage from 10% to 5% and to increase the percentage going to the Department of Public Safety from 1% to 5%. Budgets an additional $750,000 in receipts in the Division of Prisons' budget. Since the program's inception in August 2011, $39.5 million has been collected in the Fund. The Sheriff's Association has received $3.9 million and the Division of Adult Correction has received $394,881 to administer the program.	($750,000)	R	($750,000)	R

	FY 13-14		FY 14-15	
41 Statewide Misdemeanant Confinement Fund				
Transfers funds from the Statewide Misdemeanant Confinement Fund (Special Fund code 24500-2225) to the Department of Public Safety (General Fund budget code 14550) for the Division of Adult Correction. As of March 31, 2013, this fund has a balance of $20 million.	($7,700,000)	NR		
42 Tabor Correctional Institution Operating Reserve				
Reduces the operating reserve for the new minimum-custody dorm at Tabor Correctional Institution to reflect a delay in completion of construction.	($529,424)	NR		
G. Adult Correction - Community Corrections				
43 TECS Reduction				
Reduces the appropriation for Treatment for Effective Community Supervision (TECS) to adjust for delayed community programming start dates in some counties. The total funding for this program is $12.4 million after this non-recurring reduction.	($1,500,000)	NR		
44 Parole Commission	$374,497	R	$374,497	R
Increases funding for the Parole Commission in order to adequately manage the expected caseload of 12,500 to 15,000 offender records that will require review following implementation of the Justice Reinvestment Act. Total funding for this program will be $2.3 million.	$49,893 8.00	NR	 8.00	
45 Probation and Parole Positions	$5,761,119	R	$12,120,219	
Funds 175 new Probation Officer positions to adequately manage the increased caseloads created by the requirements of the Justice Reinvestment Act. In addition, provides funding for the reallocation of surveillance officers to probation officer positions.	$465,150 75.00	NR	$660,200 175.00	NR
H. Juvenile Justice				
46 Executive Management Staff	($363,183)	R	($363,183)	R
Eliminates three full-time executive positions in the Division of Juvenile Justice. These positions are currently filled.	-3.00		-3.00	

Position	Title	Total Position Cost
60000972	Deputy Comm Courts and Programs	$139,635
60001044	Deputy Comm Facilities	$129,992
60000891	Director of Detention Services	$ 93,556

47 YDC Operating Reduction	($100,000)	R	($100,000)	R
Reduces the total operating budget for Youth Development Centers.				
48 Lenoir Youth Development Center	($3,701,387)	R	($3,701,387)	R
Closes Lenoir Youth Development Center (YDC) and eliminates 71 full-time equivalent (FTE) positions. This facility shall be closed by October 1, 2013.	-71.00		-71.00	

	FY 13-14		FY 14-15	
49 Richmond Detention Center Closes Richmond Detention Center and eliminates 7.4 full-time equivalent (FTE) positions.	($407,074) -7.40	R	($407,074) -7.40	R
50 Buncombe Detention Center Closes Buncombe Detention Center and eliminates 19.3 full-time equivalent (FTE) positions.	($1,250,786) -19.30	R	($1,250,786) -19.30	R
51 New Western Multipurpose Group Home Appropriates funds for a new multipurpose group home in the Western district to provide youth services that may be needed following the closure of Buncombe Detention Center.	$650,000	R	$650,000	R
52 Juvenile Justice Community Programs Provides funding to the Division of Juvenile Justice for the expansion of contracted services for adjudicated juveniles.	$1,500,000	R	$1,500,000	R
53 Educational Services Transfer to DPI Transfers responsibility and funding for teachers in juvenile facilities to the Department of Public Instruction effective July 1, 2014.			($3,828,824) -62.00	R
54 Educational Administration Positions Eliminates three educational administration positions in the Division of Juvenile Justice that will no longer be required when the responsibility for education at juvenile facilities is transferred to DPI in FY 2014-15.			($268,445) -3.00	R

Position	Title	Total Position Cost
60001388	YDC Regional Principal	$ 92,480
60001611	Detention Ctr Regional Principal	$ 81,786
60001945	YDC Assistant Principal	$ 94,179

Total Legislative Changes	**($9,811,866)**	**R**	**($18,846,044)**	**R**
	$371,399	**NR**	**($21,825,152)**	**NR**
Total Position Changes	-507.70		-472.70	
Revised Budget	**$1,712,621,317**		**$1,692,187,988**	

Justice

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$77,773,575**		**$80,773,575**	
Legislative Changes				
A. Department-wide				
55 Vacant Position Reduction	($947,698)	R	($947,698)	R
Eliminates vacant positions throughout the Department of Justice. No vacant positions are to be eliminated from the NC State Crime Laboratory.	-13.00		-13.00	
B. Legal Services				
56 Tobacco Attorney and Paralegal Positions	$244,661	R	$244,661	R
Transitions one attorney position (60010420) and two paralegal positions (60010422 and 60010421) from receipt support to General Fund support. These positions were previously supported by receipts from Golden L.E.A.F. and the Tobacco Trust Fund. Another receipt supported attorney position that was vacant (60010423) is eliminated.	3.00		3.00	
C. State Bureau of Investigation (SBI)				
57 Transfer to DPS	($32,954,964)	R	($32,954,964)	R
Transfers the State Bureau of Investigation to the Division of Law Enforcement in the Department of Public Safety.	-423.00		-423.00	
Removes the following from the SBI and places them under the direct control of the Attorney General: - NC State Crime Laboratory ($13.7 million , 182.80 FTE) - Public Corruption Investigation Unit ($393,723, 5.00 FTE) - DOJ Information Technology Positions ($1.1 million, 16.00 FTE)				
Consolidation of all of the State's major law enforcement agencies and criminal information sections under the Department of Public Safety should result in additional savings in the future.				
D. NC State Crime Laboratory				
58 Toxicology Positions	$1,500,000	R	$1,500,000	R
Provides funding for 19 new toxicology positions in the Crime Lab to serve the western part of the State. The Crime Lab is directed to work with the Office of State Personnel to create a new apprentice level analyst position at a pay grade lower than that of Forensic Analyst I for trainee analysts.	$111,424 19.00	NR	 19.00	

	FY 13-14		FY 14-15	
59 Crime Lab Equipment Provides additional funds for equipment to expand the Crime Lab's ability to provide toxicology services in the western part of the State.			$1,000,000	NR
60 Toxicology Outsourcing Funds Provides funds for the outsourcing of toxicology cases to private lab service providers. Priority should be given to cases originating in the western part of the State to reduce the need for Crime Lab analysts from Raleigh and Greensboro to travel to those areas. If the Department determines that outsourcing of toxicology cases is not feasible due to legal concerns involving analyst testimony, these funds may be redirected to increase toxicology analysis capabilities within the Crime Lab.	$750,000	R	$750,000	R
E. Training and Standards				
61 Sheriffs' Education and Training Standards Appropriates funds to support the Sheriffs' Education and Training Standards Commission. Section 16C.6 transfers funds from the Statewide Misdemeanant Confinement Fund to the General Fund for this purpose. This Commission is currently supported by a portion of the $2 court fee designated for law enforcement training. Those funds will now wholly support the Criminal Justice Education and Training Standards Commission. These changes increase the funds available to DOJ to support both Standards Commissions.	$1,000,000	R	$1,000,000	R
62 Criminal Justice Education and Training Section 18B.18 changes the allocation of the $2 court fee designated for law enforcement training and standards by directing that all of the funds go to the Criminal Justice Education and Training Standards Commission (CJTS). Previously, those funds were split between the Sheriffs' Standards Commission and CJTS. The appropriation of funds to support Sheriffs' Standards in the previous item allows for the redirection of all of the $2 court fee to CJTS, increasing the amount available to DOJ for the support of both Standards Commissions.				
Total Legislative Changes	**($30,408,001)**	**R**	**($30,408,001)**	**R**
	$111,424	**NR**	**$1,000,000**	**NR**
Total Position Changes	-414.00		-414.00	
Revised Budget	**$47,476,998**		**$51,365,574**	

Judicial - Indigent Defense

GENERAL FUND

	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$114,505,898**		**$114,505,898**	
Legislative Changes				
63 Administrative Staff Operations Reduction	($258,634)	R	($258,634)	R
Reduces administrative staff through efficiencies gained by increased partnership with the School of Government for training, greater utilization of existing staff in lieu of contracted consultants, and more efficient distribution of workload. One position is being reduced to half-time (Special Counsel Legal Assistant, 60091441). The following three positions are being eliminated:	-3.25		-3.25	

Position	Title	Total Position Cost
60002264	IDS Admin Asst.	$44,473
60096765	IDS Research Staff	$28,000
60002229	Special Counsel	$52,739

64 Prisoner Legal Services Terminals	($2,890,000)	R	($2,890,000)	
Eliminates the State contract with Prisoner Legal Services in favor of prison legal terminals provided by the Department of Public Safety. Section 16C.9 directs the Department of Public Safety to look for an effective and efficient software alternative in prison libraries.				
65 Low-Level Misdemeanor Reclassification	($2,000,000)	R	($2,000,000)	R
Reclassifies low-level misdemeanors that rarely result in incarceration as Class 3 misdemeanors or infractions and modifies the sentencing structure for Class 3 misdemeanors so that the first three charges are fineable offenses. With no possibility of incarceration, these offenses do not require legal counsel.				
66 Additional Private Assigned Counsel Funds				
Allocates nonrecurring funds to pay private counsel assigned to represent indigent defendants, reducing a budget shortfall that has accumulated over several years. This budget shortfall creates a hardship for small business legal firms whose payments are delayed when State funding is exhausted before the end of the fiscal year.	$5,000,000	NR		
Total Legislative Changes	**($5,148,634)**	R	**($5,148,634)**	R
	$5,000,000	NR		
Total Position Changes	-3.25		-3.25	
Revised Budget	**$114,357,264**		**$109,357,26**	

Judicial

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$458,416,996**		**$458,416,996**	
Legislative Changes				
67 Magistrates Workload Formula Restores 39.5 magistrate positions to fund a minimum number of four magistrates per county.	$1,795,776 39.50	R	$1,795,776 39.50	R
68 State Court Reporters Reduction Reduces the number of Court Reporters by half and redirects that half of the funds saved be used for contracts with private vendors. This change leaves $5.8 million for court reporter functions in each year of the 2013-15 biennium.	($1,938,939) -52.00	R	($1,938,939) -52.00	R
69 Audio Equipment for Courts Provides funding for audio equipment in courtrooms in lieu of an assigned court reporter.	$1,000,000	NR		
70 Special Superior Court Judges Elimination Eliminates 12 Special Superior Court Judges who are not assigned to Business Court.	($2,156,347) -12.00	R	($2,156,347) -12.00	R
71 Administrative Budget Reduction Reduces funding for the Administrative Office of the Courts' Administration Division. This reduction will not impact any county or district level court personnel. This changes leaves total funding of $46.3 million for the Division in each year of the 2013-15 biennium.	($3,000,000)	R	($3,000,000)	R
72 Funds for Interpreters, Witnesses, and Juries Increases the budget for interpreters, expert witnesses, and jury fees as necessary to operate the State court system. Funds for interpreters would increase by $342,821 over the current budget of $1.0 million. Funds for expert witnesses would increase by $203,458 over the current budget of $422,498. Funds for jury fees would increase by $462,977 over the current budget of $3.2 million.	$1,009,256	R	$1,009,256	R
73 Electronic Court Information Pilot Provides funds for a pilot project in Pender County to create a paperless courtroom. These funds will expand the availability and use of e-filing and related information technology.	$500,000	NR	$500,000	NR
74 Local Hospital Toxicology Analysis Establishes a fund to be administered by the Conference of District Attorneys to allow district attorneys to use local hospitals for toxicology services in DWI cases.	$1,250,000	NR	$750,000	NR

Senate Subcommittee on Justice and Public Safety	FY_13-14		FY_14-15	
Total Legislative Changes	**($4,290,254)**	**R**	**($4,290,254)**	**R**
	$2,750,000	**NR**	**$1,250,000**	**NR**
Total Position Changes	-24.50		-24.50	
Revised Budget	**$456,876,742**		**$455,376,742**	

DPS Special Fund (Statewide Misdemeanant Confi

Budget Code: 24550

	FY 2013-14		FY 2014-15	
Beginning Unreserved Fund Balance	**$20,085,259**		**$6,385,259**	
Recommended Budget				
Requirements	**$0**		**$0**	
Receipts	**$0**		**$0**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
Statewide Misdemeanant Confinement Fund		R		R
Transfers $7.7 million nonrecurring to the Department of Public Safety (General Fund budget code 14550) for the Division of Adult Correction.	$7,700,000	NR	$0	NR
	0.00		0.00	
Sheriffs' Education and Training Standards	$1,000,000	R	$1,000,000	R
Transfers $1 million recurring to the General Fund to support the Sheriffs' Education and Training Standards Commission.	$0	NR	$0	NR
	0.00		0.00	
Continuation Budget Correction	$0	R	$0	R
Corrects a $5 million nonrecurring transfer to the Division of Adult Correction for the Treatment of Effective Community Superivision that was inadvertently omitted from the Governor's Continuation Budget.	$5,000,000	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$1,000,000**	R	**$1,000,000**	R
	$12,700,000	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Statewide Misdemeanant Confinement Fund	$0	R	$0	R
	$0	NR	$0	NR

	FY 2013-14		FY 2014-15	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$13,700,000**		**$1,000,000**	
Revised Total Receipts	**$0**		**$0**	
Change in Fund Balance	**($13,700,000)**		**($1,000,000)**	
Total Positions	**0.00**		**0.00**	
Unappropriated Balance Remaining	**$6,385,259**		**$5,385,259**	

GENERAL GOVERNMENT

Section J

Senate Subcommittee on General Government

(1.0) Cultural Resources

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$63,626,477**		**$63,629,480**	
Legislative Changes				
1100 - Administration				
1 Strategic Marketing Program				
Provides funding to create a department-wide marketing strategy. The Department shall coordinate these efforts with the Department of Commerce.	$53,000	NR		
1230 - Archives and Records				
2 Director of Division of Historical Resources	($119,190)	R	($119,190)	R
Eliminates one vacant supervisor position (60083302). The salary is $93,523 and benefits are $25,657.	-1.00		-1.00	
1241 - Historic Sites				
3 Savings at Historic Sites	($152,190)	R	($152,190)	R
Achieves savings at historic sites by implementing a policy of standard operating days, reducing contracts, and securing revenue enhancements. There will be a reduction of one position: Building and Environmental Technician (600083487).	-1.00		-1.00	
4 Historic Sites Partnerships	($85,454)	R	($170,908)	R
Reduces State appropriations for operations and eliminates a position in FY 2013-14 and another position in FY 2014-15 for the following historic sites: Aycock Birthplace, Polk Memorial, Vance Birthplace, and House in the Horseshoe. The appropriations for these sites are reduced by 25% in FY 2013-14 and 50% in FY 2014-15 in anticipation of increased local and private participation. The total State appropriations remaining for these sites is $170,908.	-1.00		-2.00	
1242 - Tryon Palace Historic Sites and Gardens				
5 Tryon Palace	($156,725)	R	($156,725)	R
Provides nonrecurring funding for Tryon Palace for FY 2013-14 and reduces recurring funds, leaving $2,475,196 in State appropriations.	$476,725	NR	$156,725	NR
The nonrecurring funding of $476,725 appropriated for Tryon Palace must be matched dollar for dollar in order to receive the entire State appropriation for FY 2013-14.				

Senate Subcommittee on General Government	FY 13-14		FY 14-15	
1320 - Museum of Art				
6 Museum of Art Operations	($450,000)	R	($730,383)	R
Reduces the recurring State appropriations for the Museum of Art and adds nonrecurring funds for FY 2013-14. If private funds do not replace the State appropriations, positions may be eliminated. The remaining State appropriations total $5,329,866.	$279,806	NR		
1330 - NC Arts Council				
7 NC Arts Council and Other Grants	($500,000)	R	($780,380)	R
Reduces funds for the Grassroots grants program, the grant to the Lost Colony, and the Basic grant program. The current State appropriations for the Arts Council including its grants program totals $7.4 million, after these reductions the total budget will be $6.7 million, of which $5 million is grant funding.				
8 Administration	($250,000)	R	($250,000)	R
Reduces State appropriations available for administration of the Arts Council activities; remaining funding will be $1,325,049. Positions may be eliminated in this reduction.				
Agency Wide				
9 Budget Gaps				
Provides non-recurring funds for workers' compensation and disability claims and corrects underfunded budget line items in Archives and Records and Historic Preservation.	$212,048	NR		
Workers' Compensation and Disability Claims $116,629 Account Code: 531631 Archives and Records and Historic Preservation $95,419				
Total Legislative Changes	**($1,713,559)**	**R**	**($2,359,776)**	**R**
	$1,021,579	**NR**	**$156,725**	**NR**
Total Position Changes	-3.00		-4.00	
Revised Budget	**$62,934,497**		**$61,426,429**	

(2.0) Cultural Resources - Roanoke Island Commission

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$1,058,757**		**$1,058,757**	
Legislative Changes				
2584 - Roanoke Island Commission				
10 Roanoke Island Commission Eliminates recurring funds for the Roanoke Island Festival Park.	($1,058,757)	R	($1,058,757)	R
Total Legislative Changes	**($1,058,757)**	**R**	**($1,058,757)**	**R**
Total Position Changes				
Revised Budget	**$0**		**$0**	

(3.0) Insurance

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$38,454,593**		**$38,464,213**	
Legislative Changes				
1100 - Across Divisions				
11 Position Eliminations	($560,589)	R	($560,589)	R
Eliminates nine positions across the Department of Insurance.	-9.00		-9.00	
1500 - Fire Marshal				
12 Fire Protection Grants	$100,000	R	$100,000	R
Provides additional funds for the State Fire Protection Grant Fund. These funds will be used to provide fire protection for the State-owned facilities located in Butner.				
Total Legislative Changes	**($460,589)**	R	**($460,589)**	R
Total Position Changes	-9.00		-9.00	
Revised Budget	**$37,994,004**		**$38,003,624**	

(4.0) Insurance - Volunteer Safety Workers' Compensation Fund

GENERAL FUND

	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$2,623,654**		**$2,623,654**	
Legislative Changes				
Volunteer Safety Workers' Compensation Fund				
13 Fund Eliminates recurring State appropriations. This funds for the Volunteer Safety Workers' Compensation Fund will come from G.S. 105-228.5(d)(3). Up to 20% of the tax shall be deposited into this Fund to continue financial support.	($2,623,654)	R	($2,623,654)	R
Total Legislative Changes	**($2,623,654)**	R	**($2,623,654)**	R
Total Position Changes				
Revised Budget	**$0**		**$0**	

(5.0) State Board of Elections

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$5,213,445**		**$5,213,445**	
Legislative Changes				
1100 - Administration				
14 Voter Photo Identification Requirement Appropriates funds for the implementation of a voter identification program. These funds will be used for new staff for the State Board of Elections and for other activities related to implementation of the new requirement.	$1,505,900 10.00	NR	$828,400 10.00	NR
15 Operating Budget Reduces the operating budget across all divisions.	($20,313)	R	($20,313)	R
Total Legislative Changes	**($20,313)** **$1,505,900**	R NR	**($20,313)** **$828,400**	R
Total Position Changes	10.00		10.00	
Revised Budget	**$6,699,032**		**$6,021,532**	

(6.0) General Assembly

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$52,845,390**		**$52,845,390**	
Legislative Changes				
1100 - Administration				
16 Furniture - Across Divisions Reduces the funds available for purchase of furniture for FY 2014-15.			($35,000)	NR
17 Management Flexibility Reduction - Agency Wide Creates a management flexibility reduction of $153,035 for the General Assembly.	($153,035)	R	($153,035)	R
18 Operating Budgets - All Divisions Reduces operating budgets to actual FY 2011-12 expenditures.			($31,500)	NR
19 Rental Parking Space Budget Reduces the rental parking space budget due to anticipated revenues to be generated from charging temporary staff a monthly parking fee.			($30,000)	R
20 Vacant Position Eliminations - Administrative Division Eliminates three positions that have been vacant over 180 days: 1.0 FTE Bill Room Supervisor (P30118) 0.6 FTE Housekeeper (P30549) 1.0 FTE Food Services Assistant I (P30615A)	($120,504) -2.60	R	($120,504) -2.60	R
21 School of Government Eliminates funds for the School of Government contract.	($185,000)	R	($185,000)	R
1213 - Research Division				
22 Vacant Position Eliminates one vacant positions that has been vacant for approximately 150 days: 1.0 FTE Senior Legislative Secretary (P30343)	($40,960) -1.00	R	($40,960) -1.00	R
House and Senate				
23 Subsistence Reduces the subsistence budget for FY 2014-15 based on the assumption that the long session end date of mid-July.			($123,760)	NR
24 Temporary Wages Reduces funding available for floaters during sessions.	($422,905)	NR	($640,864)	NR

Senate Subcommittee on General Government	FY 13-14		FY 14-15	
House and Senate				
25 Committee Reserves				
Reduces funds available for committee activities during FY 2013-14.	($473,703)	NR		
Total Legislative Changes	**($499,499)**	**R**	**($529,499)**	**R**
	($896,608)	**NR**	**($831,124)**	**NR**
Total Position Changes	-3.60		-3.60	
Revised Budget	**$51,449,283**		**$51,484,767**	

(7.0) Governor

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$5,539,743**		**$5,541,825**	
Legislative Changes				
26 Savings Reduces funds to achieve savings through reducing non-essential dues and memberships by $369,693 and the personnel budget by $50,000.	($419,693)	R	($419,693)	R
Total Legislative Changes	**($419,693)**	**R**	**($419,693)**	**R**
Total Position Changes				
Revised Budget	**$5,120,050**		**$5,122,132**	

(8.0) State Budget & Management

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$6,951,706**		**$7,034,217**	
Legislative Changes				
Across Divisions				
27 Position Eliminations	($114,634)	R	($114,634)	R
Eliminates two vacant positions:				
1.0 FTE Grants Assistant (60008975)	-2.00		-2.00	
1.0 FTE Management Analyst (60008594)				
Total Legislative Changes	**($114,634)**	R	**($114,634)**	R
Total Position Changes	-2.00		-2.00	
Revised Budget	**$6,837,072**		**$6,919,583**	

(9.0) State Budget and Management - Special

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$49,000**		**$49,000**	
Legislative Changes				
Grants-in-Aid				
28 Grants for Nonprofits Provides funding to the Office of State Budget and Management for nonprofits including the North Carolina Symphony and The Bridge Down East.	$1,800,000	NR	$1,500,000	NR
29 North Carolina Humanities Council Eliminates funds for the North Carolina Humanities Council.	($49,000)	R	($49,000)	R
Total Legislative Changes	**($49,000)**	**R**	**($49,000)**	**R**
	$1,800,000	**NR**	**$1,500,000**	**NR**
Total Position Changes				
Revised Budget	**$1,800,000**		**$1,500,000**	

(10.0) Auditor

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$11,013,547**		**$11,013,547**	
Legislative Changes				
30 Audit Positions Funds two auditor positions that will focus on IT security and fraud detection.	$203,921 2.00	R	$203,921 2.00	R
Total Legislative Changes	**$203,921**	R	**$203,921**	R
Total Position Changes	2.00		2.00	
Revised Budget	**$11,217,468**		**$11,217,468**	

(11.0) Revenue

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$80,031,575**		**$80,031,575**	
Legislative Changes				
1624 - Income Tax Division				
31 Income Tax Division Auditors	$190,027	R	$190,027	R
Adds two auditor positions in the Income Tax Division to help with backlogged cases. Backlogged cases are the result of requests for reviews of disputed audits.	$12,630	NR		
	2.00		2.00	
1627 - Sales and Use Tax				
32 Sales and Use Tax Division Auditor	$95,483	R	$95,483	R
Adds one auditor position to the Sales and Use Tax Division to help with backlogged cases. Backlogged cases are the result of requests for review of disputed audits.	$7,030	NR		
	1.00		1.00	
Agency Wide				
33 Funding for Tax Information Management System (TIMS)				
Uses receipts from prior project phases to continue the implementation of TIMS. Revenues equaling $8.9 million generated in prior years will support the internal costs of implementation.				
34 Support for Tax Law Changes	$5,000,000	R	$5,000,000	R
Provides funds to the Department to pay for staffing level increases and other costs associated with changes in tax law. This reserve is contingent on the passage of the Senate Tax Reform package.				
Total Legislative Changes	**$5,285,510**	R	**$5,285,510**	R
	$19,660	NR		
Total Position Changes	3.00		3.00	
Revised Budget	**$85,336,745**		**$85,317,085**	

(12.0) Secretary of State

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$11,845,185**		**$11,845,185**	
Legislative Changes				
1230 - Securities Registration				
35 Eliminate Vacant Positions in the Securities Registration Division	($81,091)	R	($81,091)	R
Eliminates two vacant positions (60008779 - Administrative Assistant II and 60008777 - Program Assistant IV) in the Securities Registration Division.	-2.00		-2.00	
Agency Wide				
36 Operations Reductions	($148,093)	R	($148,093)	R
Achieves savings throughout the Department by reducing various operating accounts.				
Total Legislative Changes	**($229,184)**	R	**($229,184)**	
Total Position Changes	-2.00		-2.00	
Revised Budget	**$11,616,001**		**$11,616,001**	

(13.0) Lieutenant Governor

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$444,047**		**$444,047**	
Legislative Changes				
1110 - Administration				
37 Support for Office Operations	$231,042	R	$231,042	R
Adds a Communication Director, Policy Director, and Director of Constituent Services to the Lieutenant Governor's Office.	$6,000	NR		
	3.00		3.00	
Total Legislative Changes	**$231,042**	R	**$231,042**	R
	$6,000	NR		
Total Position Changes	3.00		3.00	
Revised Budget	**$681,089**		**$675,089**	

(14.0) State Controller

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$29,279,290**		**$29,279,290**	
Legislative Changes				
38 Operating Budget Reduces various accounts across the office to achieve savings.	($45,000)	R	($45,000)	R
39 ITS Charges Reflects the reduced Information Technology Services (ITS) charges that will result from a new help desk ticketing system.	($35,000)	R	($35,000)	R
1000 - Office of State Controller				
40 BEACON Call Center Eliminates four filled positions from the BEACON Call Center.	($210,900)	R	($210,900)	R
	-4.00		-4.00	
65000576 Call Center Lead 60013748 Call Center Representative 60037599 Call Center Associate 60091721 Call Center Representative				
41 Eliminate Vacant BEACON Positions Eliminates seven vacant BEACON positions.	($394,495)	R	($394,495)	R
	-7.00		-7.00	
60087198 Business & Technology Applications Spec. 60092195 Call Center Representative 65000578 Call Center Representative 60092192 BEST Payroll Specialist 60087120 Business Systems Support Specialist 60091137 BEST Garnishment Rep 65001910 BEST Payroll Specialist				
42 Position Eliminations Eliminates four filled positions.	($433,204)	R	($433,204)	R
	-4.00		-4.00	
60087108 State Controller Business Systems Specialist 60087134 Business And Technology Applications Specialist 60087157 State Controller Financial Specialist 60087158 State Controller Financial Specialist				

Senate Subcommittee on General Government	FY 13-14		FY 14-15	
Total Legislative Changes	**($1,118,599)**	**R**	**($1,118,599)**	**R**
Total Position Changes	-15.00		-15.00	
Revised Budget	**$28,160,691**		**$28,160,691**	

(15.0) Administration

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$68,316,992**		**$68,241,992**	
Legislative Changes				
1411 - Office of State Construction				
43 Office of State Construction Receipts Moves positions at the Office of State Construction back to General Fund support. In FY 2011-12, nine positions within the Office of State Construction and 0.85 positions within the Management Information System Division were placed on receipt support. The receipts were to be from various projects' contingency reserves. The collection of funds from the contingency reserve has been problematic and the receipt source is uncertain. The following positions are to be moved back to General Fund support: 60014580 Engineer 60014582 Engineer 60014588 Engineer 60014589 Mechanical Engineer 60014590 Engineer 60014608 Engineering Technician 60014614 Engineer 60014700 Control System Technician 60089475 Engineer 60014137 Business & Technology Applications Analyst	$924,013 9.85	R	$924,013 9.85	R
1421 - Facilities Management Division				
44 Public Health Lab/Office of the Chief Medical Examiner Reserve Provides increased funding for the operation and maintenance of the Public Health Lab/Office of the Chief Medical Examiner building. The building first received funding in FY 2011-12.	$254,493	R	$254,493	R
45 Utility Increases Increases the budget in the utility line item (5322XX) to prepare for an upcoming rate increase to the water and sewer rate and any increase in the electric rate.	$254,494	R	$254,494	R
1511 - Purchase and Contract Division				
46 E-Commerce Reserve Utilizes funds collected in the E-Commerce Reserve to fund the ongoing operations of the Purchase and Contract Division. The Reserve is funded by a charge paid on goods purchased through the State's E-Procurement System.	($1,218,659)	NR	($1,476,543)	NR

	FY 13-14		FY 14-15	
1732 - Displaced Homemakers Program				
47 Displaced Homemakers Program Elimination	($292,390)	R	($292,390)	R
Eliminates the Displaced Homemakers Program and transfers funds collected from the divorce filing fee to the Domestic Violence Center Fund. The Domestic Violence Center Fund provides funding related to domestic violence. In FY 2011-12, the Displaced Homemakers Program Fund received $1.8 million from the fee.	-2.00		-2.00	
1741 - Human Relations Commission				
48 Consolidation	($178,521)	R	($178,521)	R
Consolidates staff functions by reducing the Human Relations Commission by three FTEs.	-3.00		-3.00	
1761 - Youth Involvement Division				
49 Youth Involvement Elimination	($526,252)	R	($526,252)	R
Eliminates the Youth Involvement Division and reimburses any related registration fees and grant funds back to the original payee or grantor. The following positions and benefits are eliminated:	-5.00		-5.00	
60014061 Administrative Officer II 60014064 Advocacy Program Director 60014065 Administrative Officer II 60014502 Program Assistant IV 60014506 Administrative Secretary III				
1771 - Division of Veterans Affairs				
50 Veterans Affairs ITS Consolidation	$115,000	R	$115,000	R
Provides funding to complete the Information Technology Services consolidation for the Division of Veterans Affairs field offices.	$68,000	NR		
51 Grant in Aid Program	($48,082)	R	($138,000)	R
Eliminates the grant in aid program to county governments for the provision of veterans' services over a two year period.				
1810 - State Ethics Commission				
52 Operating Expenses	($22,434)	R	($22,434)	R
Achieves savings by reducing various operating accounts.				
53 Position Funding				
Uses receipts from the Highway Fund to fund one new attorney position in the State Ethics Commission.				
Attorney II $110,330				
54 Position			($55,146)	R
Eliminates recurring funding for one filled paralegal position (65012030) in FY 2014-15.			-1.00	

Senate Subcommittee on General Government	FY 13-14		FY 14-15	
1861 - Commission of Indian Affairs				
55 Commission of Indian Affairs Consolidation Eliminates a vacant Administrative Assistant II position (60013923) at the Commission of Indian Affairs.	($34,444) -0.75	R	($34,444) -0.75	R
1900 - Reserves and Transfers				
56 Reserve and Transfer Reduction Eliminates an unnecessary appropriation within the Reserve and Transfer budget.	($32,942)	R	($32,942)	R
Agency Wide				
57 Vacant Position Eliminations Eliminates four vacant positions and benefits throughout the Department. 65010199 Human Services Planner/Evaluator IV 65015257 Building Environmental Services Tech 60014593 Engineer Manager 60014715 Processing Assistant IV	($286,119) -4.00	R	($286,119) -4.00	R
Office of State Personnel				
58 Operations Reduces funds from various operating line items including: supplies, office furniture, office equipment, computer/data processing services, travel, and other contracted services within the Office of State Personnel.	($175,964)	R	($175,964)	
Total Legislative Changes	**($49,148)** **($1,150,659)**	R NR	**($194,212)** **($1,476,543)**	R NR
Total Position Changes	-4.90		-5.90	
Revised Budget	**$67,117,185**		**$66,571,237**	

Reserve for E-Commerce Initiative (2514)

Budget Code: 24100

	FY 2013-14		FY 2014-15	
Beginning Unreserved Fund Balance	**$15,318,833**		**$6,517,947**	
Recommended Budget				
Requirements	**$21,748,642**		**$21,748,642**	
Receipts	**$19,278,000**		**$19,278,000**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
E-Commerce Fund Transfer	$0	R	$0	R
Transfers $5,111,585 in FY 2013-14 and $4,000,000 in FY 2014-15 to general availability.	$5,111,585	NR	$4,000,000	NR
	0.00		0.00	
Purchase and Contract Use of E-Commerce Reserve	$0	R	$0	R
Utilizes the E-Commerce Reserve to support operations within the Division of Purchase and Contract. Funds from the Reserve are to be transferred to the Division (1511) to support recurring operating requirements.	$1,218,659	NR	$1,476,543	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$6,330,244	NR	**$5,476,543**	NR
	0.00		0.00	
Receipts:				
E-Commerce Funds Transfer	$0	R	$0	R
	$0	NR	$0	NR
E-Commerce Funds Transfer	$0	R	$0	R
	$0	NR	$0	NR

	FY 2013-14		FY 2014-15	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$28,078,886**		**$27,225,185**	
Revised Total Receipts	**$19,278,000**		**$19,278,000**	
Change in Fund Balance	**($8,800,886)**		**($7,947,185)**	
Total Positions	**0.00**		**0.00**	
Unappropriated Balance Remaining	**$6,517,947**		**($1,429,238)**	

(16.0) Housing Finance Agency

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$9,408,417**		**$9,408,417**	
Legislative Changes				
1100 - HOME Match				
59 HOME Match Reduction Reduces the State match for the HOME program by two percent.	($32,168)	R	($32,168)	R
1100 Housing Trust Fund				
60 Housing Trust Fund Reduces the General Fund appropriation to the Housing Trust Fund to $7,000,000 for each year of the FY 2013-15 Fiscal Biennium.	($876,785)	NR	($876,785)	NR
Total Legislative Changes	**($32,168)**	**R**	**($32,168)**	**R**
	($876,785)	**NR**	**($876,785)**	**NR**
Total Position Changes				
Revised Budget	**$8,499,464**		**$8,499,464**	

(17.0) Office of Administrative Hearings

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$4,335,464**		**$4,350,431**	
Legislative Changes				
1100 - Civil Rights Division				
61 Vacant Civil Rights Position and Contractual Services	($82,845)	R	($82,845)	R
Eliminates vacant Civil Rights Investigator position (60088609) in the Civil Rights Division and reduces contractual services (532199). The position to be eliminated is:	-1.00		-1.00	
62 Staffing for Hearings Division	$194,687	R	$194,687	R
Increases staffing for the Hearings Division in order to meet increased case filings. The increased funding will provide for one Administrative Law Judge and one Law Clerk.	$10,388 2.00	NR	2.00	
1100 - Hearings Division				
63 Case Management System	$109,850	R	$110,308	R
Provides funding to fully implement the AMCAD case management system. This system will reduce paper filing, clerical entry, and mail processing.	$160,000	NR	$80,000	
Total Legislative Changes	**$221,692**	R	**$222,150**	R
	$170,388	NR	**$80,000**	NR
Total Position Changes	1.00		1.00	
Revised Budget	**$4,727,544**		**$4,652,581**	

(18.0) Treasurer

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$6,851,090**		**$6,851,090**	
Legislative Changes				
1210 - Investment Division				
64 Operating Reduction to Investment Division Eliminates the appropriated position reserve (537199) for Investment Directors and Chief Investment Officer.	($45,416)	R	($45,416)	R
1310 - Local Government Division				
65 State and Local Government Automation Project Authorizes the use of receipts for the State and Local Government Automation Project. This project is a multi-year effort to replace outdated information systems used by local government units. Project components include infrastructure upgrades, audit package with document management capabilities, modernization of Annual Financial Information Reporting (AFIR) process, and implementation of audit software. The Automation Project is funded from fees paid by local governments for debt issuance. The first phase of this project was authorized in FY 2011-12. The nonrecurring costs for this project are $1,048,200 for FY 2013-14. There will be additional recurring costs of $200,419.				
1510 - Financial Operations				
66 Reduction to Operating Funds in Financial Operations Division Reduces transfers to the Information Management Division by $70,000 (538175) to reflect change in the allocation formula, and reduces miscellaneous contractual services (532199) by $25,000. In addition, a vacant Banking Specialist position (60009292) is eliminated. The position has been vacant over three years.	($133,221) -1.00	R	($133,221) -1.00	R
1510 - Financial Operations Division				
67 Core Banking System Upgrade Provides non-recurring funds for the upgrade of the State's Core Banking System. Appropriations to the Division for this item will not be subject to G.S. 147-68.1.	$1,111,585	NR		
68 Operation of State Core Banking System Allows the Financial Operations Division to access funds under management to fund the operations of the upgraded State's Core Banking System Upgrade. Appropriations to the Division will be reimbursed in accordance with G.S. 147-68.1.	$353,852	R	$353,852	R

Senate Subcommittee on General Government	FY 13-14		FY 14-15	
Total Legislative Changes	**$175,215**	**R**	**$175,215**	**R**
	$1,111,585	**NR**		
Total Position Changes	-1.00		-1.00	
Revised Budget	**$8,137,890**		**$7,026,305**	

(19.0) Fire Rescue Nat Guard Pensions & LDD Benefits

GENERAL FUND

	FY 13-14	FY 14-15
Recommended Continuation Budget	**$23,179,042**	**$23,179,042**

Legislative Changes

1412 - Fire Pension

69 General Fund Fire Contribution

Provides the General Fund contribution to the Firemen's Pension Fund. The payment of these pension benefits is made pursuant to G.S. 58-86. The amount of the recurring General Fund contribution in the continuation budget is $14,015,734.

1413 - Rescue Squad

70 General Fund Contribution to the Rescue Squad Workers Pension Fund

Provides the General Fund contribution to the Rescue Squad Workers' Pension Fund. The payment of these pension benefits is made pursuant to G.S. 58-86. The amount of the recurring General Fund contribution in the continuation budget is $1,430,865. The appropriation is reduced by $820,000 relative to the continuation budget in order to align with the Annual Required Contribution in the June 30, 2012 actuarial valuation. This reduction appears in a corresponding money item in the Statewide Reserves section of the Committee Report.

1414 - National Guard

71 General Fund Contribution to National Guard

Provides the General Fund contribution to the National Guard Pension Fund. The payment of these pension benefits is made pursuant to G.S. 127A-40. The amount of the recurring General Fund contribution to the fund is $7,007,443.

1432 - Line of Duty Death Benefits

72 General Fund Contribution to Line of Duty Death Benefits

Provides the General Fund contribution to the Line of Duty Death Benefits Fund. The Fund provides benefits to families of certain public servants who die in the line of duty. The payment of these death benefits is made pursuant to G.S. 143-12A. The amount of the recurring General Fund contribution to the fund is $725,000.

	FY 13-14	FY 14-15
Total Legislative Changes		
Total Position Changes		
Revised Budget	**$23,179,042**	**$23,179,042**

TRANSPORTATION
Section K

Highway Fund

	HIGHWAY FUND	
	FY 13-14	FY 14-15
Recommended Continuation Budget	**$1,696,197,124**	**$1,692,322,459**

Legislative Changes

Adjustments to Availability

1 Inspection Program Account & Telecommunications Account

Appropriates $10.5 million of accumulated unencumbered fund balance in accordance with the elimination of the Inspection Program Account and Telecommunications Account upon completion of the Motor Vehicle Inspection and Law Enforcement System (MILES) information technology project. Projected recurring revenues from the consolidation of the Inspection ($3.00) and Telecommunications ($1.75) electronic authorization fees total $23.6 million in FY 2013-14 and $21.6 million in FY 2014-15.

2 Division of Motor Vehicles Technology Improvement Account

Appropriates $4.55 million of accumulated unencumbered fund balance in accordance with the elimination of the Technology Improvement Account. Additional recurring revenues to the Highway Fund total $634,000.

3 Access and Public Service Road Program

Appropriates $3.0 million of accumulated unencumbered fund balance from the Access and Public Service Road Program.

4 Division Small Urban Construction Program

Appropriates $25.0 million of accumulated unencumbered fund balance from the Division Small Urban Construction Program.

5 Contingency Fund

Appropriates $28.0 million of accumulated unencumbered fund balance from the Contingency Fund for maintenance projects.

6 Economic Development Program

Appropriates $3.1 million of accumulated unencumbered fund balance within the Economic Development Program for qualifying projects to be used in FY 2013-14.

7 Shallow Draft Navigation Channel Dredging Fund

Reduces Highway Fund revenue by $2,280,350 in FY 2013-14 and $2,193,500 in FY 2014-15 to reflect the crediting of one-sixth of one percent (1/6 of 1%) of motor fuel tax revenue to the Shallow Draft Navigation Channel Dredging Fund established by Section 14.22.

	FY 13-14		FY 14-15	
8 Registration Fee for Hybrid/Electric Vehicles Increases Highway Fund revenue by $1.5 million recurring resulting from the establishment of a $100 surcharge on registration fees for electric vehicles and a $50 surcharge on registration fees for hybrid-electric vehicles.				
9 Freight Rail & Rail Crossing Safety Improvement Fund Increases Highway Fund availability to reflect dividend payments issued by the North Carolina Railroad Company during the 2013-15 fiscal biennium. Estimated receipts total $19.2 million in FY 2013-14 and $3.75 million in FY 2014-15.				
Administration				
10 Facility Security Appropriates recurring funds to maintain the existing level of contract security at seven DOT buildings, as recommended in the Governor's Budget. Funds were previously allocated from the year-end credit balance within the Highway Fund for this purpose.	$303,896	R	$303,896	R
11 Fiscal Section - Appalachian Regional Commission Appropriates funding for the Department's share of the Appalachian Regional Commission Assessment, as recommended in the Governor's Budget. Funds were previously allocated from the Highway Fund year-end credit balance for this purpose.	$278,099	R	$278,099	R
12 Occupational Safety and Health (OSHA) Program Reduces funding for the Occupational Safety and Health (OSHA) Program, leaving $365,337, as recommended in the Governor's Budget.	($7,455)	R	($7,455)	
13 DOT-IT - Mainframe Application Modernization Appropriates funds to advance the development and implementation of replacement systems for Division of Motor Vehicles mainframe applications, including the State Titling and Registration System (STARS), State Automated Driver License System (SADLS), and Liability Insurance Tracking and Enforcement System (LITES). Funds are authorized for the procurement of contractual services, hardware and software for these replacement efforts.	$8,832,000	NR	$5,000,000 $8,798,400	R NR
14 Fiscal Section - Combined Registration and Tax Collection System Authorizes three additional receipt-supported positions to administer the collection of registration fees and property taxes upon implementation of the Combined Motor Vehicle Registration and Property Tax Collection System. Budgeted receipts are increased by $189,278 recurring in FY 2013-14 and $189,372 recurring in FY 2014-15. Costs incurred for project administration are supported by the administrative fee authorized in G.S. 105-330.5(b) and determined pursuant to the Memorandum of Understanding between the Department of Revenue and Division of Motor Vehicles, as required by G.S. 105-330.11. Total budgeted receipts for Fiscal Section project administration are $634,702 in FY 2013-14 and $634,796 in FY 2014-15.				

15 DOT-IT - Combined Registration and Tax Collection System

Authorizes two additional receipt-supported positions to support and maintain the Combined Motor Vehicle Registration and Property Tax Collection System. Budgeted receipts are increased by $240,296 recurring and $232,750 nonrecurring in FY 2013-14, and are reduced by $1,767,963 in FY 2014-15 per project close-out. Costs incurred for project administration are supported by the administrative fee authorized in G.S. 105-330.5(b) and determined pursuant to the Memorandum of Understanding between the Department of Revenue and Division of Motor Vehicles, as required by G.S. 105-330.11. Total budgeted receipts for DOT-IT project administration are $4,831,480 in FY 2013-14 and $2,861,062 in FY 2014-15.

	FY 13-14		FY 14-15	
16 Departmental Staffing Efficiencies	($1,374,402)	R	($1,374,402)	R
Eliminates 25 vacant administrative positions within the Department and 11 vacant receipt-supported positions:	-25.00		-25.00	

Position	Position Title
60019254	Office Assistant IV
60019645	Processing Assistant III
60019641	Processing Assistant IV
60020157	Processing Assistant III
60021214	Processing Assistant III
60022816	Processing Assistant III
60021741	Accounting Technician
60017652	Processing Assistant III
60027656	Engineering Manager
60021749	Processing Assistant III
60022317	Processing Assistant III
60019740	Processing Assistant III
60015796	Engineer
60015799	Engineer
60015802	Engineer
60015815	Engineer
60015819	Engineer
60015839	Engineer
60015335	Accountant
60015603	Transportation Program Section Chief
60015602	Aircraft Mechanic
60015443	Processing Assistant II
60015109	Business And Technology Applic Analyst
60015474	Processing Assistant III
60015532	Plant Maintenance Supervisor 1
60027024	Administrative Secretary III
60027234	Processing Assistant III
60015547	Plant Maintenance Supervisor 1
60025668	Executive Assistant I
60025676	Office Assistant III
60015364	Accounting Director
60015454	Accountant
60015412	Processing Assistant II
60015163	Transportation Planner III
65002114	Engineer Supervisor
65012864	Engineering Supervisor

Additionally, 303 vacant positions assigned to field and equipment units, of which 125 have been vacant longer than 600 days, are eliminated throughout the department. Projected savings associated with these position eliminations are returned to the funding programs.

Senate Subcommittee on Transportation	FY 13-14		FY 14-15	
Aid to Municipalities				
17 State Aid to Municipalities Appropriates additional funding from the consolidation of State Aid to Municipalities/Powell Bill allocations within the Highway Fund. Budgeted funds total $142,293,840 for FY 2013-14 and $136,874,010 for FY 2014-15.	$53,407,542	R	$48,165,484	R
Capital, Repairs & Renovations				
18 Repairs & Renovations Appropriates funds for repairs and renovations to eight Department of Transportation owned facilities during the 2013-15 fiscal biennium.	$3,532,900	NR	$2,792,000	NR
19 Capital Improvements Appropriates nonrecurring funds for capital improvement projects included in the Department of Transportation's 2013-2019 Capital Improvements Plan.	$14,522,600	NR	$17,145,700	NR
Construction				
20 Secondary Road Construction and Unpaved Secondary Road Paving Programs	($78,886,298)	R	($78,708,526)	R
Reduces funding for the Secondary Road Construction Program in FY 2013-14 and eliminates the program in FY 2014-15. The fund will be renamed in FY 2014-15 to the Unpaved Secondary Road Paving Program. The total budget is $25.0 million in FY 2013-14 and $10.0 million in FY 2014-15. The Department will allocate $10.0 million recurring beginning in FY 2013-14 for the paving of unpaved secondary roads based on the statewide prioritization list.	$15,000,000	NR		
21 Division Small Urban Construction Eliminates funding to the Division Small Urban Construction Program, as recommended in the Governor's Budget.	($7,000,000)	R	($7,000,000)	R
22 Access and Public Service Road Program Reduces funding for the Access and Public Service Roads Program by 2%, leaving $1,723,707, as recommended in the Governor's Budget.	($35,178)	R	($35,178)	R
23 Economic Development Program Fund Appropriates $3.1 million of accumulated unencumbered fund balance within the Economic Development Program for qualifying projects to be used in FY 2013-14. $4,036,171 nonrecurring is appropriated in FY 2014-15.	$3,100,000	NR	$4,036,171	NR

Senate Subcommittee on Transportation	FY 13-14		FY 14-15	
Division of Motor Vehicles				
24 Customer Service Improvement Initiative Appropriates funds to support part-time personnel, utilities, and other operating costs associated with the provision of extended weekday and Saturday hours of operation at 20 driver license offices during FY 2013-14, increasing to 30 offices by FY 2014-15, as recommended in the Governor's Budget. Nonrecurring funds are appropriated for the training of new personnel and to replace three digital scanners which are no longer supported by the manufacturer.	$889,782 $540,683	R NR	$963,829	R
25 Credit/Debit Transaction Costs Appropriates funds to support transaction costs incurred for the acceptance of credit and debit card payments for registration, title, and highway use tax transactions.	$6,646,233	R	$7,975,480	R
26 Combined Registration and Tax Collection System Continues funding for a total of 79 receipt-supported positions authorized by S.L. 2012-142, Sec. 24.10, of which 58 are time-limited, to administer the Combined Motor Vehicle Registration and Property Tax Collection System. Fifty-four of these authorized time-limited positions shall terminate no later than June 30, 2015. Vehicle Services personnel are responsible for system training, transaction and document processing, and resolution of branch agent and customer service requests. Budgeted receipts are increased by $8,151,788 in FY 2013-14 and $10,460,702 in FY 2014-15. Costs incurred for project administration are supported by the administrative fee authorized in G.S. 105-330.5(b) and determined pursuant to the Memorandum of Understanding between the Department of Revenue and Division of Motor Vehicles, as required by G.S. 105-330.11. Total budgeted receipts for DMV project administration are $11,591,432 in FY 2013-14 and $11,423,636 in FY 2014-15. Funding is reduced by $167,796 in FY 2014-15 due to the elimination of four positions responsible for initial training activities.				
27 Combined Registration and Tax Collection System - Receipts Reduces funding to account for additional receipts derived from compensation for property tax transactions performed by the Division of Motor Vehicles and from the administrative fee for the production of combined registration renewal notices and vehicle property tax bills (G.S. 105-330.5(b)). Receipts budgeted within Vehicle Services (Fund Center 1500/157055) are increased by $1,112,258 in FY 2013-14 and $1,334,710 in FY 2014-15, and will partially offset costs incurred for credit/debit transactions. Receipts budgeted within General Services (Fund Center 1500/157030) are increased by $2,358,157.	($3,470,415)	R	($3,692,867)	R

	FY 13-14		FY 14-15	
28 Division Staffing Efficiencies	($817,202)	R	($817,202)	R
Eliminates 12 positions within the Division of Motor Vehicles which have been vacant longer than 180 days:	-12.00		-12.00	

Position	Position Title
60031363	Administrative Assistant III
60029937	Title Examining Supervisor III
60029941	Information Processing Technician
60031316	Law Enforcement Manager
60030972	Law Enforcement Supervisor
60031068	Law Enforcement Supervisor
60031138	Law Enforcement Agent
60031108	Law Enforcement Agent
60031041	Law Enforcement Agent
60031173	Law Enforcement Agent
60031170	Law Enforcement Agent
60030097	Nurse Consultant

29 Inspection Program	$15,440,537	R	$15,440,537	R
Increases funding to support the costs of administering the Inspection Program per the elimination of the Inspection Program Account and Telecommunications Account. Receipt-supported functions are converted to Highway Fund appropriation. Recurring funding for the Inspection Program (Fund Center 1500/150054) is increased by $8,964,895, for a total Program budget of $12,158,854 recurring. Receipts budgeted for split-funded positions within the License and Theft Bureau (Fund Center 1500/157060) are reduced by $6,475,642.				
Intermodal				
30 Aviation Division - State Aid to Airports	$31,627	R	$2,128,306	R
Reduces funding for grants to airports to $20.0 million recurring, a reduction of $2,311,031 from the FY 2012-13 Certified Budget. Amounts shown represent adjustments relative to the Continuation Budget for the 2013-15 fiscal biennium, in accordance with the repeal of G.S. 136-16.4.				
31 Public Transportation Division - Grant Programs	($1,692,861)	R	($1,692,861)	R
Reduces funding across all public transportation grant programs by 2%, leaving $83,351,374, as recommended in the Governor's Budget.				
32 Ferry Division - Operating Efficiencies	($820,763)	R	($820,763)	R
Reduces funding for Ferry Division operations by 2%, as recommended in the Governor's Budget.				
33 Ferry Division - Operations	$4,629,258	R	$4,629,258	R
Appropriates funds to offset the shifting of toll revenue to a reserve for capital improvements to the North Carolina Ferry System. Toll revenue previously offset recurring operating and maintenance costs. Recurring budgeted receipts in Fund Center 1500/157825 from other revenue sources, including memorabilia sales and vending receipts, total $370,742.				

Senate Subcommittee on Transportation	FY 13-14		FY 14-15	
34 Ferry Division - Spoil Site Capacity Appropriates nonrecurring funds to re-establish capacity at spoil sites at Fort Fisher ($100,000), Southport ($150,000), Cherry Branch ($400,000), and Swan Quarter ($500,000), as recommended in the Governor's Budget.	$1,150,000	NR		
35 Ferry Division - Reserve for Capital Improvements Establishes a reserve for tolls collected on the North Carolina Ferry System. Proceeds shall be credited to separate accounts within the reserve for each Highway Division in which system terminals are located and revenue is earned. Gross annual revenue, based on the fare structure and rates determined by the Board of Transportation for system-wide implementation effective November 1, 2013, shall generate no less than $5 million and may not exceed $10 million. Toll proceeds shall be used exclusively for prioritized capital improvements to the North Carolina Ferry System.				
36 Rail Division - Operations Reduces funding for Rail Division programs by 2%, as recommended in the Governor's Budget.	($424,023)	R	($424,023)	R
37 Rail Division - Infrastructure Assistance Programs Eliminates funding for the Rail Industrial Access Program and Short Line Infrastructure Assistance Program. Eligible projects may qualify for funding through the Freight Rail and Rail Crossing Safety Fund and Strategic Prioritization Funding Plan for Transportation Investments.	($269,000)	R	($269,000)	R
38 Rail Division - Freight Rail & Rail Crossing Safety Improvement Fund	$3,700,000	R	$3,750,000	R
Appropriates receipts from dividend payments issued by the North Carolina Railroad Company. Funds shall be used for the enhancement of freight rail service and railroad-roadway crossing safety improvements, including projects which improve access to industrial, port, and military facilities. A total of $19.2 million is budgeted in FY 2013-14 and $3.75 million in FY 2014-15 from estimated dividend payments.	$15,500,000	NR		
39 Division of Bicycle & Pedestrian Transportation - Planning Grants Reduces funding for the Regional Bicycle Planning Grant Program to $250,000 recurring.	($129,447)	R	($129,447)	R
Maintenance				
40 Primary System Reduces funding for the Primary System Maintenance Program, leaving $146,864,736 in FY 2013-14 and $144,044,736 in FY 2014-15, as recommended in the Governor's Budget.	($16,488,083)	R	($19,308,083)	R

Senate Subcommittee on Transportation	FY 13-14		FY 14-15	
41 Secondary Road Maintenance and Improvement Program Reduces funding to the Secondary Road Maintenance and Improvement Program, leaving $270,244,518 in FY 2013-14 and $268,364,518 in FY 2014-15, as recommended in the Governor's Budget.	($12,755,795)	R	($14,635,795)	R
42 System Preservation Reduces funding for the System Preservation Program, consistent with new revenue estimates and G.S. 119-18(b).	($500,000)	R	($1,400,000)	R
43 System Preservation Increases funding for the System Preservation Program. Budgeted funds total $179,599,774 for FY 2013-14 and $155,008,350 for FY 2014-15.	$100,771,279	R	$76,779,855	R
44 Reserve for General Maintenance Increases funding for the Reserve for General Maintenance. Budgeted funds total $171,122,827 for FY 2013-14 and $114,580,168 for FY 2014-15.	$105,850,698 $27,471,817	R NR	$76,779,856	R
45 Contract Resurfacing Increases funding for the Contract Resurfacing Program. Budgeted funds total $375,655,932 for FY 2013-14 and $351,664,508 for FY 2014-15.	$100,771,279	R	$76,779,855	R
Reserves				
46 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2013-15 biennium to fund the Annual Required Contribution.	$1,121,000	R	$1,121,000	R
47 State Health Plan Provides additional funding to increase maximum annual employer contributions for group health benefit coverage by the projected increase in the Consumer Price Index (CPI-U): 1.8% in FY 2013-14 and 2.2% in FY 2014-15.	$1,700,000	R	$3,800,000	R
48 Disability Income Plan of North Carolina Reduces the State's contribution to the Disability Income Plan from 0.44% to 0.43% of payroll as a result of the December 31, 2011 actuarial valuation.	($31,150)	R	($31,150)	R
49 Reserve for Future Benefit Needs Creates a reserve for increased contributions to existing employee benefits programs.			$1,745,000	R

Senate Subcommittee on Transportation	FY_13-14		FY_14-15	
Transfers				
50 Department of Public Instruction - Driver Education Program Reduces funds for transfer to the Department of Public Instruction in accordance with an authorized increase to the optional driver education fee, from $45.00 to $65.00 per participating student. Estimates adjust for projected increases in 9th grade average daily membership (ADM) and eligible private and federal school students over the 2013-15 fiscal biennium. Per student appropriations are reduced from $200.94 to $184.94. Transfers total $25,054,988 for FY 2013-14 and $25,575,792 for FY 2014-15.	($2,792,962)	R	($2,808,263)	R
51 State Ethics Commission Transfers $110,330 to the State Ethics Commission to support an Attorney II position for the implementation of Section 34.18.	$110,330	R	$110,330	R
Total Legislative Changes	**$268,156,526**	R	**$192,595,770**	R
	$89,650,000	NR	**$32,772,271**	NR
Total Position Changes	-37.00		-37.00	
Revised Budget	**$2,054,003,650**		**$1,917,690,500**	

Highway Trust Fund

	HIGHWAY TRUST FUND			
	FY_13-14		FY_14-15_	
Recommended Continuation Budget	**$1,118,600,000**		**$1,152,000,000**	
Legislative Changes				
Administration				
52 Administration Eliminates the statutory adjustment to Administration and holds funding at the FY 2012-13 certified budget amount.	($8,008,320)	R	($9,611,520)	R
Aid to Municipalities				
53 Aid to Municipalities Eliminates the Highway Trust Fund allocation to the Aid to Municipalities program and transfers funds to the Strategic Prioritization Program. The Highway Fund allocation to the Aid to Municipalities program is increased to hold municipalities harmless over a five-year period.	($56,072,216)	R	($58,054,337)	R
Construction				
54 Strategic Prioritization Program Appropriates funding for highway and intermodal capital projects funded through the Highway Trust Fund per the new Strategic Prioritization Funding Plan for Transportation Investments.	$931,539,030	R	$950,101,672	R
55 Intrastate System Eliminates the Intrastate System program and transfers funds to the Strategic Prioritization Program.	($515,520,933)	R	($530,210,557)	R
56 Mobility Fund Eliminates the Mobility Fund program and transfers funds to the Strategic Prioritization Program.	($58,000,000)	R	($58,000,000)	R
57 Secondary Roads Eliminates the Secondary Road program and transfers funds to the Strategic Prioritization Program.	($78,972,723)	R	($86,253,540)	R
58 Urban Loops Eliminates the Urban Loops program and transfers funds to the Strategic Prioritization Program.	($164,864,838)	R	($191,571,718)	R

Senate Subcommittee on Transportation	FY 13-14		FY 14-15	
Turnpike Authority				
59 Gap Funding Eliminates gap funding in the amounts of $35 million for the Garden Parkway and $28 million for the Mid-Currituck Bridge projects. The projects are eligible to compete for funding based on the prioritization process established under the Strategic Prioritization Funding Plan for Transportation Improvements.	($63,000,000)	R	($63,000,000)	R
Total Legislative Changes	**($12,900,000)**	**R**	**($46,600,000)**	**R**
Total Position Changes				
Revised Budget	**$1,105,700,000**		**$1,105,400,000**	

Turnpike Authority

	TURNPIKE AUTHORITY	
	FY 13-14	FY 14-15
Recommended Continuation Budget	**$0**	**$0**
Legislative Changes		
Administration		
60 Departmental Staffing Efficiencies		
Eliminates two vacant receipt-supported positions within the Turnpike Authority. Recurring savings total $153,884.		
Position 65004790 Turnpike Marketing Manager		
Position 65002113 Information & Communication Specialist I		
Total Legislative Changes		
Total Position Changes		
Revised Budget	**$0**	**$0**

RESERVES/ DEBT SERVICE/ ADJUSTMENTS Section L

Statewide Reserves

	GENERAL FUND			
	FY 13-14		FY 14-15	
Recommended Continuation Budget	**$756,149,861**		**$756,149,861**	
Legislative Changes				
A. Employee Benefits				
1 Severance Expenditure Reserve Provides funding for severance salary continuation payments and health benefits coverage under the State Health Plan for eligible employees who are reduced in force (RIF) during FY 2013-14. Any funds remaining in this reserve at the end of FY 2013-14 shall not revert and shall be used to pay severance salary continuation needs in FY 2014-15.	$37,126,314	NR		
2 Statewide Compensation Study Establishes a reserve to fund a statewide compensation study by the Office of State Personnel (OSP). OSP shall report the results of its study to the chairs of the Senate Appropriations/ Base Budget Committee, the chairs of the House of Representatives Appropriations Committee, and the Fiscal Research Division by May 1, 2014.	$1,000,000	NR		
3 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2013-15 biennium to fund the Annual Required Contribution.	$36,000,000	R	$36,000,000	R
4 Judicial Retirement System Contributions Increases the State's contribution to the Consolidated Judicial Retirement System for the 2013-15 biennium to fund the Annual Required Contribution.	$1,000,000	R	$1,000,000	R
5 Highway Fund Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System for positions supported by the Highway Fund by $1,121,000 for 2013-15 biennium to fund the Annual Required Contribution. The increased expenditures appear in a corresponding item in the Transportation section of the Committee Report.				
6 Reserve for Future Benefit Needs Creates a General Fund reserve for increased contributions to existing employee benefits programs.			$56,400,000	R
7 Highway Fund Reserve for Future Benefit Needs Creates a Highway Fund reserve of $1,745,000 for increased contributions to existing employee benefits programs. Funds for the reserve appear in a corresponding item in the Transportation section of the Committee Report.				

	FY 13-14		FY 14-15	
8 Disability Income Plan of North Carolina Reduces the State's contribution to the Disability Income Plan from 0.44% to 0.43% of payroll as a result of the December 31, 2011 actuarial valuation.	($1,100,000)	R	($1,100,000)	R
9 Highway Fund Disability Income Plan of North Carolina Reduces the Highway Fund's contribution to the Disability Income Plan from 0.44% to 0.43% of payroll as a result of the December 31, 2011 actuarial valuation. The reduction appears in a corresponding item in the Transportation section of the Committee Report.				
10 Firemen's and Rescue Squad Workers' Pension Fund Reduces contributions to the Firemen's and Rescue Squad Workers' Pension Fund for the 2013-15 biennium to match the Annual Required Contribution.	($820,000)	R	($820,000)	R
11 State Health Plan Provides additional funding to increase maximum annual employer contributions for group health benefit coverage by the projected increase in the Consumer Price Index (CPI-U): 1.8% in FY 2013-14 and 2.2% in FY 2014-15.	$34,000,000	R	$77,000,000	R
12 Highway Fund State Health Plan Contributions Increases maximum annual employer contributions for positions funded through the Highway Fund by the projected increase in the Consumer Price Index (CPI-U): 1.8% in FY 2013-14 and 2.2% in FY 2014-15. The additional funding required from the Highway Fund is $1.7 million for FY 2013-14 and $3.8 million for FY 2014-15. The increased expenditures appear in a corresponding item in the Transportation section of the Committee Report.				
B. Other Reserves				
13 Reserve for Escheat Fund Global TransPark Loan Repayment Provides General Fund appropriation to repay the Global TransPark's loan funded from the Escheat Fund. The Office of State Budget and Management shall transfer these funds to the Escheat Fund. Any excess funds remaining after the loan is paid in full shall remain in the Escheat Fund.	$27,000,000	NR		
14 IT Reserve Fund	$7,335,000	R	$11,820,000	R
Provides additional funds for the Information Technology (IT) Reserve Fund in the Office of the State Chief Information Officer. Additional information about these funds is provided in the IT section of this report.	$23,665,000 33.00	NR	$24,180,000 44.00	NR
15 Job Development Investment Grant Reserve Increases funding for the Job Development Investment Grant (JDIG) Reserve to meet projected needs for FY 2013-14 and FY 2014-15. Total funding in FY 2013-14 will be $51,823,772; total funding in FY 2014-15 will be $63,045,357.	$24,423,772	R	$35,645,357	R

Senate Committee on Appropriations/Base Budget	FY 13-14		FY 14-15	
16 NC GEAR Establishes a statewide reserve in the Office of State Budget and Management for the NC Government Efficiency and Reform (NC GEAR) project.	$2,000,000	NR	$2,000,000	NR
17 Unemployment Insurance (UI) Reserve Establishes a reserve for the requirements of S.L. 2013-2, UI Fund Solvency and Program Changes. The Office of State Budget and Management shall distribute the reserve to State agencies to fund the 1% UI reserve requirements for General Fund-supported employees and State-funded teachers. These amounts are supplemented by an additional $17 million in FY 2013-14 from the Worker Training Trust Fund, the Training and Employment Account, and the Special Employment Security Administration Fund.	$23,800,000	NR	$13,600,000	NR
C. Debt Service				
18 Debt Service Adjustment Adjusts debt service appropriations based on updated cash flow requirements.	($34,949,705)	R	($18,648,784)	R
19 Debt Service Increase Increases debt service in anticipation of an additional $100 million issuance of general obligation bonds under Article V, Section 4(2) of the NC Constitution for repair and renovations of State buildings.	$4,318,572	R	$8,637,142	R
20 Clean Water, Parks and Recreation, and Natural Heritage Trust Fund Debt Provides a direct General Fund appropriation for debt service associated with the Clean Water Management Trust Fund, the Parks and Recreation Trust Fund, and the Natural Heritage Trust Fund.	$13,158,590	R	$13,113,417	R
21 Tobacco Master Settlement Agreement Debt Provides a direct General Fund appropriation for University projects' debt service that was previously funded by Tobacco Master Settlement Agreement receipts.	$35,450,000	R	$35,289,724	R
Total Legislative Changes	**$118,816,229**	R	**$254,336,856**	R
	$114,591,314	NR	**$39,780,000**	NR
Total Position Changes	33.00		44.00	
Revised Budget	**$989,557,404**		**$1,050,266,717**	

State Health Plan (Administration)

Budget Code: 28410

	FY 2013-14	FY 2014-15
Beginning Unreserved Fund Balance	**$5**	**$5**
Recommended Budget		
Requirements	**$195,380,187**	**$195,380,187**
Receipts	**$195,380,187**	**$195,380,187**
Positions	**46.00**	**46.00**

Legislative Changes

Requirements:

Medical Benefits/Claims Processing Contract	($19,507,650)	R	($15,997,012)	R
Adjusts the budgeted amounts for Third Party Administrative Services contracts based on newly effective contracts, changes in membership, and on-going administrative services.	$0	NR	$0	NR
	0.00		0.00	
Pharmacy Benefits Management (PBM) Contract	($3,020,918)	R	($11,804,511)	R
Adjusts the budgeted amount for the PBM contract based on anticipated contractual costs, changes in membership, and administrative services provided by the PBM. Reflects a full year of the Employer Group Waiver Plan (EGWP) in FY 2013-14.	$0	NR	$0	NR
	0.00		0.00	
Disease & Case Management Contracts	$1,830,916	R	$2,808,916	R
Adjusts the budgeted amount for Population Health Management Services contracts based on anticipated contractual costs, changes in membership, and on-going disease and case management services.	$0	NR	$0	NR
	0.00		0.00	
Wellness Initiatives and Programs	($177,425)	R	($379,250)	R
Adjusts the budgeted amount for Wellness Initiatives contracts based on on-going contracts, programs, and initiatives and reflecting the expiration of some contracts.	$0	NR	$0	NR
	0.00		0.00	

	FY 2013-14		FY 2014-15	
Other Administrative Costs	$6,841,519	R	$41,043,218	R
Adjusts the budgeted amounts for the Plan's other administrative costs to reflect increased member communications due to plan design changes, enhanced auditing efforts, and anticipated adjustments to contractual costs due to inflation and membership changes. Reflects the transitional reinsurance fee under the federal Affordable Care Act in FY 2014-15.	$0	NR	$0	NR
	0.00		0.00	
Department Overhead Allocation	$1,100,000	R	$1,100,000	R
Directs the Office of State Budget and Management to create a new fund code for the Department of State Treasurer core services allocation. The amounts in other fund codes may only be used for purposes directly related to the administration of the State Health Plan.	$0	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**($12,933,558)**	R	**$16,771,361**	R
	$0	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Adjust Transfers from Trust Funds	($12,933,558)	R	$16,771,361	R
Adjusts the amount of transfer from the Plan's health benefit trust fund budget codes to support administrative costs authorized for the 2013-15 fiscal biennium.	$0	NR	$0	NR
Subtotal Legislative Changes	**($12,933,558)**	R	**$16,771,361**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$182,446,629**		**$212,151,548**	
Revised Total Receipts	**$182,446,629**		**$212,151,548**	
Change in Fund Balance	**$0**		**$0**	
Total Positions	**46.00**		**46.00**	
Unappropriated Balance Remaining	**$5**		**$5**	

CAPITAL
Section M

Capital

	GENERAL FUND			
	FY 13-14		FY 14-15	
A. Department of Administration				
1 Division of Veterans Affairs - Sandhills State Veterans Cemetery Appropriates $125,000 to construct an enclosed committal structure for the Sandhills State Veterans Cemetery in Spring Lake, NC. The funding will match contributions from non-State entities. The total cost of the project is $300,000.	$125,000	NR		
2 Division of Veterans Affairs - New State Veterans Cemetery Appropriates funds to construct an additional State Veterans Cemetery in Goldsboro. The State currently has three cemeteries located in Black Mountain, Kinston, and Spring Lake.	$600,000	NR		
B. Department of Agriculture and Consumer Services				
3 Agriculture Water Resources Assistance Program Provides funding for the Agriculture Water Resources Assistance Program administered by the Soil and Water Conservation Commission.	$500,000	NR		
C. Department of Environment and Natural Resources				
4 Water Resources Development Projects Provides funds for the State's share of Water Resource Development Projects. Funds will provide a State match for $21.3 million in federal funds and $3.4 million in local funds in FY 2013-14. The projects are specified in a special provision. In FY 2014-15, additional State funds will be available for projects and to provide the State match for federal and local projects.	$6,917,000	NR	$5,000,000	NR
D. Department of Public Safety				
5 Armory and Facility Development Projects Appropriates $8.25 million in State funds over the fiscal biennium to expand and renovate National Guard Armories and Facilities located throughout the State. These funds will match $21 million in federal funds. The projects are specified in a special provision.	$5,000,000	NR	$3,250,000	NR

Senate Committee on Appropriations/Base Budget	FY 13-14		FY 14-15	
E. University of North Carolina				
6 University of North Carolina - Asheville - Land Purchases Appropriates funds for the University of North Carolina - Asheville for land purchases to allow for the long-term growth and expansion of the campus consistent with the strategic plans of the campus and the Board of Governors.	$2,000,000	NR		
7 Appalachian State University - Health Sciences Building Funds advance planning for Appalachian State University's College of Nursing and Health Sciences Building. The 200,000 sq. ft. facility will be constructed in association with the Watauga Medical Center. Planning funds for this project were originally appropriated in S.L. 2008-107 but were reverted by the Governor to cover the FY 2008-09 budgetary shortfall. The project is estimated to cost $80.2 million.	$2,000,000	NR		
F. General Obligation Bonds				
8 Repair and Renovations Authorizes the issuance of general obligation bonds under Article V, Section 4(2) of the NC Constitution to be allocated to the Reserve for Repair and Renovation. The University of North Carolina System will receive 46 percent of the allocation to be distributed to the various campuses. The Office of State Management and Budget will receive 54 percent of the allocation to be distributed to various State agencies. The total debt authorized is $100,000,000.				
Total Appropriation to Capital	**$17,142,000**	**NR**	**$8,250,000**	**NR**

INFORMATION TECHNOLOGY SERVICES
Section N

Senate Committee on Appropriations/Base Budget

Information Technology Fund

Budget Code: 24667

	FY 2013-14	FY 2014-15
Beginning Unreserved Fund Balance	**$0**	**$2,200**
Recommended Budget		
Requirements	**$6,053,142**	**$6,053,142**
Receipts	**$6,053,142**	**$6,053,142**
Positions	**33.00**	**33.00**

Legislative Changes

Requirements:

Criminal Justice Information Network Provides $189,563 in each year of the biennium to the Criminal Justice Information Network (CJIN). The CJIN is a statewide criminal justice infrastructure that allows the sharing of information between State and local criminal justice agencies.		R NR		R NR
Center for Geographic Information and Analysis Provides $495,338 in each year of the biennium for the Center for Geographic Information and Analysis (CGIA). The CGIA is the lead agency for geographic information systems (GIS) services and GIS coordination for North Carolina. CGIA provides GIS services to State and local governments as well as the private sector.		R NR		R NR
Enterprise Security Risk Management Office Reduces funding for Enterprise Security Risk Management to 2011-2013 levels, leaving $864,148 (recurring) for each year of the biennium. The Enterprise Security and Risk Management Office (ESRMO) is responsible for the development, delivery and maintenance of an information security and risk management program that safeguards the State's information assets and the supporting infrastructure against unauthorized use, disclosure, modification, damage, or loss.	($248,746)	R NR	($248,746)	R NR

	FY 2013-14		FY 2014-15	
Enterprise Project Management Office	($219,116)	R	($219,116)	R
Reduces funding for the Enterprise Project Management Office (EPMO) to 2011-13 levels, leaving $1,473,285 for FY 2013-14 and FY 2014-15. The EPMO was established to improve the management of IT projects in State government.		NR		NR
Architecture and Engineering	($48,354)	R	($48,354)	R
Reduces funding for the Office of Enterprise Architecture to 2011-2013 levels, providing $851,986 for FY 2013-14 and FY 2014-15. The Office acts as a strategic planner and architect for the State's IT programs and is responsible for formulating and advancing a vision for those programs.		NR		NR
State Web Site		R		R
Provides funding of $224,741 for FY 2013-14 and FY 2014-15 to support the operation and maintenance of the State's web site.		NR		NR
Enterprise Licenses		R		R
Provides funding of $33,000 for FY 2013-14 and FY 2014-15 for enterprise license agreements. Enterprise license agreements support multiple agencies' IT projects and applications.		NR		NR
Consolidation	($383,784)	R	($383,784)	R
Reduces funding for consolidation to $1,021,081 for each year of the biennium to offset other requirements within the Office of the State Chief Information Officer.		NR		NR
Electronic Forms and Digital Signatures	$900,000	R	$900,000	R
Provides funding to continue the State's effort to develop and enterprise electronic forms and digital signatures capability.		NR		NR
Government Data Analytics Center	$1,417,515	R	$1,417,515	R
Provides funding to continue the efforts of the Government Data Analytics Center (GDAC) and the North Carolina Financial Accountability and Compliance Technology System (NCFACTS) to develop an enterprise business intelligence capability.	$1,582,485	NR	$3,000,000	NR
	8.00		8.00	
Subtotal Legislative Changes	**$1,417,515**	R	**$1,417,515**	R
	$1,582,485	NR	**$3,000,000**	NR
	8.00		8.00	

Senate Committee on Appropriations/Base Budget

	FY 2013-14		FY 2014-15	
Receipts:				
Interest	$2,200	R	$2,200	R
Accounts for interest generated by the Information Technology Fund during FY 2012-13 and 2013-14.	$0	NR	$0	NR
Funding for Government Data Analytics Center	$1,417,515	R	$1,417,515	R
Provides funding for the Government Data Analytics Center and the North Carolina Financial Accountability and Compliance Technology System to continue the State's efforts to develop an enterprise business intelligence capability.	$1,582,485	NR	$3,000,000	NR
Subtotal Legislative Changes	**$1,419,715**	R	**$1,419,715**	R
	$1,582,485	NR	**$3,000,000**	NR
Revised Total Requirements	**$9,053,142**		**$10,470,657**	
Revised Total Receipts	**$9,055,342**		**$10,472,857**	
Change in Fund Balance	**$2,200**		**$2,200**	
Total Positions	**41.00**		**41.00**	
Ending Unreserved Fund Balance	**$2,200**		**$4,400**	

Information Technology Reserve Fund

Budget Code: 00000

	FY 2013-14	FY 2014-15
Beginning Unreserved Fund Balance	**$0**	**$0**
Recommended Budget		
Requirements	**$35,000,000**	**$32,000,000**
Receipts	**$27,000,000**	**$32,000,000**
Positions	**0.00**	**0.00**

Legislative Changes

Requirements:

Adjustment to IT Reserve Adjusts Information Technology Reserve requirements to reflect the availability of funding by moving requirements from FY 2013-14 to FY 2014-15. This includes delaying the hiring of two IT managers and one IT professional responsible for planning until second year ($450,000), delaying the hiring of five IT analysts responsible for the build function until the second year ($550,000), and delaying network simplification until the second year ($3,000,000).	($1,000,000) ($3,000,000)	R NR	$1,000,000 $3,000,000	R NR
Prepare/Focus (Strategic Plan) Provides $250,000 in FY 2013-14 to allow the State Chief Information Officer (CIO) to develop a new strategic plan that can be consistently implemented across State agencies, using a cross-agency working group to assess Statewide needs and formulate a plan. To support this effort, the State CIO will retain consultants with public and private sector expertise and estimates a requirement for 1,250 hours of support at $200 per hour.		R NR		R NR

	FY 2013-14		FY 2014-15	
Plan (Enterprise Architecture)		R		R
Provides the State CIO with funding of $1,592,526 in FY 2013-14 and $2,232,321 in FY 2014-15 to hire personnel with the skills necessary to ensure that the State has an enterprise architecture that can be used as the basis for planning Statewide IT support and integrating agency requirements. As part of this effort, a consistent, detailed business case development process will be created that is based on best practices and ensures that the State acquires the best support at the lowest cost. To facilitate this process, the State CIO plans to recruit personnel with the necessary expertise. These will include the following: 1 IT Executive 4 IT Managers (2 hired in FY 2014-15) 11 IT Professionals (6 hired 10/01/2013) (1 hired in FY 2014-15)		NR		NR
	13.00		16.00	
Build (Project Management)		R		R
Provides funding of $1,602,433 in FY 2013-14 and $2,754,163 in FY 2014-15 to allow the State CIO to hire staff with the skills required to create and deploy a development model for Cabinet agencies that will assist them in defining software requirements and require standard methodologies for project management and system development. The State CIO has projected the following staffing requirements: 1 IT Executive 3 IT Managers (1 to be hired 10/01/2013, 1 to be hired 01/01/2014) 14 IT Analysts (6 to be hired 10/1/2013, 5 to be hired 01/01/2014) 8 IT Analysts for 2014 (1 to be hired 10/01/2014, 1 to be hired 01/01/2015)		NR		NR
	18.00		26.00	
Remediation (Equipment Relocation)		R		R
Provides the State CIO with funding to move information technology equipment from substandard facilities to State data centers. The associated costs are estimated as follows: Vendor support of $300,000 in FY 2013-2014 Equipment costs of $800,000 in FY 2013-14 & $600,000 in FY 2014-15		NR		NR

	FY 2013-14		FY 2014-15	
Security Ensures that State agencies are meeting IT security requirements by providing nonrecurring funding of $1,500,000 in FY 2013-14 and $250,000 in FY 2014-15 to allow the State CIO to conduct an assessment of their current status, then implement improvements based on identified shortfalls. To accomplish this, the services of an outside consultant will be required. The State CIO has also identified shortfalls in the IT Security staff and requires an additional IT security specialist, to be hired in January 2014, with an annual salary and benefits totaling $142,788.		R NR		R NR
	1.00		1.00	
Network Simplification Provides nonrecurring funding of $5,250,000 in FY 2014-15 to allow for the upgrade, simplification, and modernization of the State's internal IT infrastructure to accommodate current technology. Applications will also be upgraded.		R NR		R NR
Desktop Remediation Provides funding of $16,000,000 (nonrecurring) in FY 2013-14 and $14,300,000 ($13,300,000 nonrecurring) in FY 2014-15 for the replacement of obsolete computers and applications.		R NR		R NR
MS Office Provides $4,000,000 in FY 2013-14 and $2,300,000 in FY 2014-15, as well as nonrecurring funding of $3,615,000 in FY 2013-14 to update approximately 50,000 agency software licenses to meet current standards.		R NR		R NR
Operate (Standards and Measures) Allows the State CIO to establish consistent, comparable IT standards and measures. To accomplish this, the State CIO has requested funding of $183,505 in FY 2013-14 and FY 2014-15 for an IT Executive to be responsible for managing the delivery of IT services for State agencies. To enable this executive to standardize IT, the State CIO will engage the services of a consultant with nonrecurring funding of $800,000 in FY 2013-14 and $500,000 in FY 2014-15.		R NR		R NR
	1.00		1.00	

	FY 2013-14		FY 2014-15	
Customer Data		R		R
Facilitates the State CIO developing a standard State policy regarding access to and use of data held by the State, using the services of a consultant at a nonrecurring cost of $400,000 in FY 2013-14 and $1 million in FY 2014-15.		NR		NR
Secure Sign-On		R		R
Provides recurring funding of $3,070,000 and nonrecurring funding of $3,280,000 in FY 2014-15 for the upgrade of the State's identity management system to accommodate increasing security requirements for anyone accessing certain types of data.		NR		NR
Innovation Center		R		R
Creates an innovation center to encourage collaboration between State agencies, institutions of higher learning, citizens, and the private sector to create information technology solutions with potential benefit to the State and anyone using government services.		NR		NR
Subtotal Legislative Changes	**($1,000,000)**	R	**$1,000,000**	R
	($3,000,000)	NR	**$3,000,000**	NR
	33.00		44.00	

Receipts:

Increase to IT Reserve Receipts	$0	R	$0	R
Increases Information Technology Reserve receipts by $4 million each year of the biennium to address Statewide critical information technology infrastructure and security deficiencies, and to provide additional resources to support Statewide oversight and enterprise planning.	$4,000,000	NR	$4,000,000	NR
Information Technology Reserve Receipts		R		R
Sets IT Reserve receipts at $31,000,000 in appropriations for FY 2013-14 and $36,000,000 for FY 2014-15.		NR		NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$4,000,000	NR	**$4,000,000**	NR

Senate Committee on Appropriations/Base Budget

	FY 2013-14	FY 2014-15
Revised Total Requirements	$31,000,000	$36,000,000
Revised Total Receipts	$31,000,000	$36,000,000
Change in Fund Balance	$0	$0
Total Positions	33.00	44.00
Ending Unreserved Fund Balance	$0	$0

Information Technology Internal Service Fund

Budget Code: 74660

	FY 2013-14	FY 2014-15
Beginning Unreserved Fund Balance	**$16,656,521**	**$16,656,521**
Recommended Budget		
Requirements	**$190,000,000**	**$190,000,000**
Receipts	**$190,000,000**	**$190,000,000**
Positions	**507.00**	**507.00**

Legislative Changes

Requirements:

Information Technology Internal Service Fund Provides funding for the Office of Information Technology Services. For FY 2013-14 and FY 2014-15, the Fund is limited to $190 million.	$0 R $0 NR	$0 R $0 NR
Subtotal Legislative Changes	**$0** R **$0** NR	**$0** R **$0** NR

Receipts:

IT Internal Service Fund Receipts Limits receipts for SFY 2013-14 and 2014-15 to $190 million each year.	$0 R $0 NR	$0 R $0 NR
Subtotal Legislative Changes	**$0** R **$0** NR	**$0** R **$0** NR

Senate Committee on Appropriations/Base Budget

	FY 2013-14	FY 2014-15
Revised Total Requirements	$190,000,000	$190,000,000
Revised Total Receipts	$190,000,000	$190,000,000
Change in Fund Balance	$0	$0
Total Positions		
Ending Unreserved Fund Balance	$16,656,521	$16,656,521

Summary of General Fund Appropriations
Fiscal Year 2013-14 and 2014-15
2013 Legislative Session

	Actual FY 2011-12	Authorized (as of March 31) FY 2012-13	Governor's Recommended 2013-14	Senate Budget 2013-14	% Change from FY 2012-13 Authorized	Governor's Recommended 2014-15	Senate Budget 2014-15	% Change from FY 2013-14 Revised
Education:								
Community Colleges	1,002,081,608	1,040,421,605	1,026,803,219	1,026,315,467	-1.4%	1,035,803,219	1,014,315,467	-1.2%
Public Education	7,579,687,341	7,844,603,612	7,899,768,926	7,849,691,842	0.1%	8,119,774,153	8,032,588,328	2.3%
University System	2,550,935,536	2,663,562,434	2,520,644,276	2,613,364,593	-1.9%	2,556,560,566	2,627,869,160	0.6%
Total Education	**11,132,704,485**	**11,548,587,651**	**11,447,216,421**	**11,489,371,902**	**-0.5%**	**11,712,137,938**	**11,674,772,955**	**1.6%**
Health and Human Services:								
Central Management and Support	54,771,774	63,892,505	58,894,045	65,069,146	1.8%	66,009,244	62,655,211	-3.7%
Aging and Adult Services	43,867,854	47,770,877	54,942,341	54,142,341	13.3%	55,142,341	54,342,341	0.4%
Blind and Deaf / Hard of Hearing Services	7,174,928	8,178,618	8,178,618	8,178,618	0.0%	8,178,618	8,178,618	0.0%
Child Development and Early Education	261,687,029	261,492,943	264,823,328	255,039,269	-2.5%	264,823,328	255,039,269	0.0%
Health Service Regulation	15,946,188	17,723,614	16,761,992	16,461,992	-7.1%	16,761,992	16,461,992	0.0%
Medical Assistance	3,057,376,970	3,144,614,022	3,212,080,320	3,484,745,754	10.8%	3,436,424,046	3,655,086,552	4.9%
Mental Health, Devel. Disab., & Subs. Abuse Svcs	669,003,343	696,946,833	714,174,172	675,738,286	-3.0%	696,657,624	678,592,084	0.4%
NC Health Choice	77,855,203	80,133,534	70,082,285	67,177,341	-16.2%	61,183,541	56,281,405	-16.2%
Public Health	174,628,613	166,508,362	142,836,502	147,178,997	-11.6%	142,836,502	144,980,498	-1.5%
Social Services	185,200,809	176,531,048	176,877,922	172,455,677	-2.3%	177,005,066	172,519,249	0.0%
Vocational Rehabilitation	36,485,812	37,145,457	39,274,143	38,773,169	4.4%	39,274,143	38,773,169	0.0%
Total Health and Human Services	**4,583,998,523**	**4,700,937,813**	**4,758,925,668**	**4,984,960,590**	**6.0%**	**4,964,296,445**	**5,142,910,388**	**3.2%**
Justice and Public Safety:								
Public Safety[1]	1,683,329,478	1,716,856,572	1,708,808,266	1,712,621,317	-0.2%	1,713,052,829	1,692,187,988	-1.2%
Judicial	454,948,353	459,330,244	459,008,142	456,876,742	-0.5%	459,247,481	455,376,742	-0.3%
Judicial - Indigent Defense	111,114,963	114,405,116	119,429,109	114,357,264	0.0%	114,486,998	109,357,264	-4.4%
Justice[1]	80,442,598	77,773,575	76,364,535	47,476,998	-39.0%	74,046,309	51,365,574	8.2%
Total Justice and Public Safety	**2,329,835,392**	**2,368,365,507**	**2,363,610,052**	**2,331,332,321**	**-1.6%**	**2,360,833,617**	**2,308,287,568**	**-1.0%**
Natural And Economic Resources:								
Agriculture and Consumer Services	110,576,733	112,530,564	106,917,756	114,670,702	1.9%	106,916,956	114,769,902	0.1%
Commerce	50,185,760	41,990,824	39,368,324	42,661,856	1.6%	40,880,494	45,692,759	7.1%
Commerce - State Aid	75,779,461	70,754,314	28,452,642	9,505,810	-86.6%	26,236,224	9,255,810	-2.6%
Environment and Natural Resources[2]	114,670,728	112,586,367	117,261,525	157,890,131	40.2%	109,785,896	157,385,763	-0.3%
Clean Water Management Trust Fund	11,439,197	10,750,000	6,750,000	-		-	-	
Labor	14,093,751	16,196,339	15,696,339	16,696,339	3.1%	15,696,339	16,696,339	0.0%
Wildlife Resources Commission	18,438,511	18,476,588	17,886,979	9,476,588	-48.7%	17,886,979	9,476,588	0.0%
Total Natural and Economic Resources	**395,184,141**	**383,284,996**	**332,333,565**	**350,901,426**	**-8.4%**	**317,402,888**	**353,277,161**	**0.7%**
General Government:								
Administration	61,245,390	67,736,408	78,059,517	67,117,185	-0.9%	67,792,769	66,571,237	-0.8%
Auditor	11,446,020	11,013,547	11,013,547	11,217,468	1.9%	11,013,547	11,217,468	0.0%
Cultural Resources	65,637,187	63,114,684	63,067,172	62,934,497	-0.3%	63,070,175	61,426,429	-2.4%
Cultural Resources - Roanoke Island	1,920,154	1,058,757	-	-			-	
General Assembly	54,035,079	53,526,445	51,811,897	51,449,283	-3.9%	51,811,897	51,484,767	0.1%
Governor	5,157,247	5,150,478	5,120,050	5,120,050	-0.6%	5,122,132	5,122,132	0.0%

Attachment 6

Summary of General Fund Appropriations
Fiscal Year 2013-14 and 2014-15
2013 Legislative Session

	Actual FY 2011-12	Authorized (as of March 31) FY 2012-13	Governor's Recommended 2013-14	Senate Budget 2013-14	% Change from FY 2012-13 Authorized	Governor's Recommended 2014-15	Senate Budget 2014-15	% Change from FY 2013-14 Revised
Housing Finance Agency	9,673,051	1,608,417	9,376,249	8,499,464	428.4%	9,376,249	8,499,464	0.0%
Insurance	34,968,487	38,106,664	37,533,269	37,994,004	-0.3%	37,542,889	38,003,624	0.0%
Insurance - Worker's Compensation Fund	2,294,000	2,623,654	2,300,000	-		2,300,000	-	0.0%
Lieutenant Governor	768,111	588,197	588,581	681,089	15.8%	584,581	675,089	-0.9%
Office of Administrative Hearings	4,007,670	4,294,999	4,976,436	4,727,544	10.1%	4,736,047	4,652,581	-1.6%
Revenue	76,049,160	79,410,575	80,913,442	85,336,745	7.5%	80,893,782	85,317,085	0.0%
Secretary of State	9,963,225	11,485,185	11,541,831	11,616,001	1.1%	11,541,831	11,616,001	0.0%
State Board of Elections	4,697,504	5,213,445	5,584,003	6,699,032	28.5%	5,584,003	6,021,532	-10.1%
State Budget and Management	6,016,083	6,071,910	7,001,706	6,837,072	12.6%	7,034,217	6,919,583	1.2%
State Budget and Management -- Special	1,940,612	1,879,000	1,000,000	1,800,000	-4.2%	-	1,500,000	-16.7%
State Controller	28,523,166	30,626,687	29,125,970	28,160,691	-8.1%	29,125,970	28,160,691	0.0%
Treasurer - Operations	6,467,148	6,851,090	8,137,890	8,137,890	18.8%	7,026,305	7,026,305	-13.7%
Treasurer - Retirement / Benefits	17,517,114	23,179,042	23,179,042	23,179,042	0.0%	23,179,042	23,179,042	0.0%
Total General Government	**402,326,408**	**413,539,184**	**430,330,602**	**421,507,057**	**1.9%**	**417,735,436**	**417,393,030**	**-1.0%**
Statewide Reserves and Debt Service:								
Debt Service:								
Interest / Redemption [3]	695,081,502	707,910,302	716,493,616	725,057,796	2.4%	717,287,980	745,471,838	2.8%
Federal Reimbursement	1,616,380	1,616,380	1,616,380	1,616,380	0.0%	1,616,380	1,616,380	0.0%
Subtotal Debt Service	**696,697,882**	**709,526,682**	**718,109,996**	**726,674,176**	**2.4%**	**718,904,360**	**747,088,218**	**2.8%**
Subtotal Statewide Reserves	**-**	**-**	**519,075,178**	**262,883,228**		**693,233,382**	**303,178,499**	**15.3%**
Total General Fund for Operations	**19,540,746,831**	**20,124,241,833**	**20,569,601,482**	**20,567,630,700**	**2.2%**	**21,184,544,066**	**20,946,907,819**	**1.8%**
Total Capital Improvements	**4,535,000**	**6,373,330**	**32,067,122**	**17,142,000**	**169.0%**	**150,000,000**	**8,250,000**	**-51.9%**
Total General Fund Budget	**19,545,281,831**	**20,130,615,163**	**20,601,668,604**	**20,584,772,700**	**2.3%**	**21,334,544,066**	**20,955,157,819**	**1.8%**

[1] Percent change calculated for the Department of Public Safety (DPS) and the Department of Justice (DOJ) are distorted by the transfer of the State Bureau of Investigation ($33 million) from DOJ to DPS

[2] DENR's General Fund budget for the 2013-15 biennium contains the following programs previously supported by dedicated revenues: Parks and Recreation Trust Fund, Water and Land Conservation Fund, the Solid Waste Management Trust Fund, the Scrap Tire Program and the Bernard Allen Emergency Drinking Water Fund. It also contains the transfer of the Grassroots Science Program and the Energy Office from the Department of Commerce.

[3] Debt Service Interest/Redemption does not include Tobacco Master Settlement Agreement. The FY 2013-15 proposed Senate budget moves these funds into the General Fund and increases General Fund debt service requirements.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 402

AMENDMENT NO. 1
(to be filled in by Principal Clerk)

S402-ALL-22 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____,2013

Senator Goolsby

moves to amend the bill on page 317, line 37,
by inserting on that line the following:

"SENIOR RESIDENT SUPERIOR COURT JUDGES SHALL APPOINT PUBLIC DEFENDERS

SECTION 18B.19. G.S. 7A-498.7(b) reads as rewritten:

"(b) For each new term, and to fill any vacancy, public defenders shall be appointed from a list of not less than two and not more than three names nominated by written ballot of the attorneys resident in the defender district who are licensed to practice law in North Carolina. The balloting shall be conducted pursuant to rules adopted by the Commission on Indigent Defense Services. The appointment shall be made by the ~~Commission on Indigent Defense Services.~~ senior resident superior court judge of the superior court district or set of districts as defined in G.S. 7A-41.1 that includes the county or counties of the defender district for which the public defender is being appointed."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 402

AMENDMENT NO. 2
(to be filled in by Principal Clerk)

S402-ALL-15 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____,2013

Senator Goolsby

moves to amend the bill on page 317, line 37,
by inserting on that line the following:

"**RESOLVING CONFLICTS OF INTEREST IN PUBLIC DEFENDER OFFICES**

SECTION 18B.19. G.S. 7A-498.7 is amended by adding a new subsection to read:

'(f1) In cases in which a public defender determines that a conflict of interest exists in the office, whenever practical, rather than obtaining private assigned counsel to resolve the conflict, the public defender may request the appointment of an assistant public defender from another office of public defender in the region to resolve the conflict.'"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 402

AMENDMENT NO. 3
(to be filled in by Principal Clerk)

S402-ALL-24 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____,2013

Senator Brunstetter

moves to amend the committee report on page I-5, Item 37, by rewriting that item to read:

"37 Western Youth Institution Closes the medium and close custody beds at Western Youth Institution, effective January 1, 2014. The closure is part of a reduction in prison capacity to reflect the declining prison population. ";	(7,027,307) R -288.00	(14,660,327) R -288.00

and on page I-5, by adding a new item to read:

"36a Vacant Positions Eliminates vacant positions throughout the Division of Adult Correction. No vacant positions shall be eliminated within 50 miles of Western Youth Intuition.";	($825,902) R	($1,651,805) R

and moves to amend the bill on page 278, lines 45-50, by rewriting those lines to read:

"FOOTHILLS CORRECTIONAL INSTITUTION

SECTION 16C.8.(a) The Division of Adult Correction shall transfer 55 positions from Western Youth Institution to Foothills Correctional Institution to supervise the youthful offenders being transferred from Western Youth Institution to Foothills Correctional Institution.

SECTION 16C.8.(b) The Division of Adult Correction shall consolidate minimum custody treatment slots within the Alcoholism and Chemical Dependency Program Section in the Western Prison region to establish a substance abuse treatment center at Foothills Correctional Institution using the minimum custody housing and any necessary administrative space at Western Youth Institution no later than January 1, 2014.

SECTION 16C.8.(c) The Department of Public shall consolidate all B.R.I.D.G.E. (Young Offenders Forest Conservation Program) units at the minimum custody inmates at Foothills Correctional Institution.

SECTION 16C.8(d) The Division of Adult Correction shall study the feasibility of using the minimum custody units at Foothills Correctional Institution as a probation revocation center."

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 402

AMENDMENT NO. 4
(to be filled in by Principal Clerk)

S402-AMD-12 [v.17]

Comm. Sub. [NO]
Amends Title [NO]
PCS

Date _____,2013

Senator Brunstetter

Moves to amend the PCS on Page 2, Lines 27 and 28, by rewriting the lines to read:

"Related Educational Programs	82,160,148	107,918,501
NC School of Science and Mathematics	19,126,182	19,126,182";

And on Page 62, Lines 26-30, by rewriting those lines to read:

"a. In the Piedmont Triad region, at least 50 candidates who will be recruited in the 2013-2014 school year to begin teaching in the 2014-2015 school year.

b. In the southeast region of the State, at least 50 candidates to begin teaching in the 2013-2014 school year.";

And on Page 63, Line 32, through Page 64, Line 19, by deleting the lines and substituting the following:

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

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

And on Page 64, Lines 19 and 20, by inserting between those lines a new subsection to read:

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

And on Page 64, Line 22, by rewriting the line to read:
"with subsection (c1) of this section. TFA may also use a";

And on Page 117, Line 31, by deleting the line and renumbering the remaining subdivisions accordingly;

And on Page 182, Line 7, by rewriting the line to read:
"Fellowship $250,000; ECU High Risk Maternity Clinic $375,000) 8,532,935";

And on Page 242, Line 27 though page 244, line 8, by deleting those lines;

And on Page 258, Lines 8-21, by deleting those lines and substituting the following language to read:

"(b) Priority. – In selecting between applicants, a project that is located in an Eco-Industrial Park certified under G.S. 143B-437.08 has priority over a comparable project that is not located in a certified Eco-Industrial Park.

(c) Awards. – The maximum amount of total annual liability for grants awarded in any single calendar year under this Part, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is fifteen million dollars ($15,000,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during a single calendar year, could cause the State's potential total annual liability for grants awarded in a single calendar year to exceed this amount. The Department shall make every effort to ensure that the average percentage of withholdings of eligible positions for grants awarded under this Part does not exceed the average of the range provided in G.S. 143B-437.56(a).

...."

SECTION 15.19.(a1). Notwithstanding G.S. 143B-437.52(c), for the 2013-2015 fiscal biennium, the maximum total liability for grants awarded, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is twenty-two million five hundred thousand dollars ($22,500,000) and, for the period from July 1, 2015, to December 31, 2015, the maximum total liability for grants awarded, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is seven million five hundred thousand dollars ($7,500,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during an applicable time period provided in this subsection, could cause the State's potential total annual liability for grants awarded in that time period to exceed the designated maximum amount.";

And on Page 287, Line 12, by inserting between "90-102.1," and "90-143.3" the following: "90-113.5"; and

And on Page 287, Line 20, by deleting "58-79-1" and substituting "58-79-1 through 58-79-15, 58-79-25";

And on Page 309, Line 46, by inserting on that line the following:

"**SECTION 18B.8.(c)** This section becomes effective January 1, 2014.";

And on Page 310, Line 4, by deleting the word "develop and implement" and substituting "develop or acquire and to implement"; and

And on Page 324, Line 48, by inserting the word "Public" between the words "Carolina" and "Campaign";

And moves to amend the Senate Appropriations/Base Budget Committee Report on the Continuation, Expansion, and Capital Budgets (May 21, 2013) on page H-7, Item 36, by decreasing the recurring appropriation to the Bernard Allen Memorial Emergency Drinking Water Fund by $400,000 for the 2013-2014 fiscal year and by $400,000 for the 2014-2015 fiscal year; and

And on Page H-7, between Items 36 and Item 37, by adding a new Item to read:

"36A Inactive Hazardous Sites Cleanup Fund	$400,000 R	$400,000 R

Provides recurring funding to the Inactive Hazardous Sites Cleanup Fund to be used to fund the assessment and remediation of pre-1983 landfills as provided in G.S. 130A-295.9(1) and G.S. 130A-310.6(c)."; and

And on Page J-16, Item 40, by rewriting that Item to read:

"40 Personnel Directs the State Controller to reduce the Department's personnel budget by $1,038,599.";	($1,038,599) R	($1,038,599) R

And on Page J-16, Items 41 and 42, by deleting those Items;

And moves to amend the PCS on Page 357, Lines 1-2, by rewriting the lines to read:
"under G.S. 136-44.2A, as enacted by subsection (g) of this section, and the sum of twelve million dollars ($12,000,000) in recurring funds for the 2013-2014 fiscal year is allocated from the";

And on Page 7, Lines 20-21, by rewriting the lines to read:

"Construction	55,923,707	41,859,878
Maintenance	1,141,487,787	1,031,662,280"

And moves to amend the Senate Appropriations/Base Budget Committee Report on the Continuation, Expansion, and Capital Budgets (May 21, 2013) on page K-5, Item 20, by revising the recurring reductions in each fiscal year to ($76,886,298) in FY 2013-2014 and ($76,708,526) in FY 2014-2015 and by rewriting the last sentence of the item to read "The Department will allocate $12.0 million recurring beginning in FY 2013-14 for the paving of unpaved secondary roads based on the statewide prioritization list.";

And on Page K-9, Item 44, by revising the recurring increase in each fiscal year to $103,850,698 in FY 2013-2014 and $74,779,856 in FY 2014-2015;

And moves to amend the PCS on Page 5, Line 49, by adding after the line the following:

"Certificate of Need Exemption for Replacement
Of Equipment and Facilities on Main Campus (639,152) (643,486)";

And moves to amend the Senate Appropriations/Base Budget Committee Report on the Continuation, Expansion, and Capital Budgets (May 21, 2013) on Page G-8, Item 45, by increasing the reduction for the 2013-2014 fiscal year by $639,152 and for the 2014-2015 fiscal year by $643,486;

And on Page G-8, Item 45, by adding a new sentence at the end of the item to read:
"Additional funds are reduced due to a reduction in administrative costs associated with reduced certificate of need responsibilities.";

And on Page 117, by inserting between Lines 39 and 40 the following:
"**SECTION 12A.2.(c1)** For the 2013-2014 fiscal year, of the funds appropriated under subsection (a) of this section pursuant to Section 12J.1 of this act, the Department shall ensure that funds are allocated to the Boys and Girls Clubs in the same amount as allocated in the 2012-2013 fiscal year.";

And moves to adjust the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 402

AMENDMENT NO. 5
(to be filled in by Principal Clerk)

S402-AMH-23 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
PCS S402-PCS15273-MDxf-9

Date _____,2013

Senator Harrington

moves to amend the bill on page 347, line 46, by inserting the following after that line:

"(b1). Funds Excluded from Regional Impact Project Category. – Federal Surface Transportation Program-Direct Attributable funds expended on eligible projects in the Regional Impact Project category are excluded from that category.";

and on page 349, lines 32 – 33, by rewriting the sub-sub-subdivision to read:

"1. Federal Surface Transportation Program-Direct Attributable funds expended on eligible projects in the Division Need Projects category."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

Attachment 8

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: May 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
1		NCMMC
2		NAMI NC
3		Grossmont Science
4	Megan Squires	PPCNC
5	Katherine Skinner	The Nature Conservancy
6	Will Morgan	TNC
7	KAREN GILLESPIE	BMS
8		CSC
9		LHHA
10		SG
11	Jennifer Haygood	NCCCS
12	Mary Shuping	NCCCS
13	Carr McLamb	OE-NR
14	Jim Slate	DHHS
15		DHHS
16	Sarah Eldred	PPCNC
17		

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: May 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
18	[illegible]	ECBH
19	George Smith	Nexsen Pruet
20	[illegible] Robinson	NCRMA
21	[illegible]	[illegible]
22	[illegible]	Brooks Group
23	Alisson Waller	NMRS
24	Katherine Joyce	NCASA
25	Leanne Winner	NCSBA
26	Emily Doyle	NCPAPA
27	Adam Prudenzano	NCMSA
28	Lanica Allison	NCDOT
29	Mary Pollard	NCPLS
30	Thomas Maher	JDS
31	Chris Manna	NCPLS
32	Suzanne Bradley	SEANC
33	Mitch Leonard	SEANC
34	Ardis Watkins	SEANC

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: May 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
35	John Harold	MFS
36	John McMurla	MFS
37	Tina Ayer	Ed Consultant
38	Andy Chase	KMA
39	Rachel Branch	NCDPI
40	Paul Coleman	Tuition
41	Dede	NCRMA
42	SOLARI	DST
43	Gene Causby	NCSCA
44	Amy C	NCPA
45	Cameron Henley	MTA
46	Crystal Collins	NC Trucking Assn.
47	Carley Ruff	NC Housing Coalition
48	Chris Nida	NCLM
49	Elizabeth Merritt	Governor's Office
50	Leah Burns	Governor's office
51	Nicole M. Hines	Gov Office

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: May 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
35		
36		
37	Mary Bethea	AARP-NC
38	Jimmy Broughton	Womble Carlyle
39		Lawmaker w/ NC's Children
40	Elizabeth Watson	NC Urban Assistance Network
41	Barbara Moore	NC Conf of Clerks of Sup Ct
42	Todd Tuley	Perquimans CSC
43		McGuireWoods
44		NC DPS
45	Chris Dillon	NCWRC
46	Tommy Clark	WRC
47		PPAB
48	Susan McCracken	Appalachian State
49	Henry M Lancaster	LCA
50	Jennifer Willis	UNC-GA
51	Betty Doster	UNC Charlotte

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: May 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
35	David Brown	OSBM
36	Thomas Check	OSBM
37	Bryan Conrad	OSBM
38	Christopher Jones	OSBM
39	Tracy Little	OSBM
40	Cheryl Reed	OSBM
41	Adam Brueggemann	OSBM
42	Wayne Williams	OSBM
43	Wanda Mitchell	OSBM
44	Marcijoo Benton	OSBM
45	Elizabeth Greenstein	OSBM
46	Jonathan Kappler	UNC GA
47	Alan Briggs	NC Food Banks
48	Mark Fain	UNCW
49	Drew Moritz	UNC GA
50	Elizabeth Biser	Brooks Pierce
51	Joy Hicks	NCDA

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: May 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
35	Vicky Yocum	NCDOI
36	Mildred Spearman	NCAOC
37	John W Smith	AOC
38	Jim KENT	NC Beer & Wine
39	Mary Maclean Asbill	SELC
40	Nadia Luhr	NCCN
41	Tom Friedman	DSI
42	McNeil Chestnut	For the Comm Bks
43	Elizabeth Hammond	NC Comm of Bks
44	Sam SKINNER	NCACC
45	MATTHEW GUNNET	"
46	Shireen Trent	NCACC
47	Jon Williams	NCAOC
48	Tazra Mitchell	NC BTC
49	Kay Parker	NASW-NC
50	Mah Gross	NCDC
51	Doug Lewis	DENR

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: May 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
35	TRACY DAVIS	DENR-DEMLR
36	Steven Williams	NCS
37	Carl Goodwin	OSP
38	Lauren Knott	NCHC
39	Amanda Honaker	TSS
40	Karin Cochran	DCR
41	Susan Klutts	DCR
42	Sean Moser	NCNG/DPS
43	TOM BOWLIN	NCNG
44	JOE JOHN	STATE CRIME LABORATORY
45	Thomas Caves	NCSBI
46	Martha Quinn	NCR
47	Ryan Combs	NPS
48	Jarrett Burr	DPS
49	Annaliese Dolph	DOL
50	TRACY GOLVARD	ATTYE
51	Dean Plunkett	PS
	Ha Nguyen	NCCOB

Name	Org
Alexandra Sirota	Budget & Tax
Nathan Betts	NCBA
Paula Hopper	Howard Hughes Corp.
Ken Melton	KMA
[illegible]	CT
Ken McL	Bondurant

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date: May 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
52	Meredith Jillian DeCamp	Poyner Spruill LLP
53	Tom West	Poyner Spruill LLP
54	Dylan Watts	SA
55	Brittany Reeves	SOS - Intern
56	Mike Arnold	SOS
57	NICK TENNYSON	NCDOT
58	Kelly Richardson	City of Charlotte
59	Fred Bone	Bone & Asso.
60	Jennifer Haywood	NCDOL
61	Justin DeLancey	NCDOL
62	Bill McGee	NC Dept of Treas
63	Joel Maynard	NCAFP
64	Andrew Blackburn	SSG NC
65	Adam Sholar	DHHS
66	Cody Thomas	NCAR
67	Henri Bellis	NLUC
68	Jack Cecil	NLUC

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: ~~March~~ MAY 21, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
69	Jake Cagle	NC Chamber
70	Alex Miller	NCCG
71	Mark McDonnell	Carolinas HealthCare Sys
72	Breeden Blackwell	NCHA
73	Rob O'Brien	PEERPAC
74	Peyton Mangum	CPA
75	Ed Regan	NCRGEA
76	Chris McClure	Brooks Pierce
77	Stephen Kovya	compassNC
78	Jim Harrell	UHF
79	Michelle Frazier	MFTS
80	Andrew Cagle	NC Sheriffs' Assn.
81	Dave Simpson	CAGC
82	PBD	NC HA
83		
84		

NAME	ORGANIZATION

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Tuesday, May 21, 2013

Senator Brunstetter,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL, AS AMENDED

SB **402** Appropriations Act of 2013.

Draft Number:	S402-PCS15273-MDxf-9
Sequential Referral:	None
Recommended Referral:	Finance
Long Title Amended:	No

TOTAL REPORTED: 1

Senator Peter Brunstetter will handle SB 402



ATTACHMENT 2

Senate Committee on Appropriations/Base Budget
Wednesday, May 29, 2013, 8:30 AM
643 Legislative Office Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 980	Medicaid/2012-2013 Additional Appropriations.	Representative Burr

Adjournment

Senate Committee on Appropriations/Base Budget
Wednesday, May 29, 2013 at 8:30 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:30 AM on May 29, 2013 in Room 643 of the Legislative Office Building. Twelve members were present. Senator Neal Hunt presided. Senator Hunt called the meeting to order and recognized the Sergeant-at-Arms' staff and Pages.

Senator Brunstetter moved to hear the **PCS for House Bill 980** for discussion: **Medicaid/2012-2013 Additional Appropriations**.

AN ACT TO PROVIDE ADDITIONAL FUNDING IN THE STATE MEDICAID PROGRAM FOR THE 2012-2013 FISCAL YEAR.

Senator Hunt recognized Senator Brunstetter to explain the PCS. As there was no discussion, Senator Apodaca moved for a favorable report to the Senate Committee Substitute Bill and unfavorable as to Committee Substitute Bill No. 1. The motion carried.

The meeting adjourned at 8:32 AM.

Senator Neal Hunt, Chair
Presiding

Elise McDowell, Committee Clerk

Attachments:

1 Committee Notice
2 Agenda
3 PCS for HB 980
4 Summary of PCS
5 Committee Substitute #1
6 Visitor's Log
7 Committee Report

ATTACHMENT 1

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	May 29, 2013	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	
HB 980	Medicaid/2012-2013 Additional Appropriations.	Representative Burr

Senator Harry Brown, Co-Chair
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H D

HOUSE BILL 980

Committee Substitute Favorable 5/16/13
PROPOSED SENATE COMMITTEE SUBSTITUTE H980-CSLE-13 [v.3]
5/28/2013 10:50:11 AM

Short Title: Medicaid/2012-2013 Additional Appropriations. (Public)

Sponsors:

Referred to:

April 18, 2013

A BILL TO BE ENTITLED

AN ACT TO PROVIDE ADDITIONAL FUNDING IN THE STATE MEDICAID PROGRAM FOR THE 2012-2013 FISCAL YEAR.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding G.S. 143C-6-4 or any other provision of law, in order to ensure that there is adequate funding in the Medicaid budget for the 2012-2013 fiscal year, the General Assembly directs the Director of the Budget, in conjunction with the State Controller and other necessary State officials, to effectuate the budget adjustments authorized in Section 2 of this act in an amount not to exceed four hundred fifty-one million dollars ($451,000,000) to cover a projected budget shortfall of three hundred thirty-three million dollars ($333,000,000) and the repayment of Medicaid federal drug rebates in the amount of one hundred eighteen million dollars ($118,000,000).

SECTION 2. The Director of the Budget shall make the following adjustments to increase the budget of the Division of Medical Assistance. These adjustments are set forth in priority order, and no adjustment shall be made until the preceding adjustment has been completely exhausted in the permissible amount:

(1) Use the sum of seventy-four million dollars ($74,000,000) from drug rebate refunds within the Division of Medical Assistance. These funds are hereby appropriated.

(2) Transfer the sum of twenty million nine hundred thousand dollars ($20,900,000) from State appropriations not expended pursuant to Section 10.9G of S.L. 2012-142.

(3) Transfer a minimum of forty-eight million dollars ($48,000,000) from projected reversions within the Department of Health and Human Services, including any unspent or unobligated State appropriations from the Transitions to Community Living Fund. However, before these projected reversions may be expended, all payments required under Section 10.23A(f) of S.L. 2012-142 and S.L. 2013-5 must be made.

(4) Use the sum of two hundred thirteen million four hundred thirty-two thousand eight hundred seventy-eight dollars ($213,432,878) from the June 30, 2012, unreserved fund balance. These funds are hereby appropriated.

(5) Transfer of projected revenue overcollections for the 2012-2013 fiscal year in the amount of up to ninety-four million six hundred sixty-seven thousand one hundred twenty-two dollars ($94,667,122). These funds are hereby appropriated.

SECTION 3. Budget adjustments made pursuant to this act shall be used only to pay the costs of the State Medicaid Program, including drug rebates owed to the federal government, for the 2012-2013 fiscal year. Any budget adjustments pursuant to this act that are not needed to pay the costs of the Medicaid program for the 2012-2013 fiscal year shall revert to the unreserved fund balance of the General Fund.

SECTION 4. Notwithstanding any other provision of law, neither the Director of the Budget nor any other State official, officer, or agency shall authorize any adjustment, draw down, or transfer unearned or borrowed receipts to implement this act or expend any other funds to implement this act, if doing so would impose, increase, or continue a financial obligation in the 2013-2014 fiscal year or any subsequent fiscal year.

SECTION 5. Notwithstanding the adjustments authorized by this act, the Office of State Budget and Management shall maximize 2012-2013 fiscal year General Fund reversions from all State agencies and departments in order to increase the June 30 unreserved fund balance in the General Fund.

SECTION 6. On or before October 1, 2013, the Office of State Budget and Management, Department of Health and Human Services, and Office of State Controller shall report jointly on the implementation of this act. The Office of State Budget and Management and Department of Health and Human Services shall report on each measure taken and the Office of State Controller shall certify compliance with Section 3 and Section 4 of this act. This report shall be made to the Appropriations/Base Budget Committee of the Senate, the Appropriations Committee of the House of Representatives, and the Joint Legislative Commission on Governmental Operations. Reporting requirements under G.S. 143C-6-4 shall not apply to adjustments made pursuant to this act.

SECTION 7. This act is effective when it becomes law.

HOUSE BILL 980:
Medicaid/2012-2013 Additional Appropriations

2013-2014 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	May 28, 2013
Introduced by:		**Prepared by:**	Luke Gillenwater Committee Co-Counsel
Analysis of:	PCS to Second Edition H980-CSLE-13		

SUMMARY: The PCS for House Bill 980 authorizes budget adjustments for the 2012-2013 fiscal year in an amount up to $451,000,000 to cover (i) a projected Medicaid budget shortfall of $333,000,000 and (ii) the repayment of Medicaid federal drug rebates in the amount of $118,000,000.

BILL ANALYSIS:

Section 1: Directs the Governor, in conjunction with the State Controller and other necessary State officials, to effectuate budget adjustments for the 2012-2013 fiscal year in an amount not to exceed $451,000,000 to cover:

- A projected Medicaid budget shortfall of $333,000,000; and
- The repayment of Medicaid federal drug rebates in the amount of $118,000,000.

Section 2: The adjustments authorized by Section 1 are set forth in the following priority order and no adjustment shall be made until the preceding adjustment has been exhausted:

Source of Funds:	Amount:
Transfer of drug rebate funds within the Division of Medical Assistance	$74,000,000
Transfer of funds from State appropriations not expended pursuant to Section 10.9G of S.L. 2012-142	$20,900,000
Transfer of projected reversions within the Department of Health and Human Services, including unspent or unobligated State appropriations from the Transitions to Community Living Fund	$48,000,000
Transfer of funds from the June 30, 2012, unreserved fund balance	$213,432,878
Transfer of funds from projected revenue overcollections for the 2012-2013 fiscal year	$94,667,122

Section 3: Specifies that budget adjustments made pursuant to Section 1 are only to pay the costs of the State Medicaid Program for the 2012-2013 fiscal year and any funds not used shall revert to the unreserved fund balance of the General Fund.

Section 4: Prohibits the Governor or any other State official, officer, or agency from making an adjustment to implement this act that would impose, increase, or continue a financial obligation into future fiscal years.

Section 5: Directs the Office of State Budget and Management to maximize 2012-2013 fiscal year General Fund reversions in order to increase the June 30 unreserved fund balance in the General Fund.

Section 6: Directs the Office of State Budget and Management, the Department of Health and Human Services, and the Office of State Controller to report jointly by October 1, 2013 on the implementation of this act. The report shall be made to the Appropriations/Base Budget Committee of the Senate, the Appropriations Committee of the House of Representatives, and the Joint Legislative Commission on Governmental Operations. The quarterly reports required under G.S. 143C-6-4 do not apply to adjustments made pursuant to this act.

EFFECTIVE DATE: The PCS is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H 2

HOUSE BILL 980
Committee Substitute Favorable 5/16/13

Short Title: Medicaid/2012-2013 Additional Appropriations. (Public)

Sponsors:

Referred to:

April 18, 2013

A BILL TO BE ENTITLED

AN ACT TO PROVIDE ADDITIONAL FUNDING IN THE STATE MEDICAID PROGRAM FOR THE 2012-2013 FISCAL YEAR.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding G.S. 143C-6-4 or any other provision of law, in order to ensure that there is additional funding in the Medicaid budget for the 2012-2013 fiscal year, the General Assembly directs the Director of the Budget, in conjunction with the State Controller and other necessary State officials, to effectuate the budget adjustments authorized in Section 2 of this act in an amount not to exceed four hundred one million dollars ($401,000,000) to cover a projected budget shortfall of two hundred eighty-three million dollars ($283,000,000) and the repayment of Medicaid federal drug rebates in the amount of one hundred eighteen million dollars ($118,000,000).

SECTION 2. The Director of the Budget shall make the following adjustments to increase the budget of the Division of Medical Assistance. These adjustments are set forth in priority order, and no adjustment shall be made until the preceding adjustment has been completely exhausted in the permissible amount:

(1) The sum of seventy-four million dollars ($74,000,000) from drug rebate refunds within the Division of Medical Assistance. These funds are hereby appropriated.

(2) The sum of twenty million nine hundred thousand dollars ($20,900,000) from State appropriations not expended pursuant to Section 10.9G of S.L. 2012-142.

(3) A minimum of forty-eight million dollars ($48,000,000) from projected reversions within the Department of Health and Human Services, including any unspent or unobligated State appropriations from the Transitions to Community Living Fund. However, before these projected reversions may be expended, all payments required under Section 10.23A(f) of S.L. 2012-142 and S.L. 2013-5 must be made first.

(4) The sum of two hundred thirteen million four hundred thirty-two thousand eight hundred seventy-eight dollars ($213,432,878) from the June 30, 2012, unreserved fund balance. These funds are hereby appropriated.

(5) Projected revenue overcollections for the 2012-2013 fiscal year in the amount of up to forty-four million six hundred sixty-seven thousand one hundred twenty-two dollars ($44,667,122). These funds are hereby appropriated.

SECTION 3. Budget adjustments made pursuant to Section 1 of this act shall be used only to pay the costs of the State Medicaid Program, including drug rebates owed to the federal government, for the 2012-2013 fiscal year. Any budget adjustments pursuant to this act that are not needed to pay the costs of the Medicaid program for the 2012-2013 fiscal year shall revert to the unreserved fund balance of the General Fund.

SECTION 4. Notwithstanding any other provision of law, neither the Director of the Budget nor any other State official, officer, or agency shall authorize any adjustment, draw down or transfer unearned or borrowed receipts, or expend any other funds if doing so would impose, increase, or continue a financial obligation in the 2013-2014 fiscal year or any subsequent fiscal year.

SECTION 5. Notwithstanding the adjustments authorized by this act, the Office of State Budget and Management shall maximize 2012-2013 fiscal year General Fund reversions from all State agencies and departments in order to increase the June 30 unreserved fund balance in the General Fund.

SECTION 6. On or before October 1, 2013, the Office of State Budget and Management, Department of Health and Human Services, and Office of State Controller shall report jointly on the implementation of this act. The Office of State Budget and Management and Department of Health and Human Services shall report on each measure taken and the Office of State Controller shall certify compliance with Section 3 and Section 4 of this act. This report shall be made to the Appropriations/Base Budget Committee of the Senate, the Appropriations Committee of the House of Representatives, and the Joint Legislative Commission on Governmental Operations. Reporting requirements under G.S. 143C-6-4 shall not apply to adjustments made pursuant to this act.

SECTION 7. This act is effective when it becomes law.

ATTACHMENT 6

VISITOR REGISTRATION SHEET

SENATE APPROPRIATIONS/ BASE BUDGET — May 29, 2013

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Nicole M. Hines	NC Governor's Office
Daphne Lyon	OSBM
Pam Kilpatrick	OSBM
Brittany Reeves	SOS - intern
Tyran Lennon	Minority Coalition
Nadine McNair-Smith	Minority Coalition
Charles Funchess	Minority coalition
Nimish Bhatt	Minority Coalition
Jason Barbour	Sen. Apodaca

ATTACHMENT 6

VISITOR REGISTRATION SHEET

SENATE APPROPRIATIONS/ BASE BUDGET — May 29, 2013

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Diana Duncan (Co-chair)	Minority Coalition of Behavioral Health Providers of Color (MCBHPC)
Arlana Sims, PhD	"
Nikki G Creecy	"
Patrick Chang	"

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Wednesday, May 29, 2013

Senator Hunt,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

HB **980** **(CS#1)** Medicaid/2012-2013 Additional Appropriations.

Draft Number:	H980-PCS70436-LE-13
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Senator Peter Brunstetter will handle HB 980



Senate Committee on Appropriations/Base Budget
Wednesday, June 5, 2013, 8:30 AM
643 Legislative Office Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 60	Transfer of Indian Cultural Center Property.	Representative Howard
HB 157	Limit Use of Highway Fund Credit Balance.	Representative Jeter Representative B. Brown Representative Dobson Representative Szoka
HB 892	No Fiscal Note for Rule Repeal.	Representative Catlin Representative W. Brawley Representative Murry Representative Moffitt

Adjournment

Senate Committee on Appropriations/Base Budget
Wednesday, June 5, 2013 at 9:00 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 9:01 AM on June 5, 2013 in Room 643 of the Legislative Office Building. Twelve members were present. Senator Pete Brunstetter presided.

After recognizing the Sergeant-at Arms' staff and the Pages, Senator Brunstetter recognized Representative Julia Howard to present HB 60: Transfer of Indian Cultural Center Property. Senator Apodaca moved for a favorable report and the motion carried.

Senator Brunstetter then recognized Representative Charles Jeter to present HB 157: Limit Use of Highway Fund Credit Balance. Senator Tillman moved for a favorable report and the motion carried.

Senator Brunstetter then recognized Representative Rick Catlin to present HB 892: No Fiscal Note for Rule Repeal. Senator Brown moved for a favorable report and the motion carried.

The meeting adjourned at 9:05 AM.

Senator Peter S. Brunstetter, Presiding Chair

Mary Marchman, Committee Clerk

Attachments:

1. Committee Notice
2. Agenda
3. HB 60
4. Summary of HB 60
5. HB 157
6. Summary of HB 157
7. HB 892
8. Summary of HB 892
9. Visitor's Log
10. Committee Report

Principal Clerk ____
Reading Clerk ____

Corrected #1: Note time change.

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	June 5, 2013	9:00 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	
HB 60	Transfer of Indian Cultural Center Property.	Representative Howard
HB 157	Limit Use of Highway Fund Credit Balance.	Representative Jeter Representative B. Brown Representative Dobson Representative Szoka
HB 892	No Fiscal Note for Rule Repeal.	Representative Catlin Representative W. Brawley Representative Murry Representative Moffitt

Senator Harry Brown, Co-Chair
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H 5

HOUSE BILL 60*

Committee Substitute Favorable 3/13/13
Committee Substitute #2 Favorable 5/8/13
Fourth Edition Engrossed 5/13/13
Senate Finance Committee Substitute Adopted 5/29/13

Short Title: Transfer of Indian Cultural Center Property. (Public)

Sponsors:

Referred to:

February 5, 2013

A BILL TO BE ENTITLED

AN ACT TO TERMINATE LEASES AT THE INDIAN CULTURAL CENTER SITE AND THEN SELL OR ALLOCATE CERTAIN PORTIONS OF THE PROPERTY, AS RECOMMENDED BY THE JOINT LEGISLATIVE PROGRAM EVALUATION OVERSIGHT COMMITTEE.

The General Assembly of North Carolina enacts:

SECTION 1. Definitions. – The following definitions apply in this act:

(1) Indian Cultural Center site. – Parcel 1, less and except approximately 110 acres for the use and operation of the Riverside Golf Course within Parcel 1, as well as Parcel 2, Parcel 3, and Parcel 4, all of which are located in Maxton Township, Robeson County.

(2) Parcel 1. – 386.69 acres, more or less, by deed from the Riverside Country Club of Pembroke, Inc., dated April 14, 1983, recorded in Book 533, Page 164, Robeson County Registry and by deed dated August 24, 1984, recorded in Book 563, Page 254, Robeson County Registry.

(3) Parcel 2. – 91.5 acres, more or less, by deed from Evelyn S. Morgan Abbott, dated March 25, 1988, recorded in Book 575, Page 523, Robeson County Registry.

(4) Parcel 3. – 10 acres, more or less, by deed from H.C. Locklear, et ux, dated December 12, 1985, recorded in Book 586, Page 142, Robeson County Registry.

(5) Parcel 4. – 42.50 acres, more or less, by deed from Ronald Revels and wife, Dorisetta Revels, dated December 17, 1996, recorded in Book 931, Page 415, Robeson County Registry.

SECTION 2. Termination of leases. – (a) The Department of Administration shall terminate the lease between the State and the North Carolina Indian Cultural Center, Inc., for the Indian Cultural Center site. Notice of termination shall be given no later than 15 days after the effective date of this act.

SECTION 2.(b) The Department of Administration shall terminate the lease between the State and the Riverside Golf Center for the property known as the Riverside Golf Course, which is located within Parcel 1. Notice of termination shall be provided in accordance with the terms of the existing lease. Thirty days' notice shall be given, as required under the lease, and notice shall be given no later than 15 days after the effective date of this act.

SECTION 3. Appraisal of Parcel 1. – The Department of Administration shall obtain an appraisal for Parcel 1, for which the sum of seven thousand three hundred dollars ($7,300) is appropriated from the General Fund to the Department of Administration. This appraisal shall include both of the following:

(1) An appraisal of Parcel 1 subject to the restrictive covenants and reversion to the State provided in Section 4(a) of this act.

(2) An appraisal of Parcel 1 without the restrictive covenants and reversion to the State provided in Section 4(a) of this act.

SECTION 4. Sale of Parcel 1. – (a) The Department of Administration shall first offer Parcel 1 to the Lumbee Tribal Administration for purchase, subject to the following restrictive covenants that would run with the land, a violation of any of which would result in the property reverting to State ownership:

(1) The land must be made and remain open and available for public use.

(2) The land must be made and remain available for use by North Carolina tribes and American Indian urban organizations for free or at cost.

(3) The parcel cannot be subdivided.

(4) The natural resources cannot be sold or leased.

If any provision of this subsection or its application is held invalid, the invalidity does not affect other provisions or applications of this subsection that can be given effect without the invalid provisions or application, and to this end the provisions of this subsection are severable.

SECTION 4.(b) The Department of Administration shall provide a copy of the appraisal required under Section 3 of this act to the Lumbee Tribal Administration. The Lumbee Tribal Administration shall have 90 days from receipt of a copy of the appraisal to enter into a contract to purchase the property for the appraised price or a negotiated price based upon the appraised price.

SECTION 4.(c) If the Lumbee Tribal Administration does not enter into a contract with the State to purchase the property within 90 days of receiving the appraisal of Parcel 1, then the Department of Administration shall dispose of Parcel 1 according to the general laws for the sale of State land and without the restrictive covenants or reversionary interest discussed in subsection (a) of this section.

SECTION 4.(d) Although the Department of Administration may enter into a purchase contract with the Lumbee Tribal Administration under subsection (b) of this section, the sale shall not be finalized until after consultation with the Joint Legislative Program Evaluation Oversight Committee. The Department shall submit a detailed report of the transaction, including a copy of the purchase contract, to the Chairs of the Committee and to the Director of the Program Evaluation Division of the General Assembly. If the Committee does not hold a meeting to hear the consultation within 90 days of receiving the submission of the detailed report, the consultation requirement is satisfied. This consultation is in addition to any consultation with the Joint Legislative Commission on Governmental Operations that may be required under G.S. 146-27(b).

SECTION 5. Proceeds of sale of Parcel 1. – The net proceeds of the sale under Section 4 of this act shall be distributed as follows:

(1) The sum of seven thousand three hundred dollars ($7,300) shall be deposited into the General Fund in order to reimburse the General Fund for the appropriation made in Section 3 of this act.

(2) Any funds remaining after funds are deposited under subdivision (1) of this section shall be distributed as follows:

a. Twenty-five percent (25%) shall be deposited into the General Fund and shall be appropriated from the General Fund to the Department of Environment and Natural Resources, Division of Parks and Recreation, for improvements to Parcel 2, Parcel 3, and Parcel 4.

b. Seventy-five percent (75%) shall be deposited into the Savings Reserve Account established under G.S. 143C-4-2.

SECTION 6. Allocation of other parcels. – Parcel 2, Parcel 3, and Parcel 4 are allocated to the Department of Environment and Natural Resources, Division of Parks and Recreation, to be used as part of the Lumber River State Park.

SECTION 7. This act is effective when it becomes law.

HOUSE BILL 60:
Transfer of Indian Cultural Center Property

2013-2014 General Assembly

Committee:	Senate Ref to Finance. If fav, re-ref to Appropriations/Base Budget	**Date:**	May 29, 2013
Introduced by:	Rep. Howard	**Prepared by:**	Greg Roney Committee Counsel
Analysis of:	PCS to Fourth Edition H60-CSTM-40		

SUMMARY: ***The Proposed Committee Substitute (PCS) for House Bill 60 would terminate two leases: (1) lease between the State and the North Carolina Indian Cultural Center, Inc. (NCICC Inc.) for the Indian Cultural Center and (2) the lease between the State and Lumbee Land Development, Inc. for the maintenance of the Riverside Golf Course.***

The PCS would direct the Department of Administration (DOA), after obtaining an appraisal, offer approximately 386 acres to the Lumbee Tribal Administration for purchase subject to restrictive covenants (including that the land be available for public use) or offer the parcel to the public without restrictive covenants if the Lumbee Tribal Administration does not purchase the land. Proceeds of the sale will be divided as follows: $7,300 to the General Fund to reimburse the cost of the appraisal, 25% to the General Fund and appropriated to the Department of Environment and Natural Resources (DENR) for improvements to the land; and 75% to the Savings Reserve Account.

The PCS would allocate the remainder of the property to DENR to be used as part of the Lumber River State Park.

As introduced, this bill was identical to S30, as introduced by Sen. Hartsell, which is currently in Senate Finance. The PCS returns House Bill 60 to the same text as S30 with a typographical correction.

CURRENT LAW: In May 1994, the State entered into a 99-year lease agreement with NCICC Inc. In 2011, the North Carolina Department of Justice issued a letter to NCICC Inc. highlighting issues that placed the tenant in default of the lease terms.

On May 2011, the State entered into a temporary 60-day lease with Lumbee Land Development, Inc., a nonprofit organization. This lease is limited to maintaining and repairing the 110-acre Riverside Golf Course and is not intended for operation of the golf course. Any holding over after the expiration of the term or any extension is a month-to-month tenancy.

BILL ANALYSIS: The PCS for House Bill 60 would return the entire Indian Cultural Center site to State control by terminating the two leases affecting the site: the lease with NCICC Inc. for the Indian Cultural Center and the lease with Lumbee Land Development, Inc. for the Riverside Golf Course. The notice of termination for both leases must be given by DOA within 15 days after the effective date of the bill.

The PCS would appropriate $7,300 for DOA to obtain an appraisal of Parcel 1 (defined in the Background Section of this Summary). Based on the appraised price, DOA would offer Parcel 1 first to the Lumbee Tribal Administration. The offer to the Lumbee Tribal Administration is subject to the following restrictive covenants that would return the land to the State if violated:

- The land must be made and remain open and available for public use.

- The land must be made and remain available for use by North Carolina tribes and American Indian urban organizations for free or at cost.
- The parcel cannot be subdivided.
- The natural resources cannot be sold or leased.

Additionally, any sale to the Lumbee Tribal Administration requires DOA to consult the Joint Legislative Program Evaluation Oversight Committee and submit a detailed report of the transaction. If the Committee does not hold a meeting to hear the consultation within 90 days of receiving the submission of the detailed report, the consultation requirement is satisfied.

If the Lumbee Tribal Administration does not purchase the land, then DOA is directed to offer Parcel 1 for sale to the public without restrictive covenants.

The proceeds of any sale will be divided as follows: $7,300 to the General Fund to reimburse the cost of the appraisal; 25% to the General Fund and appropriated to DENR's Division of Parks and Recreation for improvements to the land; and 75% to the Savings Reserve Account.

The remainder of the property (Parcels 2, 3, and 4) are allocated to DENR's Division of Parks and Recreation to be used as part of the Lumber River State Park.

BACKGROUND: The PCS is a recommendation of the Joint Legislative Program Evaluation Oversight Committee based on Report No. 2012-13 (Report), "Options for the Indian Cultural Center Will Allow the Site to Meet its Cultural, Recreational, and Economic Development Intent," issued by the Program Evaluation Division (PED) of the General Assembly in December, 2012. The Report contains extensive history and analysis of the Cultural Center.

The North Carolina Indian Cultural Center site is located in Maxton, Robeson County. The Cultural Center site is composed of 4 parcels of land totaling 528 acres as follows:

> Parcel 1. – 386.69 acres, contains a lake, the Riverside Golf Course, and other improvements.
>
> Parcel 2. – 91.5 acres, contains woods with large sections of cleared farm land.
>
> Parcel 3. – 10 acres, contains wetlands.
>
> Parcel 4. – 42.50 acres, contains 2 buildings and access to Lumber River.

NCICC Inc. holds the lease on the property. The lease contemplated NCICC Inc. operating an attraction dedicated to the history, culture, and heritage of North Carolina American Indians. The Report determined that the existing facilities on the site are dilapidated.

EFFECTIVE DATE: The PCS for House Bill 60 would be effective when it becomes law.

Trina Griffin with the Research Division substantially contributed to this summary. Additionally, this summary draws from Report No. 2012-13 issued by the Program Evaluation Division.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H 2

HOUSE BILL 157
Committee Substitute Favorable 4/3/13

Short Title: Limit Use of Highway Fund Credit Balance. (Public)

Sponsors:

Referred to:

February 27, 2013

A BILL TO BE ENTITLED

AN ACT TO PROTECT THE TAXPAYERS OF NORTH CAROLINA FROM THE DIVERSION OF FUEL TAX PROCEEDS FOR NONTRANSPORTATION USES BY REQUIRING THAT THE UNRESERVED CREDIT BALANCE IN THE HIGHWAY FUND BE USED FOR ROAD-RELATED USES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 136-44.2 reads as rewritten:

"**§ 136-44.2. Budget and appropriations.**

...

(f) If the unreserved credit balance in the Highway Fund on the last day of a fiscal year is greater than the amount estimated for that date in the Current Operations Appropriations Act for the following fiscal year, the excess shall be used in accordance with this subsection. The Director of the Budget shall allocate the excess to a reserve (i) for access and public roads or (ii) for other urgent road construction or road maintenance needs. The use of this reserve shall be subject to the following:

(1) Restrictions on use. – No more than five million dollars ($5,000,000) from this reserve may be spent on a single project. Funds from this reserve being used for an "other urgent road construction or road maintenance need" project cannot be used for nontransportation administrative costs, nontransportation information technology costs, or any economic ~~development.~~development purpose.

(2) Approval. – The Department of Transportation shall submit for approval to the Director of the Budget all expenditures from the reserve established under this subsection.

(3) Reporting. – At least five days, not including State holidays or weekend days, prior to submitting an expenditure request to the Director of the Budget under subdivision (2) of this subsection, the Department of Transportation shall submit a report on the expenditure request to the Fiscal Research Division and to the members of the House Appropriations Subcommittee on Transportation and the Senate Appropriations Committee on Department of Transportation. Such report shall be certified by the chief financial officer of the Department of Transportation and shall include (i) a project description, (ii) whether the project is for access and public roads or for other urgent needs, (iii) a justification of the project, (iv) the total project cost, (v) the amount of funding for the project coming from the reserve, and (vi) other funding sources for the project.

(4) Carryforward. – If on the last day of the fiscal year the balance in the reserve established by this subsection is greater than five million dollars ($5,000,000), then the Director of the Budget shall transfer the amount in excess of that sum to the Reserve for General Maintenance in the Highway Fund.

...."

SECTION 2. This act becomes effective July 1, 2014.

HOUSE BILL 157:
Limit Use of Highway Fund Credit Balance

2013-2014 General Assembly

Committee:	Senate Ref to Transportation. If fav, re-ref to Appropriations/Base Budget	**Date:**	May 28, 2013
Introduced by:	Reps. Jeter, B. Brown, Dobson, Szoka	**Prepared by:**	Giles S. Perry Committee Counsel
Analysis of:	Second Edition		

SUMMARY: ***House Bill 157 amends the restrictions on the use of the unreserved credit balance of the Highway Fund to require it be expended only for road-related uses.***

CURRENT LAW: G.S. 136-44.2(f) governs how the Director of the Budget is authorized to allocate the unreserved credit balance in the Highway Fund. Currently, the unreserved credit balance can be used for access and public roads; or other urgent need (excluding administrative costs, information technology cost, or economic development).

BILL ANALYSIS: House Bill 157 amends State law to restrict any use of the unreserved credit balance of the Highway Fund to access and public roads, or other urgent road construction or road maintenance need. "Other urgent road construction or road maintenance need" is defined to exclude non-transportation administrative costs, non-transportation information technology costs, or any economic development purpose.

EFFECTIVE DATE: This act becomes effective July 1, 2014.

BACKGROUND: The Highway Fund is one of two State funds used to fund transportation. The Highway Fund has receipts of about $2 billion a year, primarily from receipts of the motor fuels tax, and a small portion from DMV fees. The Highway Fund is primarily used to fund highway maintenance, contract resurfacing, secondary road construction, allocations to municipalities for city streets ("Powell Bill" funds), DOT administration, and public transportation.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H 2

HOUSE BILL 892
Committee Substitute Favorable 4/24/13

Short Title: No Fiscal Note for Rule Repeal. (Public)

Sponsors:

Referred to:

April 15, 2013

A BILL TO BE ENTITLED

AN ACT TO AMEND THE ADMINISTRATIVE PROCEDURE ACT TO ELIMINATE THE REQUIREMENT THAT AN AGENCY PREPARE A FISCAL NOTE WHEN REPEALING A RULE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 150B-21.4 is amended by adding a new subsection to read:

"(d) If an agency proposes the repeal of an existing rule, the agency is not required to prepare a fiscal note on the proposed rule change as provided by this section."

SECTION 2. This act is effective when it becomes law and applies to all proposed rules published in the North Carolina Register on or after that date.

ATTACHMENT 8

This Bill Analysis reflects the contents of the bill as it was presented in committee.

HOUSE BILL 892:
No Fiscal Note for Rule Repeal

2013-2014 General Assembly

Committee:	House Regulatory Reform Subcommittee on Environmental	**Date:**	April 23, 2013
Introduced by:	Reps. Catlin, W. Brawley, Murry, Moffitt	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	PCS to First Edition H892-CSRO-9		

SUMMARY: House Bill 892 amends the Administrative Procedure Act to eliminate the requirement that an agency prepare a fiscal note when repealing a rule.

CURRENT LAW: Under current law, when a State agency wishes to repeal an existing administrative rule, the agency must go through the same process as when the agency adopts a new rule or amends an existing rule. Before an agency publishes a notice of text for a proposed rule change in the North Carolina Register, which is the first step in the official rule-making process, the agency must submit a fiscal note to the Office of State Budget and Management and obtain certification from the Office that any State funds needed for the rule change are available.

In addition, if the proposed rule change would affect the expenditures or revenues of a local government, the agency must submit a fiscal note to the Office of State Budget and Management, the Fiscal Research Division of the General Assembly, the North Carolina Association of County Commissioners, and the North Carolina League of Municipalities stating the amount by which the proposed rule change would increase or decrease the local government's expenditures or revenues.

Finally, if the proposed rule change would have an aggregate financial impact on all persons affected of at least $500,000 in a 12-month period, the agency must prepare a substantial economic impact fiscal note. This fiscal note must also be approved by the Office of State Budget and Management, or alternatively, the agency may request that the Office prepare the fiscal note.

BILL ANALYSIS: House Bill 892 would add a new provision to the law governing the requirements for fiscal notes in the administrative rule-making process. The provision would exempt agencies from the requirement that a fiscal note be prepared when the proposed rule change is the repeal of a rule.

EFFECTIVE DATE: This act is effective when it becomes law and applies to all proposed rules published in the North Carolina Register on or after that date.

ATTACHMENT 9

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 5, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Allen Hardison	CRSWMA
Doug Lassiter	NCSTA
Dunwood	NS
	Bom. Asso.
Jay Stem	NCAA
	School Bus
Bill Rust	AEP
Evelyn Hawthorne	ETOR
Erin Wynia	NCLM
Amanda Hoake	TSS
Andy Walsh	SAS
Andy Chase	KMA
Sarah Wolfe	MWC LLC
	NC
Adam Prideaux	NCATSA
Kathryn	NCBOA

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 5, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Alex Bazer	CSG
Kelsen James	Jordan, Price

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 5, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
ASHLEA SKINNER	NCACC
Anca GROZAV	OSBM
	Gov's Office
Sharon Miller	CUCA
Tom West	Poyner Spruill LLP
Meredith Jillian DeCamp	Poyner Spruill LLP
Hugh Johnson	Governor's Office
	Indian
	NCMMC
John Hardi	MT&S
	MT&S
	MT&S

ATTACHMENT 10

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Wednesday, June 05, 2013

Senator Brunstetter,
submits the following with recommendations as to passage:

FAVORABLE

HB **60** **(SCS#1)** Transfer of Indian Cultural Center Property.
Draft Number: None
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

HB **157** **(CS#1)** Limit Use of Highway Fund Credit Balance.
Draft Number: None
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

HB **892** **(CS#1)** No Fiscal Note for Rule Repeal.
Draft Number: None
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

TOTAL REPORTED: 3

Senator Fletcher Hartsell will handle HB 60
Senator Jeffery Tarte will handle HB 157
Senator William Rabon will handle HB 892



Senate Committee on Appropriations/Base Budget
Wednesday, June 12, 2013, 8:30 AM
643 Legislative Office Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 459	Chronic Care Coordination Act.	Representative Dollar Representative Murry Representative Hollo Representative Lambeth
SB 663	Blue Ribbon Comm. Recs./Supportive MH Housing.	Senator Hise
HB 817	Strategic Transportation Investments.	Representative W. Brawley Representative Torbett Representative Iler Representative Shepard

Adjournment

Senate Committee on Appropriations/Base Budget
Wednesday, June 12, 2013 at 8:30 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:31 AM on June 12, 2013 in Room 643 of the Legislative Office Building. Thirteen members were present. Senator Harry Brown, Chair, presided. Senator Brown called the meeting to order and recognized the Sergeant-at-Arms' staff and Pages.

Senator Brown recognized Representative Nelson Dollar to explain House Bill 459, Chronic Care Coordination Act. Senator Kathy Harrington moved for a favorable report and the motion carried.

Senator Brown then recognized Senator Bob Rucho for a motion to hear the PCS for House Bill 817, Strategic Transportation Investments. The motion carried. Representative Bill Brawley explained the PCS for House Bill 817. After discussion, Senator Tommy Tucker moved for a favorable report. The motion carried.

Senator Andrew Brock was then recognized for a motion to hear the PCS for Senate Bill 663, Blue Ribbon Comm. Recs./Supportive MH Housing. Senator Ralph Hise explained the PCS for Senate Bill 663 and Senator Jerry Tillman moved for a favorable. The motion carried.

The meeting adjourned at 8:51 AM.

Senator Harry Brown, Presiding Chair

Elise McDowell, Committee Clerk

Attachments:

1. Corrected Committee Notice #2
2. Agenda
3. Summary of HB 459
4. HB 459
5. PCS for HB 817
6. Summary of HB 817
7. Committee Substitute #2
8. PCS for SB 663
9. Summary of SB 663
10. Committee Substitute #1
11. Visitor's Log
12. Committee Report (2 pages)

Principal Clerk ____
Reading Clerk ____

Corrected #2: HB 492 - Safeguard Qualified Individuals-Medicaid PCS has been removed from the agenda.

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	June 12, 2013	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	
HB 459	Chronic Care Coordination Act.	Representative Dollar Representative Murry Representative Hollo Representative Lambeth
SB 663	Blue Ribbon Comm. Recs./Supportive MH Housing.	Senator Hise
HB 817	Strategic Transportation Investments.	Representative W. Brawley Representative Torbett Representative Iler Representative Shepard

Senator Harry Brown, Co-Chair
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair

This Bill Analysis reflects the contents of the bill as it was presented in committee.

Attachment 3

HOUSE BILL 459: Chronic Care Coordination Act

2013-2014 General Assembly

Committee:	House Health and Human Services, if favorable, Appropriations	**Date:**	April 8, 2013
Introduced by:	Reps. Dollar, Murry, Hollo, Lambeth	**Prepared by:**	Janice Paul Committee Counsel
Analysis of:	First Edition		

SUMMARY: ***House Bill 459 would require the Department of Health and Human Services to coordinate the care of chronic diseases such as heart disease, hypertension, stroke, cancer, respiratory diseases, diabetes and obesity.***

[As introduced, this bill was identical to S606, as introduced by Sens. Hise, Barringer, which is currently in Senate Health Care.]

BILL ANALYSIS: House Bill 459 would create a new Part 4A, "Chronic Care Coordination," of Article 7 ("Chronic Disease") of Chapter 130A of the General Statutes governing public health. The bill would require the Department of Health and Human Services Division of Public Health and Division of Medical Assistance, and the division in the Department of the State Treasurer responsible for the State Health Plan for Teachers and State Employees, to collaborate to reduce the incidence of chronic disease and improve chronic care coordination in the State by doing all of the following:

- Identifying goals and benchmarks for the reduction of chronic disease.
- Developing wellness and prevention plans.
- Submitting annual reports to specified committees and to the Fiscal Research Division of the General Assembly that include:
    - The financial impact and magnitude of the chronic health conditions most likely to cause death and disability, including certain conditions listed in the bill.
    - An assessment of benefits derived from wellness and prevention programs and activities designed to coordinate chronic care.
    - A description of the level of coordination among the agencies charged with care coordination responsibilities.
    - Detailed action plans for care coordination of multiple chronic health conditions in the same patient.
    - A detailed budget identifying all costs associated with implementing the mandated action plans.

EFFECTIVE DATE: This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H 1

HOUSE BILL 459*

Short Title: Chronic Care Coordination Act. (Public)

Sponsors: Representatives Dollar, Murry, Hollo, and Lambeth (Primary Sponsors).
For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Health and Human Services, if favorable, Appropriations.

April 1, 2013

A BILL TO BE ENTITLED

AN ACT TO REQUIRE THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO COORDINATE CHRONIC DISEASE CARE.

Whereas, chronic disease is recognized as the leading cause of disability and death in the United States, and accounts for 1,700,000 deaths or 70% of all deaths in the United States each year; and

Whereas, chronic diseases such as heart disease, hypertension, stroke, cancer, respiratory diseases, diabetes, and obesity are among the most prevalent, costly, and preventable of all health problems in North Carolina; and

Whereas, implementing prevention programs around multiple chronic conditions could help North Carolina reduce the overall financial burden of chronic illness within public programs such as Medicaid and Health Choice for Children and within the State Employees Health Insurance Plan; and

Whereas, the inefficient coordination of care for persons with chronic health conditions has led not only to higher costs but to poorer health outcomes for the most vulnerable populations within North Carolina; and

Whereas, preventing and treating chronic disease is an important public health initiative that will improve the quality of life for North Carolinians affected by these conditions and also reduce State costs for Medicaid, Health Choice, and the State Health Plan; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. This act shall be known as The Chronic Care Coordination Act.

SECTION 2. Article 7 of Chapter 130A of the General Statutes is amended by adding a new Part to read:

"Part 4A. Chronic Care Coordination.

"**§ 130A-222.5. Department to coordinate chronic care initiatives.**

The Department's Divisions of Public Health and Medical Assistance and the Division in the Department of State Treasurer responsible for the State Health Plan for Teachers and State Employees shall collaborate to reduce the incidence of chronic disease and improve chronic care coordination within the State by doing all of the following:

(1) Identifying goals and benchmarks for the reduction of chronic disease.

(2) Developing wellness and prevention plans specifically tailored to each of the Divisions.

(3) Submitting an annual report on or before January 1 of each odd-numbered year to the Senate Appropriations Committee on Health and Human

Services, the House Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division that includes at least all of the following:

a. The financial impact and magnitude of the chronic health conditions in this State that are most likely to cause death and disability, including, but not limited to, chronic cardiovascular disease, oncology, stroke, chronic lung disease, and chronic metabolic disease. As used in this subdivision, the term "chronic cardiovascular disease" includes heart disease and hypertension; the term "chronic metabolic disease" includes diabetes and obesity; and the term "chronic lung disease" means asthma and chronic obstructive pulmonary disease.

b. An assessment of the benefits derived from wellness and prevention programs and activities implemented within the State with the goal of coordinating chronic care. This assessment shall include a breakdown of the amount of all State, federal, and other funds appropriated to the Department for wellness and prevention programs and activities for the detection, prevention, and treatment of persons with multiple chronic health conditions, at least one of which is a condition identified in sub-subdivision a. of this subdivision.

c. A description of the level of coordination among the Divisions of Public Health and Medical Assistance and the Division in the Department of State Treasurer responsible for the State Health Plan for Teachers and State Employees with respect to activities, programs, and public education on the prevention, treatment, and management of the chronic health conditions identified in sub-subdivision a. of this subdivision.

d. Detailed action plans for care coordination of multiple chronic health conditions in the same patient, including a range of recommended legislative actions. The action plans shall identify proposed action steps to reduce the financial impact of the chronic health conditions identified in sub-subdivision a. of this subdivision, including (i) adjustment of hospital readmission rates, (ii) development of transitional care plans, (iii) implementation of comprehensive medication management, as described by the Patient-Centered Primary Care Collaborative, to help patients achieve improved clinical and therapeutic outcomes, and (iv) adoption of standards related to quality that are publicly reported evidence-based measures endorsed through a multistakeholder process such as the National Quality Forum. The action plans shall also identify expected outcomes of these proposed action steps during the succeeding fiscal biennium and establish benchmarks for coordinating care and reducing the incidence of multiple chronic health conditions.

e. A detailed budget identifying all costs associated with implementing the action plans identified in sub-subdivision d. of this subdivision."

SECTION 3. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H D

HOUSE BILL 817

Committee Substitute Favorable 5/1/13
Committee Substitute #2 Favorable 5/2/13
Committee Substitute #3 Favorable 5/8/13
Fifth Edition Engrossed 5/8/13
Senate Transportation Committee Substitute Adopted 5/22/13
Senate Finance Committee Substitute Adopted 6/6/13
PROPOSED SENATE COMMITTEE SUBSTITUTE H817-CSRWx-64 [v.7]
6/11/2013 7:01:33 PM

Short Title: Strategic Transportation Investments. (Public)

Sponsors:

Referred to:

April 11, 2013

A BILL TO BE ENTITLED

AN ACT TO STRENGTHEN THE ECONOMY THROUGH STRATEGIC TRANSPORTATION INVESTMENTS.

The General Assembly of North Carolina enacts:

STRATEGIC TRANSPORTATION INVESTMENTS

SECTION 1.1.(a) Chapter 136 of the General Statutes is amended by adding a new Article to read:

"Article 14B.

"Strategic Prioritization Funding Plan for Transportation Investments.

"**§ 136-189.10. Definitions.**

The following definitions apply in this Article:

(1) Statewide strategic mobility projects. – Includes only the following:

a. Interstate highways and future interstate highways approved by the federal government.

b. Routes on the National Highway System as of July 1, 2012, excluding intermodal connectors.

c. Highway routes on the United States Department of Defense Strategic Highway Network (STRAHNET).

d. Highway toll routes designated by State law or by the Department of Transportation, pursuant to its authority under State law.

e. Highway projects listed in G.S. 136-179, as it existed on July 1, 2012, that are not authorized for construction as of July 1, 2015.

f. Appalachian Development Highway System.

g. Commercial service airports included in the Federal Aviation Administration's National Plan of Integrated Airport Systems (NPIAS) that provide international passenger service or 375,000 or more enplanements annually, provided that the State's annual financial participation in any single airport project included in this

subdivision may not exceed five hundred thousand dollars ($500,000).

h. Freight capacity and safety improvements to Class I freight rail corridors.

(2) Regional impact projects. – Includes only the following:

a. Projects listed in subdivision (1) of this section, subject to the limitations noted in that subdivision.

b. U.S. highway routes not included in subdivision (1) of this section.

c. N.C. highway routes not included in subdivision (1) of this section.

d. Commercial service airports included in the NPIAS that are not included in subdivision (1) of this section, provided that the State's annual financial participation in any single airport project included in this subdivision may not exceed three hundred thousand dollars ($300,000).

e. The State-maintained ferry system, excluding passenger vessel replacement.

f. Rail lines that span two or more counties not included in subdivision (1) of this section.

g. Public transportation service that spans two or more counties and that serves more than one municipality. Expenditures pursuant to this sub-subdivision shall not exceed ten percent (10%) of any distribution region allocation.

(3) Division needs projects. – Includes only the following:

a. Projects listed in subdivision (1) or (2) of this section, subject to the limitations noted in those subsections.

b. State highway routes not included in subdivision (1) or (2) of this section.

c. Airports included in the NPIAS that are not included in subdivision (1) or (2) of this section, provided that the State's total annual financial participation under this sub-subdivision shall not exceed eighteen million five hundred thousand dollars ($18,500,000).

d. Rail lines not included in subdivision (1) or (2) of this section.

e. Public transportation service not included in subdivision (1) or (2) of this section.

f. Multimodal terminals and stations serving passenger transit systems.

g. Federally funded independent bicycle and pedestrian improvements.

h. Replacement of State-maintained ferry vessels.

i. Federally funded municipal road projects.

(4) Distribution Regions. – The following Distribution Regions apply to this Article:

a. Distribution Region A consists of the following counties: Bertie, Camden, Chowan, Currituck, Dare, Edgecombe, Gates, Halifax, Hertford, Hyde, Johnston, Martin, Nash, Northampton, Pasquotank, Perquimans, Tyrrell, Washington, Wayne, and Wilson.

b. Distribution Region B consists of the following counties: Beaufort, Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Pitt, and Sampson.

c. Distribution Region C consists of the following counties: Bladen, Columbus, Cumberland, Durham, Franklin, Granville, Harnett, Person, Robeson, Vance, Wake, and Warren.

d. Distribution Region D consists of the following counties: Alamance, Caswell, Davidson, Davie, Forsyth, Guilford, Orange, Rockingham, Rowan, and Stokes.

e. Distribution Region E consists of the following counties: Anson, Cabarrus, Chatham, Hoke, Lee, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Scotland, Stanly, and Union.

f. Distribution Region F consists of the following counties: Alexander, Alleghany, Ashe, Avery, Caldwell, Catawba, Cleveland, Gaston, Iredell, Lincoln, Surry, Watauga, Wilkes, and Yadkin.

g. Distribution Region G consists of the following counties: Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, and Yancey.

"**§ 136-189.11. Transportation Investment Strategy Formula.**

(a) Funds Subject to Formula. – The following sources of funds are subject to this section:

(1) Highway Trust Fund funds, in accordance with G.S. 136-176.

(2) Federal aid funds.

(b) Funds Excluded From Formula. – The following funds are not subject to this section:

(1) Federal congestion mitigation and air quality improvement program funds appropriated to the State by the United States pursuant to 23 U.S.C. § 104(b)(2) and 23 U.S.C. § 149.

(2) Funds received through competitive awards or discretionary grants through federal appropriations either for local governments, transportation authorities, transit authorities, or the Department.

(3) Funds received from the federal government that under federal law may only be used for Appalachian Development Highway System projects.

(4) Funds used in repayment of "GARVEE" bonds related to Phase I of the Yadkin River Veterans Memorial Bridge project.

(5) Funds committed to gap funding for toll roads funded with bonds issued pursuant to G.S. 136-176.

(6) Funds obligated for projects in the State Transportation Improvement Program that are scheduled for construction as of April 1, 2013, in State fiscal year 2012-2013, 2013-2014, or 2014-2015.

(7) Toll collections from a turnpike project under Article 6H of this Chapter and other revenue from the sale of the Authority's bonds or notes or project loans, in accordance with G.S. 136-89.192.

(8) Toll collections from the State-maintained ferry system collected under the authority of G.S. 136-82.

(9) Federal State Planning and Research Program funds.

(b1) Funds Excluded From Regional Impact Project Category. – Federal Surface Transportation Program-Direct Attributable funds expended on eligible projects in the Regional Impact Project category are excluded from that category.

(c) Funds With Alternate Criteria. – The following federal program activities shall be included in the applicable category of the Transportation Investment Strategy Formula set forth in subsection (d) of this section but shall not be subject to the prioritization criteria set forth in that subsection:

(1) Bridge replacement.

(2) Interstate maintenance.

(3) Highway safety improvement.

(d) Transportation Investment Strategy Formula. – Funds subject to the Formula shall be distributed as follows:

(1) Statewide Strategic Mobility Projects. – Forty percent (40%) of the funds subject to this section shall be used for Statewide Strategic Mobility Projects.

a. Criteria. – Transportation-related quantitative criteria shall be used by the Department to rank highway projects that address cost-effective Statewide Strategic Mobility needs and promote economic and employment growth. The criteria for selection of Statewide Strategic Mobility Projects shall utilize a numeric scale of 100 points, based on consideration of the following quantitative criteria:

1. Benefit cost.
2. Congestion.
3. Safety.
4. Economic competitiveness.
5. Freight.
6. Multimodal.
7. Pavement condition.
8. Lane width.
9. Shoulder width.

b. Project cap. – No more than ten percent (10%) of the funds projected to be allocated to the Statewide Strategic Mobility category over any five-year period may be assigned to any contiguous project or group of projects in the same corridor within a Highway Division or within adjoining Highway Divisions.

(2) Regional Impact Projects. – Thirty percent (30%) of the funds subject to this section shall be used for Regional Impact Projects and allocated by population of Distribution Regions based on the most recent estimates certified by the Office of State Budget and Management.

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Regional Impact Projects involving highways that address cost-effective needs from a region-wide perspective and promote economic growth. Local input is defined as the rankings identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. The criteria utilized for selection of Regional Impact Projects shall be based thirty percent (30%) on local input and seventy percent (70%) on consideration of a numeric scale of 100 points based on the following quantitative criteria:

1. Benefit cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.
9. Accessibility and connectivity to employment centers, tourist destinations, or military installations.

(3) Division Need Projects. – Thirty percent (30%) of the funds subject to this section shall be allocated in equal share to each of the Department divisions, as defined in G.S. 136-14.1, and used for Division Need Projects.

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Division Need Projects involving highways that address cost-effective needs from a Division-wide perspective, provide access, and address safety-related needs of local communities. Local input is defined as the rankings identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. The criteria utilized for selection of Division Need Projects shall be based fifty percent (50%) on local input and fifty percent (50%) on consideration of a numeric scale of 100 points based on the following quantitative criteria, except as provided in sub-subdivision b. of this subdivision:

1. Benefit cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.
9. Accessibility and connectivity to employment centers, tourist destinations, or military installations.

b. Alternate criteria. – Funding from the following programs shall be included in the computation of each of the Department division equal shares but shall be subject to alternate quantitative criteria:

1. Federal Surface Transportation Program-Direct Attributable funds expended on eligible projects in the Division Need Projects category.
2. Federal Transportation Alternatives funds appropriated to the State.
3. Federal Railway-Highway Crossings Program funds appropriated to the State.
4. Projects requested from the Department in support of a time-critical job creation opportunity, when the opportunity would be classified as transformational under the Job Development Investment Grant program established pursuant to G.S. 143B-437.52, provided that the total State investment in each fiscal year for all projects funded under this sub-subdivision shall not exceed ten million dollars ($10,000,000) in the aggregate or two million dollars ($2,000,000) per project.
5. Federal funds for municipal road projects.

c. Bicycle and pedestrian limitation. – The Department shall not provide financial support for independent bicycle and pedestrian improvement projects, except for federal funds administered by the Department for that purpose. This sub-subdivision shall not apply to funds allocated to a municipality pursuant to G.S. 136-41.1 that are

committed by the municipality as matching funds for federal funds administered by the Department and used for bicycle and pedestrian improvement projects. This limitation shall not apply to funds authorized for projects in the State Transportation Improvement Program that are scheduled for construction as of October 1, 2013, in State fiscal year 2012-2013, 2013-2014, or 2014-2015.

(4) Criteria for nonhighway projects. – Nonhighway projects subject to this subsection shall be evaluated through a separate prioritization process established by the Department that complies with all of the following:

a. The criteria used for selection of projects for a particular transportation mode shall be based on a minimum of four quantitative criteria.

b. Local input shall include rankings of projects identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations.

c. The criteria shall be based on a scale not to exceed 100 points that includes no bonus points or other alterations favoring any particular mode of transportation.

(e) Authorized Formula Variance. – The Department may vary from the Formula set forth in this section if it complies with the following:

(1) Limitation on variance. – The Department, in obligating funds in accordance with this section, shall ensure that the percentage amount obligated to Statewide Strategic Mobility Projects, Regional Impact Projects, and Division Need Projects does not vary by more than five percent (5%) over any five-year period from the percentage required to be allocated to each of those categories by this section. Funds obligated among distribution regions or divisions pursuant to this section may vary up to ten percent (10%) over any five-year period.

(2) Calculation of variance. – Each year the Secretary shall calculate the amount of Regional Impact and Division Need funds allocated in that year to each division and region, the amount of funds obligated, and the amount the obligations exceeded or were below the allocation. In the first variance calculation under this subdivision following the end of fiscal year 2015-2016, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous year. In the first variance calculation under this subdivision following the end of fiscal year 2016-2017, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous two fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2017-2018, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous three fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2018-2019, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous four fiscal years. The new target amounts shall be used to fulfill the requirements of subdivision (1) of this subsection for the next update of the Transportation Improvement

Program. The adjustment to the target amount shall be allocated by Distribution Region or Division, as applicable.

(f) Incentives for Local Funding and Highway Tolling. – The Department may revise highway project selection ratings based on local government funding initiatives and capital construction funding directly attributable to highway toll revenue. 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.

(1) Definitions. – The following definitions apply in this subsection:

a. Bonus allocation. – The allocation obtained as a result of local government funding participation or highway tolling.

b. Local funding participation. – Non-State or nonfederal funds committed by local officials to leverage the commitment of State or federal transportation funds towards construction.

(2) Funds obtained from local government funding participation. – Upon authorization to construct a project with funds obtained by local government funding participation, the Department shall make available for allocation as set forth in subdivision (4) of this section an amount equal to one-half of the local funding commitment for other eligible highway projects that serve the local entity or entities that provided the local funding.

(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.

(4) Use of bonus allocation. – The Metropolitan Planning Organization, Rural Transportation Planning Organization, or the local government may choose to apply its bonus allocation in one of the three categories or in a combination of the three categories as provided in this subdivision.

a. Statewide Strategic Mobility Projects category. – The bonus allocation shall apply over the five-year period in the State Transportation Improvement Program in the cycle following the contractual obligation.

b. Regional Impact Projects category. – The bonus allocation is capped at ten percent (10%) of the regional allocation, or allocation to multiple regions, made over a five-year period and shall be applied

over the five-year period in the State Transportation Improvement Program in the cycle following the contractual obligation.

c. Division Needs Projects category. – The bonus allocation is capped at ten percent (10%) of the division allocation, or allocation to multiple divisions, made over a five-year period and shall be applied over the five-year period in the State Transportation Improvement Program in the cycle following the contractual obligation.

(g) Reporting. – The Department shall publish on its Web site, in a link to the "Strategic Transportation Investments" Web site linked directly from the Department's home page, the following information in an accessible format as promptly as possible:

(1) The quantitative criteria used in each highway and nonhighway project scoring, including the methodology used to define each criteria, the criteria presented to the Board of Transportation for approval, and any adjustments made to finalize the criteria.

(2) The quantitative and qualitative criteria in each highway or nonhighway project scoring that is used in each region or division to finalize the local input score and shall include distinctions between Metropolitan Planning Organization and Rural Transportation Planning Organization scoring and methodologies.

(3) Notification of changes to the methodologies used to calculate quantitative criteria.

(4) The final quantitative formulas, including the number of points assigned to each criteria, used in each highway and nonhighway project scoring used to obtain project rankings in the Statewide, Regional, and Division categories. If the Department approves different formulas or point assignments regionally or by division, the final scoring for each area shall be noted.

(5) The project scorings associated with the release of the draft and final State Transportation Improvement Program."

SECTION 1.1.(b) Effective July 1, 2019, G.S. 136-189.11(e)(2), as enacted by subsection (a) of this section, reads as rewritten:

"(e) Authorized Formula Variance. – The Department may vary from the Formula set forth in this section if it complies with the following:

...

(2) Calculation of Variance. – Each year, the Secretary shall calculate the amount of Regional Impact and Division Need funds allocated in that year to each ~~division,~~division and region, the amount of funds obligated, and the amount the obligations exceeded or were below the allocation. ~~In the first variance calculation under this subdivision following the end of fiscal year 2015-16, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous year. In the first variance calculation under this subdivision following the end of fiscal year 2016-17, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous two fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2017-18, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous three fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2018-19, the~~ The target amounts obtained according to the Formula set

forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous ~~four~~ five fiscal years. The new target amounts shall be used to fulfill the requirements of subdivision (1) of this subsection for the next update of the Transportation Improvement Program. The adjustment to the target amount shall be allocated by Distribution Region or Division, as applicable."

SECTION 1.2. Strategic Prioritization Process Reporting. – The Department shall issue a draft revision to the State Transportation Improvement Program required by G.S. 143B-350(f)(4) no later than January 1, 2015. The Board of Transportation shall approve the revised State Transportation Improvement Program no later than July 1, 2015.

SECONDARY ROADS CHANGES

SECTION 2.1. G.S. 20-85 reads as rewritten:

"**§ 20-85. Schedule of fees.**

...

(a1) One dollar ($1.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. The Division shall use the fees derived from transactions with the Division for technology improvements. The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environment and Natural Resources. ~~An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited as follows:~~

~~(1) The first four hundred thousand dollars ($400,000) collected shall be credited to the Reserve for Visitor Centers in the Highway Fund.~~

~~(2) Any additional funds collected shall be credited to the Highway Trust Fund and, notwithstanding G.S. 136-176(b), shall be allocated and used for urban loop projects.~~

(a2) From the fees collected under subdivisions (a)(1) through (a)(9) of this section, the Department shall annually credit the sum of four hundred thousand dollars ($400,000) to the Reserve for Visitor Centers in the Highway Fund.

(b) Except as otherwise provided in ~~subsection (a1)~~subsections (a1) and (a2) of this section, the fees collected under subdivisions (a)(1) through (a)(9) of this section shall be credited to the North Carolina Highway Trust Fund. The fees collected under subdivision (a)(10) of this section shall be credited to the Highway Fund. ~~Fifteen dollars ($15.00) of each title fee credited to the Trust Fund under subdivision (a)(1) shall be added to the amount allocated for secondary roads under G.S. 136-176 and used in accordance with G.S. 136-44.5.~~

...."

SECTION 2.2.(a) G.S. 136-44.2 reads as rewritten:

"**§ 136-44.2. Budget and appropriations.**

(a) The Director of the Budget shall include in the "Current Operations Appropriations Act" an enumeration of the purposes or objects of the proposed expenditures for each of the ~~construction and maintenance~~construction, maintenance, and improvement programs for that budget period for the State primary, secondary, State parks road systems, and other transportation systems. The State primary system shall include all portions of the State highway system located both inside and outside municipal corporate limits that are designated by N.C., U.S. or Interstate numbers. The State secondary system shall include all of the State highway system located both inside and outside municipal corporate limits that is not a part of the State primary system. The State parks system shall include all State parks roads and parking lots that

are not also part of the State highway system. The transportation systems shall also include State-maintained, nonhighway modes of ~~transportation as well.~~transportation.

(b) All ~~construction and maintenance~~ construction, maintenance, and improvement programs for which appropriations are requested shall be enumerated separately in the budget. Programs that are entirely State funded shall be listed separately from those programs involving the use of federal-aid funds. Proposed appropriations of State matching funds for each of the federal-aid construction programs shall be enumerated separately as well as the federal-aid funds anticipated for each program in order that the total construction requirements for each program may be provided for in the budget. Also, proposed State matching funds for the highway planning and research program shall be included separately along with the anticipated federal-aid funds for that purpose.

(c) Other program categories for which appropriations are requested, such as, but not limited to, maintenance, channelization and traffic control, bridge maintenance, public service and access road construction, transportation projects and systems, and ferry operations shall be enumerated in the budget.

(d) The Department of Transportation shall have all powers necessary to comply fully with provisions of present and future federal-aid acts. For purposes of this section, "federally eligible construction project" means any construction project except secondary road projects developed pursuant to G.S. 136-44.7 and 136-44.8 eligible for federal funds under any federal-aid act, whether or not federal funds are actually available.

(e) The "Current Operations Appropriations Act" shall also contain the proposed appropriations of State funds for use in each county for ~~maintenance and construction~~construction, maintenance, and improvement of secondary roads, to be allocated in accordance with G.S. 136-44.5 and 136-44.6. State funds appropriated for secondary roads shall not be transferred nor used except for the ~~construction and maintenance~~construction, maintenance, and improvement of secondary roads in the county for which they are allocated pursuant to G.S. 136-44.5 and 136-44.6.

...."

SECTION 2.2.(b) Effective July 1, 2014, G.S. 136-44.2, as rewritten by subsection (a) of this section, reads as rewritten:

"**§ 136-44.2. Budget and appropriations.**

(a) The Director of the Budget shall include in the "Current Operations Appropriations Act" an enumeration of the purposes or objects of the proposed expenditures for each of the ~~construction, maintenance,~~ maintenance and improvement programs for that budget period for the State primary, secondary, State parks road systems, and other transportation systems. The State primary system shall include all portions of the State highway system located both inside and outside municipal corporate limits that are designated by N.C., U.S. or Interstate numbers. The State secondary system shall include all of the State highway system located both inside and outside municipal corporate limits that is not a part of the State primary system. The State parks system shall include all State parks roads and parking lots that are not also part of the State highway system. The transportation systems shall also include State-maintained, nonhighway modes of transportation.

(b) All ~~construction, maintenance,~~maintenance and improvement programs for which appropriations are requested shall be enumerated separately in the budget. Programs that are entirely State funded shall be listed separately from those programs involving the use of federal-aid funds. ~~Proposed appropriations of State matching funds for each of the federal-aid construction programs shall be enumerated separately as well as the federal-aid funds anticipated for each program in order that the total construction requirements for each program may be provided for in the budget. Also, proposed~~ Proposed State matching funds for the highway planning and research program shall be included separately along with the anticipated federal-aid funds for that purpose.

(c) Other program categories for which appropriations are requested, such as, but not limited to, maintenance, channelization and traffic control, bridge maintenance, public service and access road construction, transportation projects and systems, and ferry operations shall be enumerated in the budget.

(d) The Department of Transportation shall have all powers necessary to comply fully with provisions of present and future federal-aid acts. For purposes of this section, "federally eligible construction project" means any construction project except secondary road projects developed pursuant to ~~G.S. 136-44.7 and 136-44.8~~G.S. 136-44.8 eligible for federal funds under any federal-aid act, whether or not federal funds are actually available.

(e) The "Current Operations Appropriations Act" shall also contain the proposed appropriations of State funds for use in each county for ~~construction, maintenance,~~ maintenance and improvement of secondary roads, to be allocated in accordance with ~~G.S. 136-44.5 and 136-44.6.~~G.S. 136-44.6. State funds appropriated for secondary roads shall not be transferred nor used except for the ~~construction, maintenance,~~ maintenance and improvement of secondary roads in the county for which they are allocated pursuant to ~~G.S. 136-44.5 and 136-44.6.~~G.S. 136-44.6.

...

(g) The Department of Transportation may provide for costs incurred or accrued for traffic control measures to be taken by the Department at major events which involve a high degree of traffic concentration on State highways, and which cannot be funded from regular budgeted items. This authorization applies only to events which are expected to generate 30,000 vehicles or more per day. The Department of Transportation shall provide for this funding by allocating and reserving up to one hundred thousand dollars ($100,000) before any other allocations from the appropriations for State maintenance for ~~primary, secondary, and urban~~primary and secondary road systems are made, based upon the same proportion as is appropriated to each system."

SECTION 2.3.(a) G.S. 136-44.2A reads as rewritten:

"**§ 136-44.2A. Secondary road ~~improvement~~ construction program.**

There shall be annually allocated from the Highway Fund to the Department of Transportation for secondary road ~~improvement~~ construction programs developed pursuant to G.S. ~~136-44.7 and~~ 136-44.8, a sum provided by law. ~~equal to that allocation made from the Highway Fund under G.S. 136-41.1(a). In addition, as provided in G.S. 136-176(b)(4) and G.S. 20-85(b), revenue is annually allocated from the Highway Trust Fund for secondary road construction. Of the funds allocated from the Highway Fund, the sum of sixty-eight million six hundred seventy thousand dollars ($68,670,000) shall be allocated among the counties in accordance with G.S. 136-44.5(b). All funds allocated from the Highway Fund for secondary road improvements in excess of that amount shall be allocated among the counties in accordance with G.S. 136-44.5(c). All funds allocated from the Highway Trust Fund for secondary road improvement programs shall be allocated in accordance with G.S. 136-182.~~"

SECTION 2.3.(b) Effective July 1, 2014, G.S. 136-44.2A is repealed.

SECTION 2.4. G.S. 136-44.2C is repealed.

SECTION 2.5. Article 2A of Chapter 136 is amended by adding a new section to read:

"**§ 136-44.2D. Secondary unpaved road paving program.**

(a) The Department of Transportation shall expend funds allocated to the paving of unpaved secondary roads for the paving of unpaved secondary roads based on a statewide prioritization. The Department shall pave the eligible unpaved secondary roads that receive the highest priority ranking within this statewide prioritization. Nothing in this subsection shall be interpreted to require the Department to pave any unpaved secondary roads that do not meet secondary road system addition standards as set forth in G.S. 136-44.10 and G.S. 136-102.6. The Highway Trust Fund shall not be used to fund the paving of unpaved secondary roads."

SECTION 2.6.(a) G.S. 136-44.5 reads as rewritten:

"**§ 136-44.5. Secondary roads; mileage study; allocation of funds.**

(a) Before July 1, in each calendar year, the Department of Transportation shall make a study of all State-maintained unpaved and paved secondary roads in the State. The study shall determine:

(1) The number of miles of unpaved State-maintained roads in each county eligible for paving and the total number of miles that are ineligible;

(2) The total number of miles of unpaved State-maintained roads in the State eligible for paving and the total number of miles that are ineligible; and

(3) The total number of paved State-maintained roads in each county, and the total number of miles of paved State-maintained roads in the State.

In this subsection, (i) ineligible unpaved mileage is defined as the number of miles of unpaved roads that have unavailable rights-of-way or for which environmental permits cannot be approved to allow for paving, and (ii) eligible unpaved mileage is defined as the number of miles of unpaved roads that have not been previously approved for paving by any funding source or has the potential to be programmed for paving when rights-of-way or environmental permits are secured. Except for federal-aid programs, the Department shall allocate all secondary road improvement funds on the basis of a formula using the study figures.

(b) ~~The first sixty-eight million six hundred seventy thousand dollars ($68,670,000) shall be allocated as follows: Each county shall receive a percentage of these funds, the percentage to be determined as a factor of the number of miles of paved and unpaved State-maintained secondary roads in the county divided by the total number of miles of paved and unpaved State-maintained secondary roads in the State, excluding those unpaved secondary roads that have been determined to be eligible for paving as defined in subsection (a) of this section. Beginning in fiscal year 2010-2011, allocations pursuant to this subsection shall be~~ The amounts appropriated by law for secondary road construction, excluding unpaved secondary road funds, shall be allocated among counties based on the total number of secondary miles in a county in proportion to the total State-maintained secondary road mileage.

~~(c) Funds allocated for secondary road construction in excess of sixty-eight million six hundred seventy thousand dollars ($68,670,000) shall be allocated to each county based on the percentage proportion that the number of miles in the county of State-maintained unpaved secondary roads bears to the total number of miles in the State of State-maintained unpaved secondary roads. In a county that has roads with eligible miles, these funds shall only be used for paving unpaved secondary road miles in that county. In a county where there are no roads eligible to be paved as defined in subsection (a) of this section, the funds may be used for improvements on the paved and unpaved secondary roads in that county. Beginning in fiscal year 2010-2011, allocations pursuant to this subsection shall be based on the total number of secondary miles in a county in proportion to the total State-maintained secondary road mileage.~~

~~(d) Copies of the Department study of unpaved and paved State-maintained secondary roads and copies of the individual county allocations shall be made available to newspapers having general circulation in each county.~~"

SECTION 2.6.(b) Effective July 1, 2014, G.S. 136-44.5 is repealed.

SECTION 2.6.(c) G.S. 136-44.6 reads as rewritten:

"**§ 136-44.6. Uniformly applicable formula for the allocation of secondary roads maintenance and improvement funds.**

The Department of Transportation shall develop a uniformly applicable formula for the allocation of secondary roads maintenance and improvement funds for use in each county. The formula shall take into consideration the number of paved and unpaved miles of state-maintained secondary roads in each county and such other factors as experience may dictate. This section shall not apply to projects to pave unpaved roads under G.S. 136-44.2D."

SECTION 2.6.(d) Secondary Road Funding. – The sum of fifteen million dollars ($15,000,000) in nonrecurring funds for the 2013-2014 fiscal year is allocated from the Highway Fund for the secondary road construction program under G.S. 136-44.2A, as enacted by Section 2.3 of this act, and the sum of twelve million dollars ($12,000,000) in recurring funds for the 2013-2014 fiscal year is allocated from the Highway Fund for the paving of unpaved roads pursuant to G.S. 136-44.2D, as enacted by Section 2.5 of this act.

SECTION 2.7. G.S. 136-44.7 reads as rewritten:

"**§ 136-44.7. Secondary roads; ~~annual work program.~~right-of-way acquisition.**

~~(a) The Department of Transportation shall be responsible for developing criteria for improvements and maintenance of secondary roads. The criteria shall be adopted by the Board of Transportation before it shall become effective. The Department of Transportation shall be responsible for developing annual work programs for both construction and maintenance of secondary roads in each county in accordance with criteria developed. It shall reflect the long range and immediate goals of the Department of Transportation. Projects on the annual construction program for each county shall be rated according to their priority based upon the secondary road criteria and standards which shall be uniform throughout the State. Tentative construction projects and estimated funding shall also be listed in accordance to priority. The annual construction program shall be adopted by the Board of Transportation before it shall become effective.~~

~~(b) When a secondary road in a county is listed in the first 10 secondary roads to be paved during a year on a priority list issued by the Department of Transportation under this section, the secondary road cannot be removed from the top 10 of that list or any subsequent list until it is paved. All secondary roads in a county shall be paved, insofar as possible, in the priority order of the list. When a secondary road in the top 10 of that list is removed from the list because it has been paved, the next secondary road on the priority list shall be moved up to the top 10 of that list and shall remain there until it is paved.~~

(c) When it is necessary for the Department of Transportation to acquire a right-of-way ~~in accordance with (a) and (b) of this section~~ in order to pave a secondary road or undertake a maintenance project, the Department shall negotiate the acquisition of the right-of-way for a period of up to six months. At the end of that period, if one or more property owners have not dedicated the necessary right-of-way and at least seventy-five percent (75%) of the property owners adjacent to the project and the owners of the majority of the road frontage adjacent to the project have dedicated the necessary property for the right-of-way and have provided funds required by Department rule to the Department to cover the costs of condemning the remaining property, the Department shall initiate condemnation proceedings pursuant to Article 9 of this Chapter to acquire the remaining property necessary for the project.

(d) The Division Engineer is authorized to reduce the width of a right-of-way to less than 60 feet to pave an unpaved secondary road with the allocated funds, provided that in all circumstances the safety of the public is not compromised and the minimum accepted design practice is satisfied."

SECTION 2.8.(a) G.S. 136-44.8 reads as rewritten:

"**§ 136-44.8. Submission of secondary roads construction and unpaved roads paving programs to the Boards of County Commissioners.**

~~(a) The Department of Transportation shall post in the county courthouse a county map showing tentative secondary road paving projects rated according to the priority of each project in accordance with the criteria and standards adopted by the Board of Transportation. The map shall be posted at least two weeks prior to the public meeting of the county commissioners at which the Department of Transportation representatives are to meet and discuss the proposed secondary road construction program for the county as provided in subsection (c).~~

(a1) Representatives of the Department of Transportation shall provide to the board of county commissioners in each county the proposed secondary road construction program and,

if applicable to that county, a list of roads proposed for the annual paving program approved by the Board of Transportation. If a paving priority list is presented, it shall include the priority rating of each secondary road paving project included in the proposed paving program according to the criteria and standards adopted by the Board of Transportation.

~~(b) The Department of Transportation shall provide a notice to the public of the public meeting of the board of county commissioners at which the annual secondary road construction program for the county proposed by the Department is to be presented to the board and other citizens of the county as provided in subsection (c). The notice shall be published in a newspaper published in the county or having a general circulation in the county once a week for two succeeding weeks prior to the meeting. The notice shall also advise that a county map is posted in the courthouse showing tentative secondary road paving projects rated according to the priority of each project.~~

~~(c) Representatives of the Department of Transportation shall meet with the board of county commissioners at a regular or special public meeting of the board of county commissioners for each county and present to and discuss with the board of county commissioners and other citizens present, the proposed secondary road construction program for the county. The presentation and discussion shall specifically include the priority rating of each tentative secondary road paving project included in the proposed construction program, according to the criteria and standards adopted by the Board of Transportation.~~

~~At the same meeting after the presentation and discussion of the annual secondary road construction program for the county or at a later meeting, the board of county commissioners may (i) concur in the construction program as proposed, or (ii) take no action, or (iii) make recommendations for deviations in the proposed construction program, except as to paving projects and the priority of paving projects for which the board in order to make recommendations for deviations, must vote to consider the matter at a later public meeting as provided in subsection (d).~~

~~(d) The board of county commissioners may recommend deviations in the paving projects and the priority of paving projects included in the proposed secondary road construction program only at a public meeting after notice to the public that the board will consider making recommendations for deviations in paving projects and the priority of paving projects included in the proposed annual secondary road construction program. Notice of the public meeting shall be published by the board of county commissioners in a newspaper published in the county or having a general circulation in the county. After discussion by the members of the board of county commissioners and comments and information presented by other citizens of the county, the board of county commissioners may recommend deviations in the paving projects and in the paving priority of secondary road projects included in the proposed secondary road construction program. Any recommendation made by the board of county commissioners for a deviation in the paving projects or in the priority for paving projects in the proposed secondary road construction program shall state the specific reason for each such deviation recommended.~~

(e) The Board of Transportation shall adopt the annual secondary construction program for each county after having given the board of county commissioners of each county an opportunity to review the proposed construction program and to make recommendations as provided in this section. The Board of Transportation shall consider such recommendations insofar as they are compatible with its general plans, standards, criteria and available funds, but having due regard to development plans of the county and to the maintenance and improvement needs of all existing roads in the county. ~~However, no consideration shall be given to any recommendation by the board of county commissioners for a deviation in the paving projects or in the priority for paving secondary road projects in the proposed construction program that is not made in accordance with subsection (d).~~

(f) The secondary road construction ~~program~~ and unpaved roads paving programs adopted by the Board of Transportation shall be followed by the Department of Transportation unless changes are approved by the Board of Transportation and notice of any changes is given to the board of county commissioners. ~~The Department of Transportation shall post a copy of the adopted program, including a map showing the secondary road paving projects rated according to the approved priority of each project, at the courthouse, within 10 days of its adoption by the Board of Transportation. The board of county commissioners may petition the Board of Transportation for review of any changes to which it does not consent and the determination of the Board of Transportation shall be final.~~ Upon request, the most recent secondary road construction and unpaved roads paving programs adopted shall be submitted to any member of the General Assembly. The Department of Transportation shall make the annual construction program for each county available to the newspapers having a general circulation in the county."

SECTION 2.8.(b) Effective July 1, 2014, G.S. 136-44.8, as rewritten by subsection (a) of this section, reads as rewritten:

"**§ 136-44.8. Submission of unpaved secondary roads ~~construction and unpaved roads~~ paving programs to the Boards of County Commissioners.**

(a1) ~~Representatives~~ In each county having unpaved roads programmed for paving, representatives of the Department of Transportation shall annually provide to the board of county commissioners in ~~each county~~those counties ~~the proposed secondary road construction program and, if applicable to that county,~~ a list of roads proposed for the annual paving program approved by the Board of Transportation. ~~If a~~The paving priority list ~~is presented, it~~ shall include the priority rating of each secondary road paving project included in the proposed paving program according to the criteria and standards adopted by the Board of Transportation.

...

~~(e) The Board of Transportation shall adopt the annual secondary construction program for each county after having given the board of county commissioners of each county an opportunity to review the proposed construction program and to make recommendations as provided in this section. The Board of Transportation shall consider such recommendations insofar as they are compatible with its general plans, standards, criteria and available funds, but having due regard to development plans of the county and to the maintenance and improvement needs of all existing roads in the county.~~

(f) The ~~secondary road construction and~~ unpaved secondary roads paving programs adopted by the Board of Transportation shall be followed by the Department of Transportation unless changes are approved by the Board of Transportation and notice of any changes is given to the board of county commissioners. Upon request, the most recent unpaved secondary ~~road construction and unpaved~~ roads paving programs adopted shall be submitted to any member of the General Assembly. The Department of Transportation shall make the annual construction program for each affected county available to the newspapers having a general circulation in the county."

SECTION 2.9. G.S. 136-182 is repealed.

STATE AID TO MUNICIPALITIES/POWELL BILL CHANGES

SECTION 3.1. G.S. 136-41.1 reads as rewritten:

"**§ 136-41.1. Appropriation to municipalities; allocation of funds generally; allocation to Butner.**

(a) There is annually appropriated out of the State Highway Fund a sum equal to ten and four-tenths percent (10.4%) of the net amount after refunds that was produced during the fiscal year by ~~a one and three-fourths cents (1 3/4¢) tax on each gallon of motor fuel taxed~~ the tax imposed under Article 36C of Chapter 105 of the General Statutes and on the equivalent amount of alternative fuel taxed under Article 36D of that Chapter. One-half of the amount

appropriated shall be allocated in cash on or before October 1 of each year to the cities and towns of the State in accordance with this section. The second one-half of the amount appropriated shall be allocated in cash on or before January 1 of each year to the cities and towns of the State in accordance with this section. ~~In addition, as provided in G.S. 136-176(b)(3), revenue is allocated and appropriated from the Highway Trust Fund to the cities and towns of this State to be used for the same purposes and distributed in the same manner as the revenue appropriated to them under this section from the Highway Fund. Like the appropriation from the Highway Fund, the appropriation from the Highway Trust Fund shall be based on revenue collected during the fiscal year preceding the date the distribution is made.~~

Seventy-five percent (75%) of the funds appropriated for cities and towns shall be distributed among the several eligible municipalities of the State in the percentage proportion that the population of each eligible municipality bears to the total population of all eligible municipalities according to the most recent annual estimates of population as certified to the Secretary of Revenue by the State Budget Officer. This annual estimation of population shall include increases in the population within the municipalities caused by annexations accomplished through July 1 of the calendar year in which these funds are distributed. Twenty-five percent (25%) of said fund shall be distributed among the several eligible municipalities of the State in the percentage proportion that the mileage of public streets in each eligible municipality which does not form a part of the State highway system bears to the total mileage of the public streets in all eligible municipalities which do not constitute a part of the State highway system.

It shall be the duty of the mayor of each municipality to report to the Department of Transportation such information as it may request for its guidance in determining the eligibility of each municipality to receive funds under this section and in determining the amount of allocation to which each is entitled. Upon failure of any municipality to make such report within the time prescribed by the Department of Transportation, the Department of Transportation may disregard such defaulting unit in making said allotment.

The funds to be allocated under this section shall be paid in cash to the various eligible municipalities on or before October 1 and January 1 of each ~~year.~~year as provided in this section. Provided that eligible municipalities are authorized within the discretion of their governing bodies to enter into contracts for the purpose of maintenance, repair, construction, reconstruction, widening, or improving streets of such municipalities at any time after January 1 of any calendar year in total amounts not to exceed ninety percent (90%) of the amount received by such municipality during the preceding fiscal year, in anticipation of the receipt of funds under this section during the next fiscal year, to be paid for out of such funds when received.

The Department of Transportation may withhold each year an amount not to exceed one percent (1%) of the total amount appropriated for distribution under this section for the purpose of correcting errors in allocations: Provided, that the amount so withheld and not used for correcting errors will be carried over and added to the amount to be allocated for the following year.

The word "street" as used in this section is hereby defined as any public road maintained by a municipality and open to use by the general public, and having an average width of not less than 16 feet. In order to obtain the necessary information to distribute the funds herein allocated, the Department of Transportation may require that each municipality eligible to receive funds under this section submit to it a statement, certified by a registered engineer or surveyor of the total number of miles of streets in such municipality. The Department of Transportation may in its discretion require the certification of mileage on a biennial basis.

...."

SECTION 3.2. G.S. 136-181 is repealed.

SECTION 3.3. G.S. 136-41.3 reads as rewritten:

"**§ 136-41.3. Use of funds; records and annual statement; excess accumulation of funds; contracts for maintenance, etc., of streets.**

(a) Uses of Funds. – The funds allocated to cities and towns under the provisions of G.S. 136-41.2 shall be expended by said cities and towns only for the purpose of maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of the municipality or for meeting the municipality's proportionate share of assessments levied for such purposes, or for the planning, construction and maintenance of ~~bikeways located within the rights-of-way of public streets and highways,~~bikeways, greenways, or ~~for the planning, construction, and maintenance of sidewalks along public streets and highways.~~sidewalks.

(b) Records and Annual Statement. – Each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall maintain a separate record of accounts indicating in detail all receipts and expenditures of such funds. It shall be unlawful for any municipal employee or member of any governing body to authorize, direct, or permit the expenditure of any funds accruing to any municipality by virtue of G.S. 136-41.1 and 136-41.2 for any purpose not herein authorized. Any member of any governing body or municipal employee shall be personally liable for any unauthorized expenditures. On or before the first day of August each year, the treasurer, auditor, or other responsible official of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall file a statement under oath with the Secretary of Transportation showing in detail the expenditure of funds received by virtue of G.S. 136-41.1 and 136-41.2 during the preceding year and the balance on hand.

(c) Excess Accumulation of Funds Prohibited. – No funds allocated to municipalities pursuant to G.S. 136-41.1 and 136-41.2 shall be permitted to accumulate for a period greater than permitted by this section. Interest on accumulated funds shall be used only for the purposes permitted by the provisions of G.S. 136-41.3. Except as otherwise provided in this section, any municipality having accumulated an amount greater than the sum of the past 10 allocations made, shall have an amount equal to such excess deducted from the next allocation after receipt of the report required by this section. Such deductions shall be carried over and added to the amount to be allocated to municipalities for the following year. Notwithstanding the other provisions of this section, the Department shall adopt a policy to allow small municipalities to apply to the Department to be allowed to accumulate up to the sum of the past 20 allocations if a municipality's allocations are so small that the sum of the past 10 allocations would not be sufficient to accomplish the purposes of this section.

(d) Contracts for Maintenance and Construction. – In the discretion of the local governing body of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 it may contract with the Department of Transportation to do the work of maintenance, repair, construction, reconstruction, widening or improving the streets in such municipality; or it may let contracts in the usual manner as prescribed by the General Statutes to private contractors for the performance of said street work; or may undertake the work by force account. The Department of Transportation within its discretion is hereby authorized to enter into contracts with municipalities for the purpose of maintenance, repair, construction, reconstruction, widening or improving streets of municipalities. And the Department of Transportation in its discretion may contract with any city or town which it deems qualified and equipped so to do that the city or town shall do the work of maintaining, repairing, improving, constructing, reconstructing, or widening such of its streets as form a part of the State highway system.

In the case of each eligible municipality, as defined in G.S. 136-41.2, having a population of less than 5,000, the Department of Transportation shall upon the request of such municipality made by official action of its governing body, on or prior to June 1, 1953, or June 1 in any year thereafter, for the fiscal year beginning July 1, 1953, and for the years thereafter

do such street construction, maintenance, or improvement on nonsystem streets as the municipality may request within the limits of the current or accrued payments made to the municipality under the provisions of G.S. 136-41.1.

In computing the costs, the Department of Transportation may use the same rates for equipment, rental, labor, materials, supervision, engineering and other items, which the Department of Transportation uses in making charges to one of its own department or against its own department, or the Department of Transportation may employ a contractor to do the work, in which case the charges will be the contract cost plus engineering and inspection. The municipality is to specify the location, extent, and type of the work to be done, and shall provide the necessary rights-of-way, authorization for the removal of such items as poles, trees, water and sewer lines as may be necessary, holding the Department of Transportation free from any claim by virtue of such items of cost and from such damage or claims as may arise therefrom except from negligence on the part of the Department of Transportation, its agents, or employees.

If a municipality elects to bring itself under the provisions of the two preceding paragraphs, it shall enter into a two-year contract with the Department of Transportation and if it desires to dissolve the contract at the end of any two-year period it shall notify the Department of Transportation of its desire to terminate said contract on or before April 1 of the year in which such contract shall expire; otherwise, said contract shall continue for an additional two-year period, and if the municipality elects to bring itself under the provisions of the two preceding paragraphs and thereafter fails to pay its account to the Department of Transportation for the fiscal year ending June 30, by August 1 following the fiscal year, then the Department of Transportation shall apply the said municipality's allocation under G.S. 136-41.1 to this account until said account is paid and the Department of Transportation shall not be obligated to do any further work provided for in the two preceding paragraphs until such account is paid.

Section 143-129 of the General Statutes relating to the procedure for letting of public contracts shall not be applicable to contracts undertaken by any municipality with the Department of Transportation in accordance with the provisions of the three preceding paragraphs.

(e) Permitted Offsets to Funding. – The Department of Transportation is authorized to apply a municipality's share of funds allocated to a municipality under the provisions of G.S. 136-41.1 to any of the following accounts of the municipality with the said Department of Transportation, which the municipality fails to pay:

(1) Cost sharing agreements for right-of-way entered into pursuant to G.S. 136-66.3, but not to exceed ten percent (10%) of any one year's allocation until the debt is repaid,

(2) The cost of relocating municipally owned waterlines and other municipally owned utilities on a State highway project which is the responsibility of the municipality,

(3) For any other work performed for the municipality by the Department of Transportation or its contractor by agreement between the Department of Transportation and the municipality, and

(4) For any other work performed that was made necessary by the construction, reconstruction or paving of a highway on the State highway system for which the municipality is legally responsible."

SECTION 3.4. G.S. 136-41.4 reads as rewritten:

"**§ 136-41.4. Municipal use of allocated funds; election.**

(a) A municipality that qualifies for an allocation of funds pursuant to G.S. 136-41.1 shall have the ~~option~~ following options:

(1) ~~to accept~~Accept all or a portion of funds allocated to the ~~municipality, under that section, for the repair, maintenance, construction, reconstruction,~~

~~widening, or improving of the municipality's streets.~~municipality for use as authorized by G.S. 136-41.3(a).

(2) Use some or all of its allocation to match federal funds administered by the Department for independent bicycle and pedestrian improvement projects within the municipality's limits, or within the area of any metropolitan planning organization or rural transportation planning organization.

(3) ~~or the municipality may elect~~Elect to have some or all of the allocation reprogrammed for any Transportation Improvement Project currently on the approved project list within the municipality's limits or within the area of any metropolitan planning organization or rural transportation planning organization.

(b) If a municipality chooses to have its allocation reprogrammed, the ~~minimum~~ amount that may be reprogrammed is an amount equal to that amount necessary to complete one full phase of the project selected by the municipality or an amount that, when added to the amount already programmed for the Transportation Improvement Project selected, would permit the completion of at least one full phase of the project. The restriction set forth in this subsection shall not apply to any bicycle or pedestrian projects."

SECTION 3.5. DOT Municipal Lane Mile Study. – The Department of Transportation shall collect lane mile data from each municipality eligible to receive funds under this section no later than December 1, 2013. The Department shall report to the Joint Legislative Transportation Oversight Committee no later than March 1, 2014, on at least three options to shift the distribution formula to include lane mile data. The report shall include advantages and disadvantages, fiscal impacts to each municipality, and any other technical considerations in making such a change. The Joint Legislative Transportation Oversight Committee and the Fiscal Research Division shall include in its recommendations to the 2014 Session of the 2013 General Assembly a new distribution formula, if the Committee finds that a new formula is beneficial and practical.

CONFORMING CHANGES

SECTION 4.1. G.S. 105-187.9 reads as rewritten:

"**§ 105-187.9. Disposition of tax proceeds.**

...

~~(b) (Repealed effective July 1, 2013) General Fund Transfer. – In each fiscal year, the State Treasurer shall transfer the amounts provided below from the taxes deposited in the Trust Fund to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.~~

~~(1) The sum of twenty-six million dollars ($26,000,000).~~

~~(2) In addition to the amount transferred under subdivision (1) of this subsection, the sum of one million seven hundred thousand dollars ($1,700,000) shall be transferred in the 2001-2002 fiscal year. The amount distributed under this subdivision shall increase in the 2002-2003 fiscal year to the sum of two million four hundred thousand dollars ($2,400,000). In each fiscal year thereafter, the sum transferred under this subdivision shall be the amount distributed in the previous fiscal year plus or minus a percentage of this sum equal to the percentage by which tax collections under this Article increased or decreased for the most recent 12-month period for which data are available.~~

~~(c) (Effective July 1, 2013) Mobility Fund Transfer. – In each fiscal year, the State Treasurer shall transfer fifty-eight million dollars ($58,000,000) from the taxes deposited in the~~

~~Trust Fund to the Mobility Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.~~"

SECTION 4.2. G.S. 136-18 reads as rewritten:

"**§ 136-18. Powers of Department of Transportation.**

The said Department of Transportation is vested with the following powers:

...

(12a) The Department of Transportation shall have such powers as are necessary to establish, administer, and receive federal funds for a transportation infrastructure banking program as authorized by the Intermodal Surface Transportation Efficiency Act of 1991, Pub. L. 102-240, as amended, and the National Highway System Designation Act of 1995, Pub. L. 104-59, as amended. The Department of Transportation is authorized to apply for, receive, administer, and comply with all conditions and requirements related to federal financial assistance necessary to fund the infrastructure banking program. The infrastructure banking program established by the Department of Transportation may utilize federal and available State funds for the purpose of providing loans or other financial assistance to governmental units, including toll authorities, to finance the costs of transportation projects authorized by the above federal aid acts. Such loans or other financial assistance shall be subject to repayment and conditioned upon the establishment of such security and the payment of such fees and interest rates as the Department of Transportation may deem necessary. The Department of Transportation is authorized to apply a municipality's share of funds allocated under G.S. 136-41.1 or G.S. 136-44.20 as necessary to ensure repayment of funds advanced under the infrastructure banking program. The Department of Transportation shall establish jointly, with the State Treasurer, a separate infrastructure banking account with necessary fiscal controls and accounting procedures. Funds credited to this account shall not revert, and interest and other investment income shall accrue to the account and may be used to provide loans and other financial assistance as provided under this subdivision. The Department of Transportation may establish such rules and policies as are necessary to establish and administer the infrastructure banking program. The infrastructure banking program authorized under this subdivision shall not modify the ~~regional distribution~~ formula for the distribution of funds established by ~~G.S. 136-17.2A.~~G.S. 136-189.11. Governmental units may apply for loans and execute debt instruments payable to the State in order to obtain loans or other financial assistance provided for in this subdivision. The Department of Transportation shall require that applicants shall pledge as security for such obligations revenues derived from operation of the benefited facilities or systems, other sources of revenue, or their faith and credit, or any combination thereof. The faith and credit of such governmental units shall not be pledged or be deemed to have been pledged unless the requirements of Article 4, Chapter 159 of the General Statutes have been met. The State Treasurer, with the assistance of the Local Government Commission, shall develop and adopt appropriate debt instruments for use under this subdivision. The Local Government Commission shall develop and adopt appropriate procedures for the delivery of debt instruments to the State without any public bidding therefor. The Local Government Commission

shall review and approve proposed loans to applicants pursuant to this subdivision under the provisions of Articles 4 and 5, Chapter 159 of the General Statutes, as if the issuance of bonds was proposed, so far as those provisions are applicable. Loans authorized by this subdivision shall be outstanding debt for the purpose of Article 10, Chapter 159 of the General Statutes.

...."

SECTION 4.3. G.S. 136-17.2A is repealed.

SECTION 4.4. G.S. 136-44.50(a) reads as rewritten:

"(a) A transportation corridor official map may be adopted or amended by any of the following:

(1) The governing board of any local government for any thoroughfare included as part of a comprehensive plan for streets and highways adopted pursuant to G.S. 136-66.2 or for any proposed public transportation corridor included in the adopted long-range transportation plan.

(2) The Board of Transportation, or the governing board of any county, for any portion of the existing or proposed State highway system or for any public transportation corridor, to include rail, that is in the Transportation Improvement Program.

(3) Regional public transportation authorities created pursuant to Article 26 of Chapter 160A of the General Statutes or regional transportation authorities created pursuant to Article 27 of Chapter 160A of the General Statutes for any portion of the existing or proposed State highway system, or for any proposed public transportation corridor, or adjacent station or parking lot, included in the adopted long-range transportation plan.

(4) The North Carolina Turnpike Authority for any project being studied pursuant to G.S. 136-89.183.

(5) The Wilmington Urban Area Metropolitan Planning Organization for ~~any project that is within its urbanized boundary and identified in G.S. 136-179.~~Department projects R-3300 and U-4751.

Before a city adopts a transportation corridor official map that extends beyond the extraterritorial jurisdiction of its building permit issuance and subdivision control ordinances, or adopts an amendment to a transportation corridor official map outside the extraterritorial jurisdiction of its building permit issuance and subdivision control ordinances, the city shall obtain approval from the Board of County Commissioners."

SECTION 4.5. G.S. 136-66.3 reads as rewritten:

"**§ 136-66.3. Local government participation in improvements to the State transportation system.**

...

~~(c1) No TIP Disadvantage for Participation. If a county or municipality participates in a State transportation system improvement project, as authorized by this section, or by G.S. 136-51 and G.S. 136-98, the Department shall ensure that the local government's participation does not cause any disadvantage to any other project in the Transportation Improvement Program under G.S. 143B-350(f)(4).~~

(c2) Distribution of State Funds Made Available by County or Municipal Participation. – Any State or federal funds allocated to a project that are made available by county or municipal participation in a project contained in the Transportation Improvement Program under G.S. 143B-350(f)(4) shall ~~remain in the same funding region that the funding was allocated to under the distribution formula contained in G.S. 136-17.2A.~~be subject to G.S. 136-189.11.

~~(c3) Limitation on Agreements. The Department shall not enter into any agreement with a county or municipality to provide additional total funding for highway construction in~~

~~the county or municipality in exchange for county or municipal participation in any project contained in the Transportation Improvement Program under G.S. 143B-350(f)(4).~~

...

(e1) Reimbursement Procedure. – Upon request of the county or municipality, the Department of Transportation shall allow the local government a period of not less than three years from the date construction of ~~the project~~a project undertaken under subsection (e) of this section is initiated to reimburse the Department their agreed upon share of the costs necessary for the project. The Department of Transportation shall not charge a local government any interest during the initial three years.

...."

SECTION 4.6. G.S. 136-89.192 reads as rewritten:

"**§ 136-89.192. ~~Equity distribution~~ Applicability of formula.**

Only those funds applied to a Turnpike Project from the State Highway Fund, State Highway Trust Fund, or federal-aid funds that might otherwise be used for other roadway projects within the State, and are otherwise already subject to the ~~distribution~~ formula under ~~G.S. 136-17.2A,~~ G.S. 136-189.11 shall be included in the ~~distribution~~ formula.

Other revenue from the sale of the Authority's bonds or notes, project loans, or toll collections shall not be included in the ~~distribution~~ formula."

SECTION 4.7. G.S. 136-175 reads as rewritten:

"**§ 136-175. Definitions.**

The following definitions apply in this Article:

~~(1) Intrastate System. The network of major, multilane arterial highways composed of those routes, segments, or corridors listed in G.S. 136-178, and any other route added by the Department of Transportation under G.S. 136-178.~~

(2) Transportation Improvement Program. The schedule of major transportation improvement projects required by G.S. 143B-350(f)(4).

(3) Trust Fund. The North Carolina Highway Trust Fund."

SECTION 4.8. G.S. 136-176 reads as rewritten:

"**§ 136-176. Creation, revenue sources, and purpose of North Carolina Highway Trust Fund.**

(a) A special account, designated the North Carolina Highway Trust Fund, is created within the State treasury. The Trust Fund consists of the following revenue:

(1) Motor fuel, alternative fuel, and road tax revenue deposited in the Fund under G.S. 105-449.125, 105-449.134, and 105-449.43, respectively.

(2) Motor vehicle use tax deposited in the Fund under G.S. 105-187.9.

(3) Revenue from the certificate of title fee and other fees payable under G.S. 20-85.

(4) Repealed by Session Laws 2001-424, s. 27.1.

(5) Interest and income earned by the Fund.

~~(a1) The Department shall use two hundred twenty million dollars ($220,000,000) in fiscal year 2001-2002, two hundred twelve million dollars ($212,000,000) in fiscal year 2002-2003, and two hundred fifty-five million dollars ($255,000,000) in fiscal year 2003-2004 of the cash balance of the Highway Trust Fund for the following purposes:~~

~~(1) For primary route pavement preservation. One hundred seventy million dollars ($170,000,000) in fiscal year 2001-2002, and one hundred fifty million dollars ($150,000,000) in each of the fiscal years 2002-2003 and 2003-2004. Up to ten percent (10%) of the amount for each of the fiscal years 2001-2002, 2002-2003, and 2003-2004 is available in that fiscal year, at the discretion of the Secretary of Transportation, for:~~

~~a. Highway improvement projects that further economic growth and development in small urban and rural areas, that are in the Transportation Improvement Program, and that are individually approved by the Board of Transportation; or~~

~~b. Highway improvements that further economic development in the State and that are individually approved by the Board of Transportation.~~

~~(2) For preliminary engineering costs not included in the current year Transportation Improvement Program. Fifteen million dollars ($15,000,000) in each of the fiscal years 2001-2002, 2002-2003, and 2003-2004. If any funds allocated by this subdivision, in the cash balance of the Highway Trust Fund, remain unspent on June 30, 2008, the Department may transfer within the Department up to twenty-nine million dollars ($29,000,000) of available funds to contract for freight transportation system improvements for the Global TransPark.~~

~~(3) For computerized traffic signal systems and signal optimization projects. Fifteen million dollars ($15,000,000) in each of the fiscal years 2001-2002, 2002-2003, and 2003-2004.~~

~~(4) For public transportation twenty million dollars ($20,000,000) in fiscal year 2001-2002, twenty-five million dollars ($25,000,000) in fiscal year 2002-2003, and seventy-five million dollars ($75,000,000) in fiscal year 2003-2004.~~

~~(5) For small urban construction projects. Seven million dollars ($7,000,000) in fiscal year 2002-2003.~~

~~Funds authorized for use by the Department pursuant to this subsection shall remain available to the Department until expended.~~

(a2) Repealed by Session Laws 2002-126, s. 26.4(b), effective July 1, 2002.

~~(a3) The Department may obligate three hundred million dollars ($300,000,000) in fiscal year 2003-2004 and four hundred million dollars ($400,000,000) in fiscal year 2004-2005 of the cash balance of the Highway Trust Fund for the following purposes:~~

~~(1) Six hundred thirty million dollars ($630,000,000) for highway system preservation, modernization, and maintenance, including projects to enhance safety, reduce congestion, improve traffic flow, reduce accidents, upgrade pavement widths and shoulders, extend pavement life, improve pavement smoothness, and rehabilitate or replace deficient bridges; and for economic development transportation projects recommended by local officials and approved by the Board of Transportation.~~

~~(2) Seventy million dollars ($70,000,000) for regional public transit systems, rural and urban public transportation system facilities, regional transportation and air quality initiatives, rail system track improvements and equipment, and other ferry, bicycle, and pedestrian improvements. For any project or program listed in this subdivision for which the Department receives federal funds, use of funds pursuant to this subdivision shall be limited to matching those funds.~~

~~Funds authorized for obligation and use by the Department pursuant to this subsection shall remain available to the Department until expended.~~

~~(a4) Project selection pursuant to subsection (a3) of this section shall be based on identified and documented need. Funds expended pursuant to subdivision (1) of subsection (a3) of this section shall be distributed in accordance with the distribution formula in G.S. 136-17.2A. No funds shall be expended pursuant to subsection (a3)(1) of this section on~~

~~any project that does not meet Department of Transportation standards for road design, materials, construction, and traffic flow.~~

~~(a5) The Department shall report to the Joint Legislative Transportation Oversight Committee, on or before September 1, 2003, on its intended use of funds pursuant to subsection (a3) of this section. The Department shall report to the Joint Transportation Appropriations Subcommittee, on or before May 1, 2004, on its actual current and intended future use of funds pursuant to subsection (a3) of this section. The Department shall certify to the Joint Legislative Transportation Oversight Committee each year, on or before November 1, that use of the Highway Trust Fund cash balances for the purposes listed in subsection (a3) of this section will not adversely affect the delivery schedule of any Highway Trust Fund projects. If the Department cannot certify that the full amounts authorized in subsection (a3) of this section are available, then the Department may determine the amount that can be used without adversely affecting the delivery schedule and may proportionately apply that amount to the purposes set forth in subsection (a3) of this section.~~

(b) Funds in the Trust Fund are annually appropriated to the Department of Transportation to be allocated and used as provided in this subsection. A ~~sum, not to exceed four and eight-tenths percent (4.8%) of the amount of revenue deposited in the Trust Fund under subdivisions (a)(1), (2), and (3) of this section~~ sum, in the amount appropriated by law, may be used each fiscal year by the Department for expenses to administer the Trust Fund. Operation and project development costs of the North Carolina Turnpike Authority are eligible administrative expenses under this subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by the Authority from its toll revenue as soon as possible, subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be necessary to meet the State matching funds requirements to receive federal-aid highway trust funds for the next fiscal year may be set aside for that purpose. The rest of the funds in the Trust Fund shall be allocated and used as ~~follows:~~specified in G.S. 136-189.11.

~~(1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design, and construct projects on segments or corridors of the Intrastate System as described in G.S. 136-178 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these projects.~~

~~(2) Twenty-five and five hundredths percent (25.05%) to plan, design, and construct the urban loops described in G.S. 136-180 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these urban loops.~~

~~(3) Six and one-half percent (6.5%) to supplement the appropriation to cities for city streets under G.S. 136-181.~~

~~(4) Six and one-half percent (6.5%) for secondary road construction as provided in G.S. 136-182 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to secondary road construction.~~

The Department must administer funds allocated under ~~subdivisions (1), (2), and (4) of this subsection~~ this section in a manner that ensures that sufficient funds are available to make the debt service payments on bonds issued under the State Highway Bond Act of 1996 as they become due.

~~(b1) The Secretary may authorize the transfer of funds allocated under subdivisions (1) through (4) of subsection (b) of this section to other projects that are ready to be let and were to be funded from allocations to those subdivisions. The Secretary shall ensure that any funds transferred pursuant to this subsection are repaid promptly and in any event in no more than four years. The Secretary shall certify, prior to making any transfer pursuant to this subsection, that the transfer will not affect the delivery schedule of Highway Trust Fund projects in the current Transportation Improvement Program. No transfers shall be allowed that do not conform to the applicable provisions of the equity formula for distribution of funds, G.S. 136-17.2A. If the Secretary authorizes a transfer pursuant to this subsection, the Secretary shall report that decision to the next regularly scheduled meetings of the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, and to the Fiscal Research Division.~~

(b2) **(Effective July 1, 2013)** There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of ~~one hundred twelve million dollars ($112,000,000).~~forty-nine million dollars ($49,000,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway, and twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the ~~Monroe Connector/Bypass, twenty eight million dollars ($28,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Mid Currituck Bridge, and thirty five million dollars ($35,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Garden Parkway.~~Monroe Connector/Bypass. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes, or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations made in this subsection at any time to decrease or eliminate the amount annually appropriated to the Authority. Funds transferred from the Highway Trust Fund to the Authority pursuant to this subsection are not subject to the ~~equity~~ formula in ~~G.S. 136-17.2A.~~G.S. 136-189.11.

~~(c) If funds are received under 23 U.S.C. Chapter 1, Federal Aid Highways, for a project for which funds in the Trust Fund may be used, the amount of federal funds received plus the amount of any funds from the Highway Fund that were used to match the federal funds may be transferred by the Secretary of Transportation from the Trust Fund to the Highway Fund and used for projects in the Transportation Improvement Program.~~

(d) A contract may be let for projects funded from the Trust Fund in anticipation of revenues pursuant to the cash-flow provisions of G.S. 143C-6-11 only for the two bienniums following the year in which the contract is let.

(e) **(Effective July 1, 2013)** Subject to ~~G.S. 136-17.2A and other funding distribution formulas, funds allocated under subdivisions (1), (3), and (4) of subsection (b) of this section may also~~ G.S. 136-189.11, funds may be used for fixed guideway projects, including providing matching funds for federal grants for fixed guideway projects."

SECTION 4.9. The following statutes are repealed:

(1) G.S. 136-177.
(2) G.S. 136-177.1.
(3) G.S. 136-178.
(4) G.S. 136-179.
(5) G.S. 136-180.
(6) G.S. 136-184.
(7) G.S. 136-185.
(8) G.S. 136-187.
(9) G.S. 136-188.
(10) G.S. 136-189.

TURNPIKE AUTHORITY CHANGES

SECTION 5.1. G.S. 136-89.183(a)(2) reads as rewritten:

"**§ 136-89.183. Powers of the Authority.**

(a) The Authority shall have all of the powers necessary to execute the provisions of this Article, including the following:

...

(2) To study, plan, develop, and undertake preliminary design work on up to ~~eight~~ nine Turnpike Projects. At the conclusion of these activities, the Turnpike Authority is authorized to design, establish, purchase, construct, operate, and maintain the following projects:

a. Triangle Expressway, including segments also known as N.C. 540, Triangle Parkway, and the Western Wake Freeway in Wake and Durham ~~Counties, and Southeast Extension in Wake and Johnston Counties, except that no portion of the Southeast Extension shall be located north of an existing protected corridor established by the Department of Transportation circa 1995, except in the area of Interstate 40 East.~~Counties. The described segments constitute three projects.

~~b. Gaston East-West Connector, also known as the Garden Parkway.~~

c. Monroe Connector/Bypass.

~~d. Cape Fear Skyway.~~

~~e. A bridge of more than two miles in length going from the mainland to a peninsula bordering the State of Virginia, pursuant to G.S. 136-89.183A.~~

Any other project proposed by the Authority in addition to the projects listed in this ~~subdivision must be approved by the General Assembly prior to construction.~~subdivision requires prior consultation with the Joint Legislative Commission on Governmental Operations pursuant to G.S. 120-76.1 no less than 180 days prior to initiating the process required by Article 7 of Chapter 159 of the General Statutes.

~~A~~ With the exception of the four projects set forth in sub-subdivisions a. and c. of this subdivision, the Turnpike ~~Project~~ projects selected for construction by the Turnpike ~~Authority~~ Authority, prior to the letting of a contract for the project, shall meet the following conditions: (i) two of the projects must be ranked in the top 35 based on total score on the Department-produced list entitled "Mobility Fund Project Scores" dated June 6, 2012, and, in addition, may be subject to G.S. 136-18(39a); (ii) of the projects not ranked as provided in (i), one may be subject to G.S. 136-18(39a); (iii) the projects shall be included in any applicable locally adopted comprehensive transportation ~~plans and~~plans; (iv) the projects shall be shown in the current

State Transportation Improvement ~~Plan prior to the letting of a contract for the Turnpike Project.~~Program; and (v) toll projects must be approved by all affected Metropolitan Planning Organizations and Rural Transportation Planning Organizations for tolling."

SECTION 5.2. G.S. 136-18 reads as rewritten:

"**§ 136-18. Powers of Department of Transportation.**

The said Department of Transportation is vested with the following powers:

...

(39a) a. The Department of Transportation or Turnpike Authority, as applicable, may enter into ~~a partnership agreement~~ up to three agreements with a private entity as provided under subdivision (39) of this section for which the provisions of this section apply. ~~The pilot project allowed under this subdivision must be one that is a candidate for funding under the Mobility Fund, that is planned for construction through a public-private partnership, and for which a Request for Qualifications has been issued by the Department no later than June 30, 2012.~~

b. A private entity or its contractors must provide performance and payment security in the form and in the amount determined by the Department of Transportation. The form of the performance and payment security may consist of bonds, letters of credit, parent guaranties, or other instruments acceptable to the Department of Transportation.

c. Notwithstanding the provisions of G.S. 143B-426.40A, an agreement entered into under this subdivision may allow the private entity to assign, transfer, sell, hypothecate, and otherwise convey some or all of its right, title, and interest in and to such agreement, and any rights and remedies thereunder, to a lender, bondholder, or any other party. However, in no event shall any such assignment create additional debt or debt-like obligations of the State of North Carolina, the Department, or any other agency, authority, commission, or similar subdivision of the State to any lender, bondholder, entity purchasing a participation in the right to receive the payment, trustee, trust, or any other party providing financing or funding of projects described in this section. The foregoing shall not preclude the Department from making any payments due and owing pursuant to an agreement entered into under this section.

d. ~~The Department of Transportation may fix, revise, charge, and collect tolls and fees to the same extent allowed under~~ Article 6H of Chapter 136 of the General ~~Statutes.~~Statutes shall apply to the Department of Transportation and to projects undertaken by the Department of Transportation under subdivision (39) of this section. The Department may assign its authority under that Article to fix, revise, charge, retain, enforce, and collect tolls and fees to the private entity.

e. Any contract under this subdivision or under Article 6H of this Chapter for the development, construction, maintenance, or operation of a project shall provide for revenue sharing, if applicable, between the private party and the Department and revenues derived from such project may be used as set forth in G.S. 136-89.188(a), notwithstanding the provisions of G.S. 136-89.188(d). Excess toll

revenues from a Turnpike project shall be used for the funding or financing of transportation projects within the corridor where the Turnpike Project is located. For purposes of this subdivision, the term "excess toll revenues" means those toll revenues derived from a Turnpike Project that are not otherwise used or allocated to the Authority or a private entity pursuant to this subdivision, notwithstanding the provisions of G.S. 136-89.188(d). For purposes of this subdivision, the term "corridor" means (i) the right-of-way limits of the Turnpike Project and any facilities related to the Turnpike Project or any facility or improvement necessary for the use, design, construction, operation, maintenance, repair, rehabilitation, reconstruction, or financing of a Turnpike Project; (ii) the right-of-way limits of any subsequent improvements, additions, or extension to the Turnpike Project and facilities related to the Turnpike projects, including any improvements necessary for the use, design, construction, operation, maintenance, repair, rehabilitation, reconstruction, or financing of those subsequent improvements, additions, or extensions to the Turnpike Project; and (iii) roads used for ingress or egress to the toll facility or roads that intersect with the toll facility, whether by ramps or separated grade facility, and located within one mile in any direction.

f. Agreements entered into under this subdivision shall comply with the following additional provisions:

1. The Department shall solicit proposals for agreements.
2. Agreement shall be limited to no more than 50 years from the date of the beginning of operations on the toll facility.
3. Notwithstanding the provisions of G.S. 136-89.183(a)(5), all initial tolls or fees to be charged by a private entity shall be reviewed by the Turnpike Authority Board. Prior to setting toll rates, either a set rate or a minimum and maximum rate set by the private entity, the private entity shall hold a public hearing on the toll rates, including an explanation of the toll setting methodology, in accordance with guidelines for the hearing developed by the Department. After tolls go into effect, the private entity shall report to the Turnpike Authority Board 30 days prior to any increase in toll rates or change in the toll setting methodology by the private entity from the previous toll rates or toll setting methodology last reported to the Turnpike Authority Board.
4. Financial advisors and attorneys retained by the Department on contract to work on projects pursuant to this subsection shall be subject to State law governing conflicts of interest.
5. 60 days prior to the signing of a concession agreement subject to this subdivision, the Department shall report to the Joint Legislative Transportation Oversight Committee on the following for the presumptive concessionaire:
   I. Project description.
   II. Number of years that tolls will be in place.
   III. Name and location of firms and parent companies, if applicable, including firm responsibility and stake, and assessment of audited financial statements.

IV. Analysis of firm selection criteria.

V. Name of any firm or individual under contract to provide counsel or financial analysis to the Department or Authority. The Department shall disclose payments to these contractors related to completing the agreement under this subdivision.

VI. Demonstrated ability of the project team to deliver the project, by evidence of the project team's prior experience in delivering a project on schedule and budget, and disclosure of any unfavorable outcomes on prior projects.

VII. Detailed description of method of finance, including sources of funds, State contribution amounts, including schedule of availability payments and terms of debt payments.

VIII. Information on assignment of risk shared or assigned to State and private partner.

IX. Information on the feasibility of finance as obtained in traffic and revenue studies.

6. The Turnpike Authority annual report under G.S. 136-89.193 shall include reporting on all revenue collections associated with projects subject to this subdivision under the Turnpike Authority.

7. The Department shall develop standards for entering into comprehensive agreements with private entities under the authority of this subdivision and report those standards to the Joint Legislative Transportation Oversight Committee on or before October 1, 2013.

...

(43) For the purposes of financing an agreement under subdivision (39a) of this section, the Department of Transportation may act as a conduit issuer for private activity bonds to the extent the bonds do not constitute a debt obligation of the State. The issuance of private activity bonds under this subdivision and any related actions shall be governed by The State and Local Government Revenue Bond Act, Article 5 of Chapter 159 of the General Statutes, with G.S. 159-88 satisfied by adherence to the requirements of ~~subdivisions (39) and~~ subdivision (39a) of this section."

SECTION 5.3. G.S. 136-89.183(a)(5) reads as rewritten:

"**§ 136-89.183. Powers of the Authority.**

(a) The Authority shall have all of the powers necessary to execute the provisions of this Article, including the following:

...

(5) To fix, revise, charge, retain, enforce, and collect tolls and fees for the use of the Turnpike Projects. Prior to the effective date of any toll or fee for use of a Turnpike Facility, the Authority shall submit a description of the proposed toll or fee to the Board of Transportation, the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations for review.

...."

SECTION 5.4. G.S. 136-89.188 reads as rewritten:

"**§ 136-89.188. Use of revenues.**

(a) Revenues derived from Turnpike Projects authorized under this Article shall be used only for the following:

(1) Authority administration ~~costs;~~costs.

(2) Turnpike Project development, right-of-way acquisition, design, construction, operation, ~~and maintenance;~~maintenance, reconstruction, rehabilitation, and replacement.~~and~~

(3) ~~debt~~ Debt service on the Authority's revenue bonds or related purposes such as the establishment of debt service reserve ~~funds.~~funds.

(4) Debt service, debt service reserve funds, and other financing costs related to any of the following:

a. A financing undertaken by a private entity under a partnership agreement with the entity for a Turnpike Project.

b. Private activity bonds issued under law related to a Turnpike Project.

c. Any federal or State loan, line of credit, or loan guarantee relating to a Turnpike Project.

(5) A return on investment of any private entity under a partnership agreement with the entity for a Turnpike Project.

(6) Any other uses granted to a private entity under a partnership agreement with the entity for a Turnpike Project.

(b) The Authority may use up to one hundred percent (100%) of the revenue derived from a Turnpike Project for debt service on the Authority's revenue bonds or for a combination of debt service and operation and maintenance expenses of the Turnpike Projects.

(c) The Authority shall use not more than five percent (5%) of total revenue derived from all Turnpike Projects for Authority administration costs.

(d) Notwithstanding the provisions of subsections (a) and (b) of this section, toll revenues generated from a converted segment of the State highway system previously planned for operation as a nontoll facility shall only be used for the funding or financing of the right of way acquisition, construction, expansion, operations, maintenance, and Authority administration costs associated with the converted segment or a contiguous toll facility."

SECTION 5.5. Part 1 of Article 6H of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-89.199. Designation of high-occupancy toll and managed lanes.**

Notwithstanding any other provision of this Article, the Authority may designate one or more lanes of any highway, or portion thereof, within the State, including lanes that may previously have been designated as HOV lanes under G.S. 20-146.2, as high-occupancy toll (HOT) or other type of managed lanes; provided, however, that such designation shall not reduce the number of existing general purpose lanes. In making such designations, the Authority shall specify the high-occupancy requirement or other conditions for use of such lanes, which may include restricting vehicle types, access controls, or the payment of tolls for vehicles that do not meet the high-occupancy requirements or conditions for use."

SECTION 5.6. Part 2 of Article 6H of Chapter 136 of the General Statutes reads as rewritten:

"Part 2. Collection of Tolls on Turnpike Projects.

...

"**§ 136-89.212. Payment of toll required for use of Turnpike project.**

(a) A motor vehicle that is driven on a Turnpike project is subject to a toll imposed by the Authority for the use of the project. If the toll is an open road toll, the person who is the registered owner of the motor vehicle is liable for payment of the toll unless the registered owner establishes that the motor vehicle was in the care, custody, and control of another person when it was driven on the Turnpike project.

(b) A person establishes that a motor vehicle was in the care, custody, and control of another person when it was driven on a Turnpike project by submitting to the Authority a sworn affidavit stating one of the following:

(1) The name and address of the person who had the care, custody, and control of the motor vehicle when it was driven. If the motor vehicle was leased or rented under a long-term lease or rental, as defined in G.S. 105-187.1, the affidavit must be supported by a copy of the lease or rental agreement or other written evidence of the agreement.

(2) The motor vehicle was stolen. The affidavit must be supported by an insurance or police report concerning the theft or other written evidence of the theft.

(3) The person transferred the motor vehicle to another person by sale or otherwise before it was driven on the Turnpike project. The affidavit must be supported by insurance information, a copy of the certificate of title, or other evidence of the transfer.

(c) If a person establishes that a motor vehicle was in the care, custody, and control of another person under subsection (b) of this section, the other person shall be liable for the payment of the toll, and the Authority may send a bill to collect and enforce the toll in accordance with this Article; provided, however, that such other person may contest such toll in accordance with this Article.

"§ 136-89.213. Administration of tolls and requirements for open road tolls.

(a) Administration. – The Authority is responsible for collecting tolls on Turnpike projects. In exercising its authority under G.S. 136-89.183 to perform or procure services required by the Authority, the Authority may contract with one or more providers to perform part or all of the collection functions and may enter into agreements to exchange information, including confidential information under subsection (a1) of this section, that identifies motor vehicles and their owners with one or more of the following entities: the Division of Motor Vehicles of the Department of Transportation, another state, another toll operator, ~~or~~ a toll collection-related ~~organization.~~organization, or a private entity that has entered into a partnership agreement with the Authority pursuant to G.S. 136-89.183(a)(17). Further, the Authority may assign its authority to fix, revise, charge, retain, enforce, and collect tolls and fees under this Article to a private entity that has entered into a partnership agreement with the Authority pursuant to G.S. 136-89.183(a)(17).

...

(b) Open Road Tolls. – If a Turnpike project uses an open road tolling system, the Authority must operate a facility that is in the immediate vicinity of the Turnpike project ~~and that accepts~~or provide an alternate means to accept cash payment of the toll and must place signs on the Turnpike project that give drivers the following information:

(1) Notice that the driver is approaching a highway for which a toll is required. Signs providing this information must be placed before the toll is incurred.

(2) The methods by which the toll may be paid.

(3) ~~Directions~~ If applicable, directions to the nearby facility that accepts cash payment of the toll.

"§ 136-89.214. Bill for unpaid open road toll.

(a) Bill. – If a motor vehicle travels on a Turnpike project that uses an open road tolling system and a toll for traveling on the project is not paid prior to travel or at the time of travel, the Authority must send a bill by first-class mail to the registered owner of the motor vehicle or the person who had care, custody, and control of the vehicle as established under G.S. 136-89.212(b) for the amount of the unpaid toll. The Authority must send the bill within 90 days after the travel ~~occurs.~~occurs, or within 90 days of receipt of a sworn affidavit submitted under G.S. 136-89.212(b) identifying the person who had care, custody, and control

of the motor vehicle. If a bill is not sent within the required time, the Authority waives collection of the toll. The Authority must establish a billing period for unpaid open road tolls that is no shorter than 15 days. A bill for a billing period must include all unpaid tolls incurred by the same person during the billing period.

(b) Information on Bill. – A bill sent under this section must include all of the following information:

(1) The name and address of the registered owner of the motor vehicle that traveled on the Turnpike ~~project.~~project or of the person identified under G.S. 136-89.212(b).

(2) The date the travel occurred, the approximate time the travel occurred, and each segment of the Turnpike project on which the travel occurred.

(3) An image of the registration plate of the motor vehicle, if the Authority captured an electronic image of the motor vehicle when it traveled on the Turnpike project.

(4) The amount of the toll due and an explanation of how payment may be made.

(5) The date by which the toll must be paid to avoid the imposition of a processing fee under G.S. 136-89.215 and the amount of the processing fee.

(6) A statement that a vehicle owner who has unpaid tolls is subject to a civil penalty and may not renew the vehicle's registration until the tolls and civil penalties are paid.

(7) A clear and concise explanation of how to contest liability for the toll.

(8) If applicable, a copy of the affidavit submitted under G.S. 136-89.212(b) identifying the person with care, custody, and control of the motor vehicle.

"**§ 136-89.215. Required action upon receiving bill for open road toll and processing fee for unpaid toll.**

(a) Action Required. – A person who receives a bill from the Authority for an unpaid open road toll must take one of the following actions within 30 days of the date of the bill:

(1) Pay the bill.

(2) Send a written request to the Authority for a review of the toll.

(b) Fee. – If a person does not take one of the actions required under subsection (a) of this section within the required time, the Authority may add a processing fee to the amount the person owes. The processing fee may not exceed six dollars ($6.00). A person may not be charged more than forty-eight dollars ($48.00) in processing fees in a 12-month period.

The Authority must set the processing fee at an amount that does not exceed the costs of collecting the unpaid toll.~~identifying the owner of a motor vehicle that is subject to an unpaid toll and billing the owner for the unpaid toll. The fee is a receipt of the Authority and must be applied to these costs.~~

...."

SECTION 5.7. DOT/Southeast Extension-Triangle Expressway. – The Department of Transportation shall strive to expedite the federal environmental impact statement process to define the route for the Southeast Extension of the Triangle Expressway Turnpike Project by promptly garnering input from local officials and other stakeholders, accelerating any required State studies, promptly submitting permit applications to the federal government, working closely with the federal government during the permitting process, and taking any other appropriate actions to accelerate the environmental permitting process.

SECTION 5.8. Monitoring. – As part of its oversight of the Department of Transportation, the Joint Legislative Transportation Oversight Committee shall closely monitor the progress of the Southeast Extension of the Triangle Expressway Turnpike Project.

TRANSITION STUDY AND REPORTING REQUIREMENTS

SECTION 6.1. Formula Implementation Report. – The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than August 15, 2013, on the Department's recommended formulas that will be used in the prioritization process to rank highway and nonhighway projects. The Department of Transportation's Prioritization Office shall develop the prioritization processes and formulas for all modes of transportation. The report will include a statement on the process used by the Department to develop the formulas, include a listing of external partners consulted during this process, and include feedback from its 3.0 workgroup partners on the Department's proposed recommendations. The Department shall not finalize the formula without consulting with the Joint Legislative Transportation Oversight Committee. The Joint Legislative Transportation Oversight Committee has 30 days after the report is received to meet and consult on the Department's recommendations. If no meeting occurs within 30 days after the report is received, the consultation requirement will be met. If consultation occurs and a majority of members serving on the Committee request changes to the Department's recommended formulas for highway and nonhighway modes, the Department shall review the requests and provide to the Committee its response to the requested changes no later than October 1, 2013. A final report on the highway and intermodal formulas shall be submitted to the Joint Legislative Transportation Oversight Committee by January 1, 2014.

SECTION 6.2. State Transportation Improvement Program Transition Report. – The Department of Transportation shall submit transition reports to members of the Joint Legislative Transportation Oversight Committee, House of Representatives Appropriations Subcommittee on Transportation and the Senate Appropriations Committee on Department of Transportation, and the Fiscal Research Division on March 1, 2014, and November 1, 2014. The reports shall include information on the Department's transition to Strategic Prioritization, overview changes to the State Transportation Improvement Program (STIP) and other internal and external processes that feed into the STIP, and offer statutory and policy recommendations or items for consideration to the General Assembly that will enhance the prioritization process. The March 1, 2014, report shall also include an analysis of the distribution of tax and fee revenues between the Highway Fund and Highway Trust Fund and an analysis to determine if maintenance, construction, operations, administration, and capital expenditures are properly budgeted within the two funds and existing revenues are most effectively distributed between the two funds.

EFFECTIVE DATE

SECTION 7.1.(a) Except as provided herein, this act becomes effective July 1, 2013.

SECTION 7.1.(b) This act is effective only if the General Assembly appropriates funds in the Current Operations and Capital Improvements Appropriations Act of 2013 to implement this act.

HOUSE BILL 817:
Strategic Transportation Investments

2013-2014 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	June 11, 2013
Introduced by:	Reps. W. Brawley, Torbett, Iler, Shepard	**Prepared by:**	Giles S. Perry Committee Counsel
Analysis of:	PCS to Seventh Edition H817-CSRWx-64		

SUMMARY: ***House Bill 817 (proposed committee substitute) enacts a new Strategic Prioritization funding plan governing use of Highway Trust Fund and Federal aid funds for State transportation construction and capital needs; phases out the Highway Fund secondary road construction program; requires Statewide prioritization for secondary unpaved road paving; provides that the Highway Fund is the sole source of funds for State aid to municipalities/Powell Bill funds, and holds harmless the amount allocated for that purpose; modifies the authorized Turnpike Authority project list; and authorizes up to three partnership agreements with private entities for DOT or Authority projects.***

The proposed committee substitute makes the following changes:

- ***Page 2, lines 17-18: modifies Regional Projects tier to include rail lines that span two or more counties, and are not included in the Statewide projects tier.***
- ***Page 2, lines 19-22: modifies Regional Projects tier to include public transportation service that spans two or more counties and that serves more than one municipality. Expenditures pursuant to this provision cannot exceed ten percent (10%) of any distribution region allocation.***
- ***Page 2, lines 32-35: modifies Division Projects tier to include rail lines not included in Statewide or Regional tiers, public transportation service not included in Statewide or Regional tiers, and multimodal terminals and stations serving passenger transit systems.***
- ***Page 3, line 41: excludes federal State Planning and Research Program funds from the Transportation Investment Strategy formula.***
- ***Page 6, lines 3-6: clarifies that limitation on State funding for bicycle and pedestrian projects does not apply to funds authorized for projects in the State Transportation Improvement Program that are scheduled for construction as of October 1, 2013, in State fiscal year 2012-2013, 2013-2014, or 2014-2015.***
- ***Page 27, lines 48-50 and page 28, line 7: clarifies existing authorization for use of public-private partnership revenues.***
- ***Page 28, lines 29-30, 32-33, and 36-39: requires explanation of toll setting methodology, and requires reporting on change to toll rates or toll setting methodology for public private partnerships.***

BILL ANALYSIS:

Strategic Prioritization Funding Plan for Transportation Investments

Section 1.1(a) enacts a new formula governing use of State transportation construction funding, the "Strategic Prioritization Funding Plan for Transportation Investments". Highway Trust Fund revenues

and Federal Aid funds are subject to the new formula, except for listed exemptions. Funds subject to the formula are to be distributed as follows: 40% to Statewide strategic mobility projects, 30% to Regional impact projects, and 30% to Division needs projects. Project types eligible for funds in each category are listed. The criteria to be used by DOT to prioritize each category are specified. A formula variance with readjustments, over a five year period, is specified. Incentives for local funding and tolling are included.

Section 1.1(b), effective July 1, 2019, revises the calculation of the formula variance.

Section 1.2 requires DOT to issue a revised draft TIP by January 1, 2015, reflecting the effect of the new formula.

Secondary Road Changes

Section 2.1 repeals a requirement that $15 of each vehicle title application fee deposited in the Highway Trust Fund be used for secondary road paving.

Section 2.2(a), effective July 1, 2013 for one year, continues the secondary road construction program in the Highway Fund for one year.

Section 2.2(b), effective July 1, 2014, limits the secondary road program in the Highway Fund to maintenance and improvement.

Section 2.3(a), effective July 1, 2013 for one year, continues the secondary road construction program in the Highway Fund for one year.

Section 2.3(b), effective July 1, 2014, repeals the secondary road construction program in the Highway Fund.

Section 2.4 repeals a provision exempting special appropriations for secondary road construction from statutory allocation formulas.

Section 2.5 creates a secondary road unpaved road paving program in the Highway Fund, distributed based on a DOT Statewide prioritization.

Section 2.6(a), effective July 1, 2013 for one year, continues the secondary road construction program in the Highway Fund for one year.

Section 2.6(b), effective July 1, 2014, repeals the secondary road construction program in the Highway Fund.

Section 2.6(c) continues a requirement that the DOT secondary road maintenance and improvement program be based on a uniformly applicable formula, and clarifies that it does not apply to paving of unpaved roads.

Section 2.6(d) appropriates $15 million in nonrecurring funds in FY 2013-2014 from the Highway Fund to the secondary road construction program, and appropriates $12 million in recurring funds in FY 2013-2014 from the Highway Fund for paving unpaved secondary roads.

Section 2.7 repeals county prioritization of unpaved road projects, and reenacts a provision repealed by Section 2.9 of the bill that authorizes paving of a ROW of less than 60 ft, in some cases.

Section 2.8(a), effective July 1, 2013 for one year, revises the statute governing submission of the secondary construction and unpaved road paving program to Boards of County Commissioners.

Section 2.8(b), effective July 1, 2014, revises the statute governing submission of the secondary construction and unpaved road paving program to Boards of County Commissioners to reflect the limitation of the process to only paving unpaved secondary roads, beginning July 1, 2014. In counties

where unpaved secondary road paving is programmed for paving, the Department will be required to annually submit a list of roads programmed for paving to the board of county commissioners.

Section 2.9 repeals provisions for use of the Highway Trust Fund allocation to secondary road paving. Part of this repealed statute, authorizing paving of a ROW of less than 60 ft. in some cases, is reenacted in Section 2.7 of the bill. The Highway Trust Fund percentage allocation to secondary road paving is repealed in Section 4.8 of the bill.

State Aid to Municipalities/Powell Bill Changes

Section 3.1 changes the amount of Highway Fund revenues allocated for State aid to municipalities for city streets, known as Powell Bill funds, from 1¾ ¢/gallon of the motor fuels tax to 10.4% of the net amount produced during the fiscal year. Section 4.8 of the bill repeals the Highway Trust Fund supplement to Powell Bill funds.

Section 3.2 is a conforming change repealing a requirement that the Highway Trust Fund supplement for city streets (Powell Bill funds) be distributed in accordance with the Powell Bill statute.

Section 3.3 changes the authorized uses of Powell Bill funds to allow their use for greenways and bikeways.

Section 3.4 authorizes use of Powell Bill funds as a match for federal funds for bicycle and pedestrian improvement projects, as well as for streets, sidewalks, greenways, bikeways, or TIP projects in the municipal limits.

Section 3.5 directs the Department to collect lane mile data from all municipalities eligible for Powell Bill funds, and report to the General Assembly by December 1, 2013.

Conforming Changes

Section 4.1 amends the statute governing the disposition of the Highway Use Tax, to repeal a transfer from the Highway Trust Fund to the Mobility Fund.

Section 4.2 updates a statutory reference in the statute setting out the powers of DOT.

Section 4.3 repeals the 1989 distribution formula for funds expended for Highway Trust Fund Intrastate projects, and specified State and federal aid funds expended under the TIP.

Section 4.4 revises a statutory and project reference in the law authorizing limited use of the Transportation Official Corridor Map Act by the Wilmington MPO.

Section 4.5 amends statute governing local participation in a State transportation project to repeal provisions prohibiting disadvantage to other projects, and limiting DOT funding in exchange for the participation.

Section 4.6 updates a statutory reference in the Turnpike Authority statutes.

Section 4.7 repeals a definition of the Intrastate system.

Section 4.8 repeals expired provisions concerning use of Highway Trust Fund cash balances; modifies the amount of the Highway Trust Fund revenues that may be used for administration from 4.8% to the amount appropriated by law; repeals statutory percentage allocations of Highway Trust Fund revenues to intrastate projects, urban loops, State-aid for city streets (Powell Bill), and secondary road paving; and repeals gap funding for the mid Currituck bridge and Garden Parkway projects.

Section 4.9 repeals an expired limitation on funding obligations of the Highway Trust Fund.

Section 4.10 repeals expired provision concerning use of specified federal funds for the Intrastate system and urban loops.

Section 4.11 repeals description of the Intrastate system.

Section 4.12 repeals the Highway Trust Fund project list.

Section 4.13 repeals requirement that the Highway Trust Fund allocation for urban loops can only be used on urban loops.

Section 4.14 repeals an annual DOT reporting requirement on Highway Trust Fund projects.

Section 4.15 repeals a statute that would have created a maintenance reserve after completion of the Intrastate system.

Sections 4.16, 4.17, and 4.18 repeal the North Carolina Mobility Fund.

Turnpike Authority Changes

Section 5.1 amends the Turnpike Authority's authorized projects list to authorize nine projects: Four of the projects are in existing law: portions of the Triangle Expressway (constituting 3 segment projects) and the Monroe Connector. Any additional project proposal by the Authority would require prior consultation with the Joint Legislative Commission on Governmental Operations. The five remaining authorized projects must meet the following conditions: two must be DOT-ranked top 35 projects, and either may be subject to a partnership agreement. Of the others, one may be subject to a partnership agreement. All five must be included in the local transportation plan, in the current State TIP, and toll projects must also be approved by the affected MPO and RPO.

Section 5.2 authorizes DOT or the Turnpike Authority to enter into up to three partnership agreements with private entities for projects, subject to provisions for revenue sharing, excess revenue, an agreement time limit of 50 years from the beginning of toll operations, reporting to the General Assembly prior to entering into an agreement, and public hearings on applicable toll rates.

Section 5.3 amends the powers of the Turnpike Authority to authorize it to retain and enforce tolls and fees.

Section 5.4 authorizes the Turnpike Authority to use revenues derived from Turnpike Projects for design, reconstruction, rehabilitation, and replacement; for debt service, financing costs, return on investment, and other authorized uses under a partnership agreement; and for private activity bonds, and federal or State loans.

Section 5.5 authorizes the Turnpike Authority to designate high-occupancy toll (HOT) lanes.

Section 5.6 amends State law concerning collection of tolls on turnpike projects to clarify that tolls on vehicles in the custody of another person are the liability of that person; authorizes private entities to fix and collects pursuant to a partnership agreement with the Turnpike Authority; clarifies the Turnpike's Authority to provide alternate means to accept cash payments for tolls; and provides that toll processing fees cannot exceed the costs of collecting the unpaid toll.

Sections 5.7 directs DOT to strive to expedite the federal environmental impact statement process to define the route for the Southeast Extension of the Triangle Expressway Turnpike Project.

Section 5.8 directs the Joint Legislative Transportation Oversight Committee to closely monitor the progress of the Southeast Extension of the Triangle Expressway Turnpike Project.

Transition Study and Reporting Requirements

Section 6.1 requires DOT to submit reports to the General Assembly on its recommended formulas for ranking projects in the new Strategic Prioritization Plan on August 15, 2013, October 1, 2013, and January 1, 2014.

Section 6.2 requires DOT to submit reports to the General Assembly on its transition to the new Strategic Prioritization Plan on March 1, 2014, and November 1, 2014.

EFFECTIVE DATE:

Section 7.1 provides that the bill generally becomes effective July 1, 2013, except for those sections noted above. The bill is effective only if the General Assembly appropriates funds in the Current Operations Appropriations Act of 2013 to implement the bill.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H 7

HOUSE BILL 817

Committee Substitute Favorable 5/1/13
Committee Substitute #2 Favorable 5/2/13
Committee Substitute #3 Favorable 5/8/13
Fifth Edition Engrossed 5/8/13
Senate Transportation Committee Substitute Adopted 5/22/13
Senate Finance Committee Substitute Adopted 6/6/13

Short Title: Strategic Transportation Investments. (Public)

Sponsors:

Referred to:

April 11, 2013

A BILL TO BE ENTITLED

AN ACT TO STRENGTHEN THE ECONOMY THROUGH STRATEGIC TRANSPORTATION INVESTMENTS.

The General Assembly of North Carolina enacts:

STRATEGIC TRANSPORTATION INVESTMENTS

SECTION 1.1.(a) Chapter 136 of the General Statutes is amended by adding a new Article to read:

"Article 14B.

"Strategic Prioritization Funding Plan for Transportation Investments.

"**§ 136-189.10. Definitions.**

The following definitions apply in this Article:

(1) Statewide strategic mobility projects. – Includes only the following:

a. Interstate highways and future interstate highways approved by the federal government.

b. Routes on the National Highway System as of July 1, 2012, excluding intermodal connectors.

c. Highway routes on the United States Department of Defense Strategic Highway Network (STRAHNET).

d. Highway toll routes designated by State law or by the Department of Transportation, pursuant to its authority under State law.

e. Highway projects listed in G.S. 136-179, as it existed on July 1, 2012, that are not authorized for construction as of July 1, 2015.

f. Appalachian Development Highway System.

g. Commercial service airports included in the Federal Aviation Administration's National Plan of Integrated Airport Systems (NPIAS) that provide international passenger service or 375,000 or more enplanements annually, provided that the State's annual financial participation in any single airport project included in this subdivision may not exceed five hundred thousand dollars ($500,000).

h. Freight capacity and safety improvements to Class I freight rail corridors.

(2) Regional impact projects. – Includes only the following:

a. Projects listed in subdivision (1) of this section, subject to the limitations noted in that subdivision.

b. U.S. highway routes not included in subdivision (1) of this section.

c. N.C. highway routes not included in subdivision (1) of this section.

d. Commercial service airports included in the NPIAS that are not included in subdivision (1) of this section, provided that the State's annual financial participation in any single airport project included in this subdivision may not exceed three hundred thousand dollars ($300,000).

e. The State-maintained ferry system, excluding passenger vessel replacement.

f. Freight capacity and safety improvements to rail corridors spanning two or more counties and not included in subdivision (1) of this section.

(3) Division needs projects. – Includes only the following:

a. Projects listed in subdivision (1) or (2) of this section, subject to the limitations noted in those subsections.

b. State highway routes not included in subdivision (1) or (2) of this section.

c. Airports included in the NPIAS that are not included in subdivision (1) or (2) of this section, provided that the State's total annual financial participation under this sub-subdivision shall not exceed eighteen million five hundred thousand dollars ($18,500,000).

d. Freight capacity and safety improvements to rail corridors not included in subdivision (1) or (2) of this section.

e. Public transportation service improvements, facilities, and equipment, including intercity rail, commuter rail, light rail, multimodal terminals and stations used for passenger transit.

f. Federally funded independent bicycle and pedestrian improvements.

g. Replacement of State-maintained ferry vessels.

h. Federally funded municipal road projects.

(4) Distribution Regions. – The following Distribution Regions apply to this Article:

a. Distribution Region A consists of the following counties: Bertie, Camden, Chowan, Currituck, Dare, Edgecombe, Gates, Halifax, Hertford, Hyde, Johnston, Martin, Nash, Northampton, Pasquotank, Perquimans, Tyrrell, Washington, Wayne, and Wilson.

b. Distribution Region B consists of the following counties: Beaufort, Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Pitt, and Sampson.

c. Distribution Region C consists of the following counties: Bladen, Columbus, Cumberland, Durham, Franklin, Granville, Harnett, Person, Robeson, Vance, Wake, and Warren.

d. Distribution Region D consists of the following counties: Alamance, Caswell, Davidson, Davie, Forsyth, Guilford, Orange, Rockingham, Rowan, and Stokes.

e. Distribution Region E consists of the following counties: Anson, Cabarrus, Chatham, Hoke, Lee, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Scotland, Stanly, and Union.

f. Distribution Region F consists of the following counties: Alexander, Alleghany, Ashe, Avery, Caldwell, Catawba, Cleveland, Gaston, Iredell, Lincoln, Surry, Watauga, Wilkes, and Yadkin.

g. Distribution Region G consists of the following counties: Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, and Yancey.

"**§ 136-189.11. Transportation Investment Strategy Formula.**

(a) Funds Subject to Formula. – The following sources of funds are subject to this section:

(1) Highway Trust Fund funds, in accordance with G.S. 136-176.

(2) Federal aid funds.

(b) Funds Excluded From Formula. – The following funds are not subject to this section:

(1) Federal congestion mitigation and air quality improvement program funds appropriated to the State by the United States pursuant to 23 U.S.C. § 104(b)(2) and 23 U.S.C. § 149.

(2) Funds received through competitive awards or discretionary grants through federal appropriations either for local governments, transportation authorities, transit authorities, or the Department.

(3) Funds received from the federal government that under federal law may only be used for Appalachian Development Highway System projects.

(4) Funds used in repayment of "GARVEE" bonds related to Phase I of the Yadkin River Veterans Memorial Bridge project.

(5) Funds committed to gap funding for toll roads funded with bonds issued pursuant to G.S. 136-176.

(6) Funds obligated for projects in the State Transportation Improvement Program that are scheduled for construction as of April 1, 2013, in State fiscal year 2012-2013, 2013-2014, or 2014-2015.

(7) Toll collections from a turnpike project under Article 6H of this Chapter and other revenue from the sale of the Authority's bonds or notes or project loans, in accordance with G.S. 136-89.192.

(8) Toll collections from the State-maintained ferry system collected under the authority of G.S. 136-82.

(b1) Funds Excluded From Regional Impact Project Category. – Federal Surface Transportation Program-Direct Attributable funds expended on eligible projects in the Regional Impact Project category are excluded from that category.

(c) Funds With Alternate Criteria. – The following federal program activities shall be included in the applicable category of the Transportation Investment Strategy Formula set forth in subsection (d) of this section but shall not be subject to the prioritization criteria set forth in that subsection:

(1) Bridge replacement.

(2) Interstate maintenance.

(3) Highway safety improvement.

(d) Transportation Investment Strategy Formula. – Funds subject to the Formula shall be distributed as follows:

(1) Statewide Strategic Mobility Projects. – Forty percent (40%) of the funds subject to this section shall be used for Statewide Strategic Mobility Projects.

a. Criteria. – Transportation-related quantitative criteria shall be used by the Department to rank highway projects that address cost-effective Statewide Strategic Mobility needs and promote economic and employment growth. The criteria for selection of Statewide Strategic Mobility Projects shall utilize a numeric scale of 100 points, based on consideration of the following quantitative criteria:

1. Benefit cost.
2. Congestion.
3. Safety.
4. Economic competitiveness.
5. Freight.
6. Multimodal.
7. Pavement condition.
8. Lane width.
9. Shoulder width.

b. Project cap. – No more than ten percent (10%) of the funds projected to be allocated to the Statewide Strategic Mobility category over any five-year period may be assigned to any contiguous project or group of projects in the same corridor within a Highway Division or within adjoining Highway Divisions.

(2) Regional Impact Projects. – Thirty percent (30%) of the funds subject to this section shall be used for Regional Impact Projects and allocated by population of Distribution Regions based on the most recent estimates certified by the Office of State Budget and Management.

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Regional Impact Projects involving highways that address cost-effective needs from a region-wide perspective and promote economic growth. Local input is defined as the rankings identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. The criteria utilized for selection of Regional Impact Projects shall be based thirty percent (30%) on local input and seventy percent (70%) on consideration of a numeric scale of 100 points based on the following quantitative criteria:

1. Benefit cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.
9. Accessibility and connectivity to employment centers, tourist destinations, or military installations.

(3) Division Need Projects. – Thirty percent (30%) of the funds subject to this section shall be allocated in equal share to each of the Department divisions, as defined in G.S. 136-14.1, and used for Division Need Projects.

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Division Need Projects involving highways that address cost-effective needs from a Division-wide perspective, provide access, and address safety-related needs of local communities. Local input is defined as the rankings identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. The criteria utilized for selection of Division Need Projects shall be based fifty percent (50%) on local input and fifty percent (50%) on consideration of a numeric scale of 100 points based on the following quantitative criteria, except as provided in sub-subdivision b. of this subdivision:

1. Benefit cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.
9. Accessibility and connectivity to employment centers, tourist destinations, or military installations.

b. Alternate criteria. – Funding from the following programs shall be included in the computation of each of the Department division equal shares but shall be subject to alternate quantitative criteria:

1. Federal Surface Transportation Program-Direct Attributable funds expended on eligible projects in the Division Need Projects category.
2. Federal Transportation Alternatives funds appropriated to the State.
3. Federal Railway-Highway Crossings Program funds appropriated to the State.
4. Projects requested from the Department in support of a time-critical job creation opportunity, when the opportunity would be classified as transformational under the Job Development Investment Grant program established pursuant to G.S. 143B-437.52, provided that the total State investment in each fiscal year for all projects funded under this sub-subdivision shall not exceed ten million dollars ($10,000,000) in the aggregate or two million dollars ($2,000,000) per project.
5. Federal funds for municipal road projects.

c. Bicycle and pedestrian limitation. – The Department shall not provide financial support for independent bicycle and pedestrian improvement projects, except for federal funds administered by the Department for that purpose. This sub-subdivision shall not apply to funds allocated to a municipality pursuant to G.S. 136-41.1 that are

committed by the municipality as matching funds for federal funds administered by the Department and used for bicycle and pedestrian improvement projects. This limitation shall not apply to projects for which funds have been obligated on or before October 1, 2013, for construction in State fiscal years 2012-2013, 2013-2014, or 2014-2015.

(4) Criteria for nonhighway projects. – Nonhighway projects subject to this subsection shall be evaluated through a separate prioritization process established by the Department that complies with all of the following:

a. The criteria used for selection of projects for a particular transportation mode shall be based on a minimum of four quantitative criteria.

b. Local input shall include rankings of projects identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations.

c. The criteria shall be based on a scale not to exceed 100 points that includes no bonus points or other alterations favoring any particular mode of transportation.

(e) Authorized Formula Variance. – The Department may vary from the Formula set forth in this section if it complies with the following:

(1) Limitation on variance. – The Department, in obligating funds in accordance with this section, shall ensure that the percentage amount obligated to Statewide Strategic Mobility Projects, Regional Impact Projects, and Division Need Projects does not vary by more than five percent (5%) over any five-year period from the percentage required to be allocated to each of those categories by this section. Funds obligated among distribution regions or divisions pursuant to this section may vary up to ten percent (10%) over any five-year period.

(2) Calculation of variance. – Each year the Secretary shall calculate the amount of Regional Impact and Division Need funds allocated in that year to each division and region, the amount of funds obligated, and the amount the obligations exceeded or were below the allocation. In the first variance calculation under this subdivision following the end of fiscal year 2015-2016, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous year. In the first variance calculation under this subdivision following the end of fiscal year 2016-2017, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous two fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2017-2018, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous three fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2018-2019, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous four fiscal years. The new target amounts shall be used to fulfill the requirements of subdivision (1) of this subsection for the next update of the Transportation Improvement

Program. The adjustment to the target amount shall be allocated by Distribution Region or Division, as applicable.

(f) Incentives for Local Funding and Highway Tolling. – The Department may revise highway project selection ratings based on local government funding initiatives and capital construction funding directly attributable to highway toll revenue. 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.

(1) Definitions. – The following definitions apply in this subsection:

a. Bonus allocation. – The allocation obtained as a result of local government funding participation or highway tolling.

b. Local funding participation. – Non-State or nonfederal funds committed by local officials to leverage the commitment of State or federal transportation funds towards construction.

(2) Funds obtained from local government funding participation. – Upon authorization to construct a project with funds obtained by local government funding participation, the Department shall make available for allocation as set forth in subdivision (4) of this section an amount equal to one-half of the local funding commitment for other eligible highway projects that serve the local entity or entities that provided the local funding.

(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.

(4) Use of bonus allocation. – The Metropolitan Planning Organization, Rural Transportation Planning Organization, or the local government may choose to apply its bonus allocation in one of the three categories or in a combination of the three categories as provided in this subdivision.

a. Statewide Strategic Mobility Projects category. – The bonus allocation shall apply over the five-year period in the State Transportation Improvement Program in the cycle following the contractual obligation.

b. Regional Impact Projects category. – The bonus allocation is capped at ten percent (10%) of the regional allocation, or allocation to multiple regions, made over a five-year period and shall be applied

over the five-year period in the State Transportation Improvement Program in the cycle following the contractual obligation.

c. Division Needs Projects category. – The bonus allocation is capped at ten percent (10%) of the division allocation, or allocation to multiple divisions, made over a five-year period and shall be applied over the five-year period in the State Transportation Improvement Program in the cycle following the contractual obligation.

(g) Reporting. – The Department shall publish on its Web site, in a link to the "Strategic Transportation Investments" Web site linked directly from the Department's home page, the following information in an accessible format as promptly as possible:

(1) The quantitative criteria used in each highway and nonhighway project scoring, including the methodology used to define each criteria, the criteria presented to the Board of Transportation for approval, and any adjustments made to finalize the criteria.

(2) The quantitative and qualitative criteria in each highway or nonhighway project scoring that is used in each region or division to finalize the local input score and shall include distinctions between Metropolitan Planning Organization and Rural Transportation Planning Organization scoring and methodologies.

(3) Notification of changes to the methodologies used to calculate quantitative criteria.

(4) The final quantitative formulas, including the number of points assigned to each criteria, used in each highway and nonhighway project scoring used to obtain project rankings in the Statewide, Regional, and Division categories. If the Department approves different formulas or point assignments regionally or by division, the final scoring for each area shall be noted.

(5) The project scorings associated with the release of the draft and final State Transportation Improvement Program."

SECTION 1.1.(b) Effective July 1, 2019, G.S. 136-189.11(e)(2), as enacted by subsection (a) of this section, reads as rewritten:

"(e) Authorized Formula Variance. – The Department may vary from the Formula set forth in this section if it complies with the following:

...

(2) Calculation of Variance. – Each year, the Secretary shall calculate the amount of Regional Impact and Division Need funds allocated in that year to each ~~division,~~division and region, the amount of funds obligated, and the amount the obligations exceeded or were below the allocation. ~~In the first variance calculation under this subdivision following the end of fiscal year 2015-16, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous year. In the first variance calculation under this subdivision following the end of fiscal year 2016-17, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous two fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2017-18, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous three fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2018-19, the~~ The target amounts obtained according to the Formula set

forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous ~~four~~ five fiscal years. The new target amounts shall be used to fulfill the requirements of subdivision (1) of this subsection for the next update of the Transportation Improvement Program. The adjustment to the target amount shall be allocated by Distribution Region or Division, as applicable."

SECTION 1.2. Strategic Prioritization Process Reporting. – The Department shall issue a draft revision to the State Transportation Improvement Program required by G.S. 143B-350(f)(4) no later than January 1, 2015. The Board of Transportation shall approve the revised State Transportation Improvement Program no later than July 1, 2015.

SECONDARY ROADS CHANGES

SECTION 2.1. G.S. 20-85 reads as rewritten:

"**§ 20-85. Schedule of fees.**

...

(a1) One dollar ($1.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. The Division shall use the fees derived from transactions with the Division for technology improvements. The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environment and Natural Resources. ~~An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited as follows:~~

~~(1) The first four hundred thousand dollars ($400,000) collected shall be credited to the Reserve for Visitor Centers in the Highway Fund.~~

~~(2) Any additional funds collected shall be credited to the Highway Trust Fund and, notwithstanding G.S. 136-176(b), shall be allocated and used for urban loop projects.~~

(a2) From the fees collected under subdivisions (a)(1) through (a)(9) of this section, the Department shall annually credit the sum of four hundred thousand dollars ($400,000) to the Reserve for Visitor Centers in the Highway Fund.

(b) Except as otherwise provided in ~~subsection (a1)~~subsections (a1) and (a2) of this section, the fees collected under subdivisions (a)(1) through (a)(9) of this section shall be credited to the North Carolina Highway Trust Fund. The fees collected under subdivision (a)(10) of this section shall be credited to the Highway Fund. ~~Fifteen dollars ($15.00) of each title fee credited to the Trust Fund under subdivision (a)(1) shall be added to the amount allocated for secondary roads under G.S. 136-176 and used in accordance with G.S. 136-44.5.~~

...."

SECTION 2.2.(a) G.S. 136-44.2 reads as rewritten:

"**§ 136-44.2. Budget and appropriations.**

(a) The Director of the Budget shall include in the "Current Operations Appropriations Act" an enumeration of the purposes or objects of the proposed expenditures for each of the ~~construction and maintenance~~construction, maintenance, and improvement programs for that budget period for the State primary, secondary, State parks road systems, and other transportation systems. The State primary system shall include all portions of the State highway system located both inside and outside municipal corporate limits that are designated by N.C., U.S. or Interstate numbers. The State secondary system shall include all of the State highway system located both inside and outside municipal corporate limits that is not a part of the State primary system. The State parks system shall include all State parks roads and parking lots that

are not also part of the State highway system. The transportation systems shall also include State-maintained, nonhighway modes of ~~transportation as well.~~transportation.

(b) All ~~construction and maintenance~~ construction, maintenance, and improvement programs for which appropriations are requested shall be enumerated separately in the budget. Programs that are entirely State funded shall be listed separately from those programs involving the use of federal-aid funds. Proposed appropriations of State matching funds for each of the federal-aid construction programs shall be enumerated separately as well as the federal-aid funds anticipated for each program in order that the total construction requirements for each program may be provided for in the budget. Also, proposed State matching funds for the highway planning and research program shall be included separately along with the anticipated federal-aid funds for that purpose.

(c) Other program categories for which appropriations are requested, such as, but not limited to, maintenance, channelization and traffic control, bridge maintenance, public service and access road construction, transportation projects and systems, and ferry operations shall be enumerated in the budget.

(d) The Department of Transportation shall have all powers necessary to comply fully with provisions of present and future federal-aid acts. For purposes of this section, "federally eligible construction project" means any construction project except secondary road projects developed pursuant to G.S. 136-44.7 and 136-44.8 eligible for federal funds under any federal-aid act, whether or not federal funds are actually available.

(e) The "Current Operations Appropriations Act" shall also contain the proposed appropriations of State funds for use in each county for ~~maintenance and construction~~construction, maintenance, and improvement of secondary roads, to be allocated in accordance with G.S. 136-44.5 and 136-44.6. State funds appropriated for secondary roads shall not be transferred nor used except for the ~~construction and maintenance~~construction, maintenance, and improvement of secondary roads in the county for which they are allocated pursuant to G.S. 136-44.5 and 136-44.6.

...."

SECTION 2.2.(b) Effective July 1, 2014, G.S. 136-44.2, as rewritten by subsection (a) of this section, reads as rewritten:

"**§ 136-44.2. Budget and appropriations.**

(a) The Director of the Budget shall include in the "Current Operations Appropriations Act" an enumeration of the purposes or objects of the proposed expenditures for each of the ~~construction, maintenance,~~ maintenance and improvement programs for that budget period for the State primary, secondary, State parks road systems, and other transportation systems. The State primary system shall include all portions of the State highway system located both inside and outside municipal corporate limits that are designated by N.C., U.S. or Interstate numbers. The State secondary system shall include all of the State highway system located both inside and outside municipal corporate limits that is not a part of the State primary system. The State parks system shall include all State parks roads and parking lots that are not also part of the State highway system. The transportation systems shall also include State-maintained, nonhighway modes of transportation.

(b) All ~~construction, maintenance,~~maintenance and improvement programs for which appropriations are requested shall be enumerated separately in the budget. Programs that are entirely State funded shall be listed separately from those programs involving the use of federal-aid funds. ~~Proposed appropriations of State matching funds for each of the federal-aid construction programs shall be enumerated separately as well as the federal-aid funds anticipated for each program in order that the total construction requirements for each program may be provided for in the budget. Also, proposed~~ Proposed State matching funds for the highway planning and research program shall be included separately along with the anticipated federal-aid funds for that purpose.

(c) Other program categories for which appropriations are requested, such as, but not limited to, maintenance, channelization and traffic control, bridge maintenance, public service and access road construction, transportation projects and systems, and ferry operations shall be enumerated in the budget.

(d) The Department of Transportation shall have all powers necessary to comply fully with provisions of present and future federal-aid acts. For purposes of this section, "federally eligible construction project" means any construction project except secondary road projects developed pursuant to ~~G.S. 136-44.7 and 136-44.8~~G.S. 136-44.8 eligible for federal funds under any federal-aid act, whether or not federal funds are actually available.

(e) The "Current Operations Appropriations Act" shall also contain the proposed appropriations of State funds for use in each county for ~~construction, maintenance,~~ maintenance and improvement of secondary roads, to be allocated in accordance with ~~G.S. 136-44.5 and 136-44.6.~~G.S. 136-44.6. State funds appropriated for secondary roads shall not be transferred nor used except for the ~~construction, maintenance,~~ maintenance and improvement of secondary roads in the county for which they are allocated pursuant to ~~G.S. 136-44.5 and 136-44.6.~~G.S. 136-44.6.

...

(g) The Department of Transportation may provide for costs incurred or accrued for traffic control measures to be taken by the Department at major events which involve a high degree of traffic concentration on State highways, and which cannot be funded from regular budgeted items. This authorization applies only to events which are expected to generate 30,000 vehicles or more per day. The Department of Transportation shall provide for this funding by allocating and reserving up to one hundred thousand dollars ($100,000) before any other allocations from the appropriations for State maintenance for ~~primary, secondary, and urban~~primary and secondary road systems are made, based upon the same proportion as is appropriated to each system."

SECTION 2.3.(a) G.S. 136-44.2A reads as rewritten:

"**§ 136-44.2A. Secondary road ~~improvement~~ construction program.**

There shall be annually allocated from the Highway Fund to the Department of Transportation for secondary road ~~improvement~~ construction programs developed pursuant to G.S. ~~136-44.7 and~~ 136-44.8, a sum provided by law. ~~equal to that allocation made from the Highway Fund under G.S. 136-41.1(a). In addition, as provided in G.S. 136-176(b)(4) and G.S. 20-85(b), revenue is annually allocated from the Highway Trust Fund for secondary road construction. Of the funds allocated from the Highway Fund, the sum of sixty-eight million six hundred seventy thousand dollars ($68,670,000) shall be allocated among the counties in accordance with G.S. 136-44.5(b). All funds allocated from the Highway Fund for secondary road improvements in excess of that amount shall be allocated among the counties in accordance with G.S. 136-44.5(c). All funds allocated from the Highway Trust Fund for secondary road improvement programs shall be allocated in accordance with G.S. 136-182.~~"

SECTION 2.3.(b) Effective July 1, 2014, G.S. 136-44.2A is repealed.

SECTION 2.4. G.S. 136-44.2C is repealed.

SECTION 2.5. Article 2A of Chapter 136 is amended by adding a new section to read:

"**§ 136-44.2D. Secondary unpaved road paving program.**

(a) The Department of Transportation shall expend funds allocated to the paving of unpaved secondary roads for the paving of unpaved secondary roads based on a statewide prioritization. The Department shall pave the eligible unpaved secondary roads that receive the highest priority ranking within this statewide prioritization. Nothing in this subsection shall be interpreted to require the Department to pave any unpaved secondary roads that do not meet secondary road system addition standards as set forth in G.S. 136-44.10 and G.S. 136-102.6. The Highway Trust Fund shall not be used to fund the paving of unpaved secondary roads."

SECTION 2.6.(a) G.S. 136-44.5 reads as rewritten:

"**§ 136-44.5. Secondary roads; mileage study; allocation of funds.**

(a) Before July 1, in each calendar year, the Department of Transportation shall make a study of all State-maintained unpaved and paved secondary roads in the State. The study shall determine:

(1) The number of miles of unpaved State-maintained roads in each county eligible for paving and the total number of miles that are ineligible;

(2) The total number of miles of unpaved State-maintained roads in the State eligible for paving and the total number of miles that are ineligible; and

(3) The total number of paved State-maintained roads in each county, and the total number of miles of paved State-maintained roads in the State.

In this subsection, (i) ineligible unpaved mileage is defined as the number of miles of unpaved roads that have unavailable rights-of-way or for which environmental permits cannot be approved to allow for paving, and (ii) eligible unpaved mileage is defined as the number of miles of unpaved roads that have not been previously approved for paving by any funding source or has the potential to be programmed for paving when rights-of-way or environmental permits are secured. Except for federal-aid programs, the Department shall allocate all secondary road improvement funds on the basis of a formula using the study figures.

(b) ~~The first sixty-eight million six hundred seventy thousand dollars ($68,670,000) shall be allocated as follows: Each county shall receive a percentage of these funds, the percentage to be determined as a factor of the number of miles of paved and unpaved State-maintained secondary roads in the county divided by the total number of miles of paved and unpaved State-maintained secondary roads in the State, excluding those unpaved secondary roads that have been determined to be eligible for paving as defined in subsection (a) of this section. Beginning in fiscal year 2010-2011, allocations pursuant to this subsection shall be~~ The amounts appropriated by law for secondary road construction, excluding unpaved secondary road funds, shall be allocated among counties based on the total number of secondary miles in a county in proportion to the total State-maintained secondary road mileage.

~~(c) Funds allocated for secondary road construction in excess of sixty-eight million six hundred seventy thousand dollars ($68,670,000) shall be allocated to each county based on the percentage proportion that the number of miles in the county of State-maintained unpaved secondary roads bears to the total number of miles in the State of State-maintained unpaved secondary roads. In a county that has roads with eligible miles, these funds shall only be used for paving unpaved secondary road miles in that county. In a county where there are no roads eligible to be paved as defined in subsection (a) of this section, the funds may be used for improvements on the paved and unpaved secondary roads in that county. Beginning in fiscal year 2010-2011, allocations pursuant to this subsection shall be based on the total number of secondary miles in a county in proportion to the total State-maintained secondary road mileage.~~

~~(d) Copies of the Department study of unpaved and paved State-maintained secondary roads and copies of the individual county allocations shall be made available to newspapers having general circulation in each county.~~"

SECTION 2.6.(b) Effective July 1, 2014, G.S. 136-44.5 is repealed.

SECTION 2.6.(c) G.S. 136-44.6 reads as rewritten:

"**§ 136-44.6. Uniformly applicable formula for the allocation of secondary roads maintenance and improvement funds.**

The Department of Transportation shall develop a uniformly applicable formula for the allocation of secondary roads maintenance and improvement funds for use in each county. The formula shall take into consideration the number of paved and unpaved miles of state-maintained secondary roads in each county and such other factors as experience may dictate. This section shall not apply to projects to pave unpaved roads under G.S. 136-44.2D."

SECTION 2.6.(d) Secondary Road Funding. – The sum of fifteen million dollars ($15,000,000) in nonrecurring funds for the 2013-2014 fiscal year is allocated from the Highway Fund for the secondary road construction program under G.S. 136-44.2A, as enacted by Section 2.3 of this act, and the sum of twelve million dollars ($12,000,000) in recurring funds for the 2013-2014 fiscal year is allocated from the Highway Fund for the paving of unpaved roads pursuant to G.S. 136-44.2D, as enacted by Section 2.5 of this act.

SECTION 2.7. G.S. 136-44.7 reads as rewritten:

"**§ 136-44.7. Secondary roads; ~~annual work program.~~right-of-way acquisition.**

~~(a) The Department of Transportation shall be responsible for developing criteria for improvements and maintenance of secondary roads. The criteria shall be adopted by the Board of Transportation before it shall become effective. The Department of Transportation shall be responsible for developing annual work programs for both construction and maintenance of secondary roads in each county in accordance with criteria developed. It shall reflect the long-range and immediate goals of the Department of Transportation. Projects on the annual construction program for each county shall be rated according to their priority based upon the secondary road criteria and standards which shall be uniform throughout the State. Tentative construction projects and estimated funding shall also be listed in accordance to priority. The annual construction program shall be adopted by the Board of Transportation before it shall become effective.~~

~~(b) When a secondary road in a county is listed in the first 10 secondary roads to be paved during a year on a priority list issued by the Department of Transportation under this section, the secondary road cannot be removed from the top 10 of that list or any subsequent list until it is paved. All secondary roads in a county shall be paved, insofar as possible, in the priority order of the list. When a secondary road in the top 10 of that list is removed from the list because it has been paved, the next secondary road on the priority list shall be moved up to the top 10 of that list and shall remain there until it is paved.~~

(c) When it is necessary for the Department of Transportation to acquire a right-of-way ~~in accordance with (a) and (b) of this section~~ in order to pave a secondary road or undertake a maintenance project, the Department shall negotiate the acquisition of the right-of-way for a period of up to six months. At the end of that period, if one or more property owners have not dedicated the necessary right-of-way and at least seventy-five percent (75%) of the property owners adjacent to the project and the owners of the majority of the road frontage adjacent to the project have dedicated the necessary property for the right-of-way and have provided funds required by Department rule to the Department to cover the costs of condemning the remaining property, the Department shall initiate condemnation proceedings pursuant to Article 9 of this Chapter to acquire the remaining property necessary for the project.

(d) The Division Engineer is authorized to reduce the width of a right-of-way to less than 60 feet to pave an unpaved secondary road with the allocated funds, provided that in all circumstances the safety of the public is not compromised and the minimum accepted design practice is satisfied."

SECTION 2.8.(a) G.S. 136-44.8 reads as rewritten:

"**§ 136-44.8. Submission of secondary roads construction and unpaved roads paving programs to the Boards of County Commissioners.**

~~(a) The Department of Transportation shall post in the county courthouse a county map showing tentative secondary road paving projects rated according to the priority of each project in accordance with the criteria and standards adopted by the Board of Transportation. The map shall be posted at least two weeks prior to the public meeting of the county commissioners at which the Department of Transportation representatives are to meet and discuss the proposed secondary road construction program for the county as provided in subsection (c).~~

(a1) Representatives of the Department of Transportation shall provide to the board of county commissioners in each county the proposed secondary road construction program and,

if applicable to that county, a list of roads proposed for the annual paving program approved by the Board of Transportation. If a paving priority list is presented, it shall include the priority rating of each secondary road paving project included in the proposed paving program according to the criteria and standards adopted by the Board of Transportation.

~~(b) The Department of Transportation shall provide a notice to the public of the public meeting of the board of county commissioners at which the annual secondary road construction program for the county proposed by the Department is to be presented to the board and other citizens of the county as provided in subsection (c). The notice shall be published in a newspaper published in the county or having a general circulation in the county once a week for two succeeding weeks prior to the meeting. The notice shall also advise that a county map is posted in the courthouse showing tentative secondary road paving projects rated according to the priority of each project.~~

~~(c) Representatives of the Department of Transportation shall meet with the board of county commissioners at a regular or special public meeting of the board of county commissioners for each county and present to and discuss with the board of county commissioners and other citizens present, the proposed secondary road construction program for the county. The presentation and discussion shall specifically include the priority rating of each tentative secondary road paving project included in the proposed construction program, according to the criteria and standards adopted by the Board of Transportation.~~

~~At the same meeting after the presentation and discussion of the annual secondary road construction program for the county or at a later meeting, the board of county commissioners may (i) concur in the construction program as proposed, or (ii) take no action, or (iii) make recommendations for deviations in the proposed construction program, except as to paving projects and the priority of paving projects for which the board in order to make recommendations for deviations, must vote to consider the matter at a later public meeting as provided in subsection (d).~~

~~(d) The board of county commissioners may recommend deviations in the paving projects and the priority of paving projects included in the proposed secondary road construction program only at a public meeting after notice to the public that the board will consider making recommendations for deviations in paving projects and the priority of paving projects included in the proposed annual secondary road construction program. Notice of the public meeting shall be published by the board of county commissioners in a newspaper published in the county or having a general circulation in the county. After discussion by the members of the board of county commissioners and comments and information presented by other citizens of the county, the board of county commissioners may recommend deviations in the paving projects and in the paving priority of secondary road projects included in the proposed secondary road construction program. Any recommendation made by the board of county commissioners for a deviation in the paving projects or in the priority for paving projects in the proposed secondary road construction program shall state the specific reason for each such deviation recommended.~~

(e) The Board of Transportation shall adopt the annual secondary construction program for each county after having given the board of county commissioners of each county an opportunity to review the proposed construction program and to make recommendations as provided in this section. The Board of Transportation shall consider such recommendations insofar as they are compatible with its general plans, standards, criteria and available funds, but having due regard to development plans of the county and to the maintenance and improvement needs of all existing roads in the county. ~~However, no consideration shall be given to any recommendation by the board of county commissioners for a deviation in the paving projects or in the priority for paving secondary road projects in the proposed construction program that is not made in accordance with subsection (d).~~

(f) The secondary road construction ~~program~~ and unpaved roads paving programs adopted by the Board of Transportation shall be followed by the Department of Transportation unless changes are approved by the Board of Transportation and notice of any changes is given to the board of county commissioners. ~~The Department of Transportation shall post a copy of the adopted program, including a map showing the secondary road paving projects rated according to the approved priority of each project, at the courthouse, within 10 days of its adoption by the Board of Transportation. The board of county commissioners may petition the Board of Transportation for review of any changes to which it does not consent and the determination of the Board of Transportation shall be final.~~ Upon request, the most recent secondary road construction and unpaved roads paving programs adopted shall be submitted to any member of the General Assembly. The Department of Transportation shall make the annual construction program for each county available to the newspapers having a general circulation in the county."

SECTION 2.8.(b) Effective July 1, 2014, G.S. 136-44.8, as rewritten by subsection (a) of this section, reads as rewritten:

"**§ 136-44.8. Submission of unpaved secondary roads ~~construction and unpaved roads~~ paving programs to the Boards of County Commissioners.**

(a1) ~~Representatives~~ In each county having unpaved roads programmed for paving, representatives of the Department of Transportation shall annually provide to the board of county commissioners in ~~each county~~those counties ~~the proposed secondary road construction program and, if applicable to that county,~~ a list of roads proposed for the annual paving program approved by the Board of Transportation. ~~If a~~The paving priority list ~~is presented, it~~ shall include the priority rating of each secondary road paving project included in the proposed paving program according to the criteria and standards adopted by the Board of Transportation.

...

~~(e) The Board of Transportation shall adopt the annual secondary construction program for each county after having given the board of county commissioners of each county an opportunity to review the proposed construction program and to make recommendations as provided in this section. The Board of Transportation shall consider such recommendations insofar as they are compatible with its general plans, standards, criteria and available funds, but having due regard to development plans of the county and to the maintenance and improvement needs of all existing roads in the county.~~

(f) The ~~secondary road construction and~~ unpaved secondary roads paving programs adopted by the Board of Transportation shall be followed by the Department of Transportation unless changes are approved by the Board of Transportation and notice of any changes is given to the board of county commissioners. Upon request, the most recent unpaved secondary ~~road construction and unpaved~~ roads paving programs adopted shall be submitted to any member of the General Assembly. The Department of Transportation shall make the annual construction program for each affected county available to the newspapers having a general circulation in the county."

SECTION 2.9. G.S. 136-182 is repealed.

STATE AID TO MUNICIPALITIES/POWELL BILL CHANGES

SECTION 3.1. G.S. 136-41.1 reads as rewritten:

"**§ 136-41.1. Appropriation to municipalities; allocation of funds generally; allocation to Butner.**

(a) There is annually appropriated out of the State Highway Fund a sum equal to ten and four-tenths percent (10.4%) of the net amount after refunds that was produced during the fiscal year by ~~a one and three fourths cents (1 3/4¢) tax on each gallon of motor fuel taxed~~ the tax imposed under Article 36C of Chapter 105 of the General Statutes and on the equivalent amount of alternative fuel taxed under Article 36D of that Chapter. One-half of the amount

appropriated shall be allocated in cash on or before October 1 of each year to the cities and towns of the State in accordance with this section. The second one-half of the amount appropriated shall be allocated in cash on or before January 1 of each year to the cities and towns of the State in accordance with this section. ~~In addition, as provided in G.S. 136-176(b)(3), revenue is allocated and appropriated from the Highway Trust Fund to the cities and towns of this State to be used for the same purposes and distributed in the same manner as the revenue appropriated to them under this section from the Highway Fund. Like the appropriation from the Highway Fund, the appropriation from the Highway Trust Fund shall be based on revenue collected during the fiscal year preceding the date the distribution is made.~~

Seventy-five percent (75%) of the funds appropriated for cities and towns shall be distributed among the several eligible municipalities of the State in the percentage proportion that the population of each eligible municipality bears to the total population of all eligible municipalities according to the most recent annual estimates of population as certified to the Secretary of Revenue by the State Budget Officer. This annual estimation of population shall include increases in the population within the municipalities caused by annexations accomplished through July 1 of the calendar year in which these funds are distributed. Twenty-five percent (25%) of said fund shall be distributed among the several eligible municipalities of the State in the percentage proportion that the mileage of public streets in each eligible municipality which does not form a part of the State highway system bears to the total mileage of the public streets in all eligible municipalities which do not constitute a part of the State highway system.

It shall be the duty of the mayor of each municipality to report to the Department of Transportation such information as it may request for its guidance in determining the eligibility of each municipality to receive funds under this section and in determining the amount of allocation to which each is entitled. Upon failure of any municipality to make such report within the time prescribed by the Department of Transportation, the Department of Transportation may disregard such defaulting unit in making said allotment.

The funds to be allocated under this section shall be paid in cash to the various eligible municipalities on or before October 1 and January 1 of each ~~year.~~year as provided in this section. Provided that eligible municipalities are authorized within the discretion of their governing bodies to enter into contracts for the purpose of maintenance, repair, construction, reconstruction, widening, or improving streets of such municipalities at any time after January 1 of any calendar year in total amounts not to exceed ninety percent (90%) of the amount received by such municipality during the preceding fiscal year, in anticipation of the receipt of funds under this section during the next fiscal year, to be paid for out of such funds when received.

The Department of Transportation may withhold each year an amount not to exceed one percent (1%) of the total amount appropriated for distribution under this section for the purpose of correcting errors in allocations: Provided, that the amount so withheld and not used for correcting errors will be carried over and added to the amount to be allocated for the following year.

The word "street" as used in this section is hereby defined as any public road maintained by a municipality and open to use by the general public, and having an average width of not less than 16 feet. In order to obtain the necessary information to distribute the funds herein allocated, the Department of Transportation may require that each municipality eligible to receive funds under this section submit to it a statement, certified by a registered engineer or surveyor of the total number of miles of streets in such municipality. The Department of Transportation may in its discretion require the certification of mileage on a biennial basis.

...."

SECTION 3.2. G.S. 136-181 is repealed.

SECTION 3.3. G.S. 136-41.3 reads as rewritten:

"**§ 136-41.3. Use of funds; records and annual statement; excess accumulation of funds; contracts for maintenance, etc., of streets.**

(a) Uses of Funds. – The funds allocated to cities and towns under the provisions of G.S. 136-41.2 shall be expended by said cities and towns only for the purpose of maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of the municipality or for meeting the municipality's proportionate share of assessments levied for such purposes, or for the planning, construction and maintenance of ~~bikeways located within the rights-of-way of public streets and highways;~~bikeways, greenways, or ~~for the planning, construction, and maintenance of sidewalks along public streets and highways.~~sidewalks.

(b) Records and Annual Statement. – Each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall maintain a separate record of accounts indicating in detail all receipts and expenditures of such funds. It shall be unlawful for any municipal employee or member of any governing body to authorize, direct, or permit the expenditure of any funds accruing to any municipality by virtue of G.S. 136-41.1 and 136-41.2 for any purpose not herein authorized. Any member of any governing body or municipal employee shall be personally liable for any unauthorized expenditures. On or before the first day of August each year, the treasurer, auditor, or other responsible official of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 shall file a statement under oath with the Secretary of Transportation showing in detail the expenditure of funds received by virtue of G.S. 136-41.1 and 136-41.2 during the preceding year and the balance on hand.

(c) Excess Accumulation of Funds Prohibited. – No funds allocated to municipalities pursuant to G.S. 136-41.1 and 136-41.2 shall be permitted to accumulate for a period greater than permitted by this section. Interest on accumulated funds shall be used only for the purposes permitted by the provisions of G.S. 136-41.3. Except as otherwise provided in this section, any municipality having accumulated an amount greater than the sum of the past 10 allocations made, shall have an amount equal to such excess deducted from the next allocation after receipt of the report required by this section. Such deductions shall be carried over and added to the amount to be allocated to municipalities for the following year. Notwithstanding the other provisions of this section, the Department shall adopt a policy to allow small municipalities to apply to the Department to be allowed to accumulate up to the sum of the past 20 allocations if a municipality's allocations are so small that the sum of the past 10 allocations would not be sufficient to accomplish the purposes of this section.

(d) Contracts for Maintenance and Construction. – In the discretion of the local governing body of each municipality receiving funds by virtue of G.S. 136-41.1 and 136-41.2 it may contract with the Department of Transportation to do the work of maintenance, repair, construction, reconstruction, widening or improving the streets in such municipality; or it may let contracts in the usual manner as prescribed by the General Statutes to private contractors for the performance of said street work; or may undertake the work by force account. The Department of Transportation within its discretion is hereby authorized to enter into contracts with municipalities for the purpose of maintenance, repair, construction, reconstruction, widening or improving streets of municipalities. And the Department of Transportation in its discretion may contract with any city or town which it deems qualified and equipped so to do that the city or town shall do the work of maintaining, repairing, improving, constructing, reconstructing, or widening such of its streets as form a part of the State highway system.

In the case of each eligible municipality, as defined in G.S. 136-41.2, having a population of less than 5,000, the Department of Transportation shall upon the request of such municipality made by official action of its governing body, on or prior to June 1, 1953, or June 1 in any year thereafter, for the fiscal year beginning July 1, 1953, and for the years thereafter

do such street construction, maintenance, or improvement on nonsystem streets as the municipality may request within the limits of the current or accrued payments made to the municipality under the provisions of G.S. 136-41.1.

In computing the costs, the Department of Transportation may use the same rates for equipment, rental, labor, materials, supervision, engineering and other items, which the Department of Transportation uses in making charges to one of its own department or against its own department, or the Department of Transportation may employ a contractor to do the work, in which case the charges will be the contract cost plus engineering and inspection. The municipality is to specify the location, extent, and type of the work to be done, and shall provide the necessary rights-of-way, authorization for the removal of such items as poles, trees, water and sewer lines as may be necessary, holding the Department of Transportation free from any claim by virtue of such items of cost and from such damage or claims as may arise therefrom except from negligence on the part of the Department of Transportation, its agents, or employees.

If a municipality elects to bring itself under the provisions of the two preceding paragraphs, it shall enter into a two-year contract with the Department of Transportation and if it desires to dissolve the contract at the end of any two-year period it shall notify the Department of Transportation of its desire to terminate said contract on or before April 1 of the year in which such contract shall expire; otherwise, said contract shall continue for an additional two-year period, and if the municipality elects to bring itself under the provisions of the two preceding paragraphs and thereafter fails to pay its account to the Department of Transportation for the fiscal year ending June 30, by August 1 following the fiscal year, then the Department of Transportation shall apply the said municipality's allocation under G.S. 136-41.1 to this account until said account is paid and the Department of Transportation shall not be obligated to do any further work provided for in the two preceding paragraphs until such account is paid.

Section 143-129 of the General Statutes relating to the procedure for letting of public contracts shall not be applicable to contracts undertaken by any municipality with the Department of Transportation in accordance with the provisions of the three preceding paragraphs.

(e) Permitted Offsets to Funding. – The Department of Transportation is authorized to apply a municipality's share of funds allocated to a municipality under the provisions of G.S. 136-41.1 to any of the following accounts of the municipality with the said Department of Transportation, which the municipality fails to pay:

(1) Cost sharing agreements for right-of-way entered into pursuant to G.S. 136-66.3, but not to exceed ten percent (10%) of any one year's allocation until the debt is repaid,

(2) The cost of relocating municipally owned waterlines and other municipally owned utilities on a State highway project which is the responsibility of the municipality,

(3) For any other work performed for the municipality by the Department of Transportation or its contractor by agreement between the Department of Transportation and the municipality, and

(4) For any other work performed that was made necessary by the construction, reconstruction or paving of a highway on the State highway system for which the municipality is legally responsible."

SECTION 3.4. G.S. 136-41.4 reads as rewritten:

"**§ 136-41.4. Municipal use of allocated funds; election.**

(a) A municipality that qualifies for an allocation of funds pursuant to G.S. 136-41.1 shall have the ~~option~~ following options:

(1) ~~to accept~~Accept all or a portion of funds allocated to the ~~municipality, under that section, for the repair, maintenance, construction, reconstruction,~~

~~widening, or improving of the municipality's streets.~~municipality for use as authorized by G.S. 136-41.3(a).

(2) Use some or all of its allocation to match federal funds administered by the Department for independent bicycle and pedestrian improvement projects within the municipality's limits, or within the area of any metropolitan planning organization or rural transportation planning organization.

(3) ~~or the municipality may elect~~Elect to have some or all of the allocation reprogrammed for any Transportation Improvement Project currently on the approved project list within the municipality's limits or within the area of any metropolitan planning organization or rural transportation planning organization.

(b) If a municipality chooses to have its allocation reprogrammed, the ~~minimum~~ amount that may be reprogrammed is an amount equal to that amount necessary to complete one full phase of the project selected by the municipality or an amount that, when added to the amount already programmed for the Transportation Improvement Project selected, would permit the completion of at least one full phase of the project. The restriction set forth in this subsection shall not apply to any bicycle or pedestrian projects."

SECTION 3.5. DOT Municipal Lane Mile Study. – The Department of Transportation shall collect lane mile data from each municipality eligible to receive funds under this section no later than December 1, 2013. The Department shall report to the Joint Legislative Transportation Oversight Committee no later than March 1, 2014, on at least three options to shift the distribution formula to include lane mile data. The report shall include advantages and disadvantages, fiscal impacts to each municipality, and any other technical considerations in making such a change. The Joint Legislative Transportation Oversight Committee and the Fiscal Research Division shall include in its recommendations to the 2014 Session of the 2013 General Assembly a new distribution formula, if the Committee finds that a new formula is beneficial and practical.

CONFORMING CHANGES

SECTION 4.1. G.S. 105-187.9 reads as rewritten:

"**§ 105-187.9. Disposition of tax proceeds.**

...

~~(b) (Repealed effective July 1, 2013) General Fund Transfer. In each fiscal year, the State Treasurer shall transfer the amounts provided below from the taxes deposited in the Trust Fund to the General Fund. The transfer of funds authorized by this section may be made by transferring one fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.~~

~~(1) The sum of twenty six million dollars ($26,000,000).~~

~~(2) In addition to the amount transferred under subdivision (1) of this subsection, the sum of one million seven hundred thousand dollars ($1,700,000) shall be transferred in the 2001 2002 fiscal year. The amount distributed under this subdivision shall increase in the 2002 2003 fiscal year to the sum of two million four hundred thousand dollars ($2,400,000). In each fiscal year thereafter, the sum transferred under this subdivision shall be the amount distributed in the previous fiscal year plus or minus a percentage of this sum equal to the percentage by which tax collections under this Article increased or decreased for the most recent 12 month period for which data are available.~~

~~(c) (Effective July 1, 2013) Mobility Fund Transfer. In each fiscal year, the State Treasurer shall transfer fifty eight million dollars ($58,000,000) from the taxes deposited in the~~

~~Trust Fund to the Mobility Fund. The transfer of funds authorized by this section may be made by transferring one fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.~~"

SECTION 4.2. G.S. 136-18 reads as rewritten:

"**§ 136-18. Powers of Department of Transportation.**

The said Department of Transportation is vested with the following powers:

...

(12a) The Department of Transportation shall have such powers as are necessary to establish, administer, and receive federal funds for a transportation infrastructure banking program as authorized by the Intermodal Surface Transportation Efficiency Act of 1991, Pub. L. 102-240, as amended, and the National Highway System Designation Act of 1995, Pub. L. 104-59, as amended. The Department of Transportation is authorized to apply for, receive, administer, and comply with all conditions and requirements related to federal financial assistance necessary to fund the infrastructure banking program. The infrastructure banking program established by the Department of Transportation may utilize federal and available State funds for the purpose of providing loans or other financial assistance to governmental units, including toll authorities, to finance the costs of transportation projects authorized by the above federal aid acts. Such loans or other financial assistance shall be subject to repayment and conditioned upon the establishment of such security and the payment of such fees and interest rates as the Department of Transportation may deem necessary. The Department of Transportation is authorized to apply a municipality's share of funds allocated under G.S. 136-41.1 or G.S. 136-44.20 as necessary to ensure repayment of funds advanced under the infrastructure banking program. The Department of Transportation shall establish jointly, with the State Treasurer, a separate infrastructure banking account with necessary fiscal controls and accounting procedures. Funds credited to this account shall not revert, and interest and other investment income shall accrue to the account and may be used to provide loans and other financial assistance as provided under this subdivision. The Department of Transportation may establish such rules and policies as are necessary to establish and administer the infrastructure banking program. The infrastructure banking program authorized under this subdivision shall not modify the ~~regional distribution~~ formula for the distribution of funds established by ~~G.S. 136-17.2A.~~G.S. 136-189.11. Governmental units may apply for loans and execute debt instruments payable to the State in order to obtain loans or other financial assistance provided for in this subdivision. The Department of Transportation shall require that applicants shall pledge as security for such obligations revenues derived from operation of the benefited facilities or systems, other sources of revenue, or their faith and credit, or any combination thereof. The faith and credit of such governmental units shall not be pledged or be deemed to have been pledged unless the requirements of Article 4, Chapter 159 of the General Statutes have been met. The State Treasurer, with the assistance of the Local Government Commission, shall develop and adopt appropriate debt instruments for use under this subdivision. The Local Government Commission shall develop and adopt appropriate procedures for the delivery of debt instruments to the State without any public bidding therefor. The Local Government Commission

shall review and approve proposed loans to applicants pursuant to this subdivision under the provisions of Articles 4 and 5, Chapter 159 of the General Statutes, as if the issuance of bonds was proposed, so far as those provisions are applicable. Loans authorized by this subdivision shall be outstanding debt for the purpose of Article 10, Chapter 159 of the General Statutes.

...."

SECTION 4.3. G.S. 136-17.2A is repealed.

SECTION 4.4. G.S. 136-44.50(a) reads as rewritten:

"(a) A transportation corridor official map may be adopted or amended by any of the following:

(1) The governing board of any local government for any thoroughfare included as part of a comprehensive plan for streets and highways adopted pursuant to G.S. 136-66.2 or for any proposed public transportation corridor included in the adopted long-range transportation plan.

(2) The Board of Transportation, or the governing board of any county, for any portion of the existing or proposed State highway system or for any public transportation corridor, to include rail, that is in the Transportation Improvement Program.

(3) Regional public transportation authorities created pursuant to Article 26 of Chapter 160A of the General Statutes or regional transportation authorities created pursuant to Article 27 of Chapter 160A of the General Statutes for any portion of the existing or proposed State highway system, or for any proposed public transportation corridor, or adjacent station or parking lot, included in the adopted long-range transportation plan.

(4) The North Carolina Turnpike Authority for any project being studied pursuant to G.S. 136-89.183.

(5) The Wilmington Urban Area Metropolitan Planning Organization for ~~any project that is within its urbanized boundary and identified in G.S. 136-179.~~Department projects R-3300 and U-4751.

Before a city adopts a transportation corridor official map that extends beyond the extraterritorial jurisdiction of its building permit issuance and subdivision control ordinances, or adopts an amendment to a transportation corridor official map outside the extraterritorial jurisdiction of its building permit issuance and subdivision control ordinances, the city shall obtain approval from the Board of County Commissioners."

SECTION 4.5. G.S. 136-66.3 reads as rewritten:

"**§ 136-66.3. Local government participation in improvements to the State transportation system.**

...

~~(c1) No TIP Disadvantage for Participation. If a county or municipality participates in a State transportation system improvement project, as authorized by this section, or by G.S. 136-51 and G.S. 136-98, the Department shall ensure that the local government's participation does not cause any disadvantage to any other project in the Transportation Improvement Program under G.S. 143B-350(f)(4).~~

(c2) Distribution of State Funds Made Available by County or Municipal Participation. – Any State or federal funds allocated to a project that are made available by county or municipal participation in a project contained in the Transportation Improvement Program under G.S. 143B-350(f)(4) shall ~~remain in the same funding region that the funding was allocated to under the distribution formula contained in G.S. 136-17.2A.~~be subject to G.S. 136-189.11.

~~(c3) Limitation on Agreements. The Department shall not enter into any agreement with a county or municipality to provide additional total funding for highway construction in~~

~~the county or municipality in exchange for county or municipal participation in any project contained in the Transportation Improvement Program under G.S. 143B-350(f)(4).~~

...

(e1) Reimbursement Procedure. – Upon request of the county or municipality, the Department of Transportation shall allow the local government a period of not less than three years from the date construction of ~~the project~~a project undertaken under subsection (e) of this section is initiated to reimburse the Department their agreed upon share of the costs necessary for the project. The Department of Transportation shall not charge a local government any interest during the initial three years.

...."

SECTION 4.6. G.S. 136-89.192 reads as rewritten:

"**§ 136-89.192. ~~Equity distribution~~ Applicability of formula.**

Only those funds applied to a Turnpike Project from the State Highway Fund, State Highway Trust Fund, or federal-aid funds that might otherwise be used for other roadway projects within the State, and are otherwise already subject to the ~~distribution~~ formula under ~~G.S. 136-17.2A,~~ G.S. 136-189.11 shall be included in the ~~distribution~~ formula.

Other revenue from the sale of the Authority's bonds or notes, project loans, or toll collections shall not be included in the ~~distribution~~ formula."

SECTION 4.7. G.S. 136-175 reads as rewritten:

"**§ 136-175. Definitions.**

The following definitions apply in this Article:

~~(1) Intrastate System. The network of major, multilane arterial highways composed of those routes, segments, or corridors listed in G.S. 136-178, and any other route added by the Department of Transportation under G.S. 136-178.~~

(2) Transportation Improvement Program. The schedule of major transportation improvement projects required by G.S. 143B-350(f)(4).

(3) Trust Fund. The North Carolina Highway Trust Fund."

SECTION 4.8. G.S. 136-176 reads as rewritten:

"**§ 136-176. Creation, revenue sources, and purpose of North Carolina Highway Trust Fund.**

(a) A special account, designated the North Carolina Highway Trust Fund, is created within the State treasury. The Trust Fund consists of the following revenue:

(1) Motor fuel, alternative fuel, and road tax revenue deposited in the Fund under G.S. 105-449.125, 105-449.134, and 105-449.43, respectively.

(2) Motor vehicle use tax deposited in the Fund under G.S. 105-187.9.

(3) Revenue from the certificate of title fee and other fees payable under G.S. 20-85.

(4) Repealed by Session Laws 2001-424, s. 27.1.

(5) Interest and income earned by the Fund.

~~(a1) The Department shall use two hundred twenty million dollars ($220,000,000) in fiscal year 2001-2002, two hundred twelve million dollars ($212,000,000) in fiscal year 2002-2003, and two hundred fifty-five million dollars ($255,000,000) in fiscal year 2003-2004 of the cash balance of the Highway Trust Fund for the following purposes:~~

~~(1) For primary route pavement preservation. One hundred seventy million dollars ($170,000,000) in fiscal year 2001-2002, and one hundred fifty million dollars ($150,000,000) in each of the fiscal years 2002-2003 and 2003-2004. Up to ten percent (10%) of the amount for each of the fiscal years 2001-2002, 2002-2003, and 2003-2004 is available in that fiscal year, at the discretion of the Secretary of Transportation, for:~~

~~a. Highway improvement projects that further economic growth and development in small urban and rural areas, that are in the Transportation Improvement Program, and that are individually approved by the Board of Transportation; or~~

~~b. Highway improvements that further economic development in the State and that are individually approved by the Board of Transportation.~~

~~(2) For preliminary engineering costs not included in the current year Transportation Improvement Program. Fifteen million dollars ($15,000,000) in each of the fiscal years 2001-2002, 2002-2003, and 2003-2004. If any funds allocated by this subdivision, in the cash balance of the Highway Trust Fund, remain unspent on June 30, 2008, the Department may transfer within the Department up to twenty-nine million dollars ($29,000,000) of available funds to contract for freight transportation system improvements for the Global TransPark.~~

~~(3) For computerized traffic signal systems and signal optimization projects. Fifteen million dollars ($15,000,000) in each of the fiscal years 2001-2002, 2002-2003, and 2003-2004.~~

~~(4) For public transportation twenty million dollars ($20,000,000) in fiscal year 2001-2002, twenty-five million dollars ($25,000,000) in fiscal year 2002-2003, and seventy-five million dollars ($75,000,000) in fiscal year 2003-2004.~~

~~(5) For small urban construction projects. Seven million dollars ($7,000,000) in fiscal year 2002-2003.~~

~~Funds authorized for use by the Department pursuant to this subsection shall remain available to the Department until expended.~~

(a2) Repealed by Session Laws 2002-126, s. 26.4(b), effective July 1, 2002.

~~(a3) The Department may obligate three hundred million dollars ($300,000,000) in fiscal year 2003-2004 and four hundred million dollars ($400,000,000) in fiscal year 2004-2005 of the cash balance of the Highway Trust Fund for the following purposes:~~

~~(1) Six hundred thirty million dollars ($630,000,000) for highway system preservation, modernization, and maintenance, including projects to enhance safety, reduce congestion, improve traffic flow, reduce accidents, upgrade pavement widths and shoulders, extend pavement life, improve pavement smoothness, and rehabilitate or replace deficient bridges; and for economic development transportation projects recommended by local officials and approved by the Board of Transportation.~~

~~(2) Seventy million dollars ($70,000,000) for regional public transit systems, rural and urban public transportation system facilities, regional transportation and air quality initiatives, rail system track improvements and equipment, and other ferry, bicycle, and pedestrian improvements. For any project or program listed in this subdivision for which the Department receives federal funds, use of funds pursuant to this subdivision shall be limited to matching those funds.~~

~~Funds authorized for obligation and use by the Department pursuant to this subsection shall remain available to the Department until expended.~~

~~(a4) Project selection pursuant to subsection (a3) of this section shall be based on identified and documented need. Funds expended pursuant to subdivision (1) of subsection (a3) of this section shall be distributed in accordance with the distribution formula in G.S. 136-17.2A. No funds shall be expended pursuant to subsection (a3)(1) of this section on~~

~~any project that does not meet Department of Transportation standards for road design, materials, construction, and traffic flow.~~

~~(a5) The Department shall report to the Joint Legislative Transportation Oversight Committee, on or before September 1, 2003, on its intended use of funds pursuant to subsection (a3) of this section. The Department shall report to the Joint Transportation Appropriations Subcommittee, on or before May 1, 2004, on its actual current and intended future use of funds pursuant to subsection (a3) of this section. The Department shall certify to the Joint Legislative Transportation Oversight Committee each year, on or before November 1, that use of the Highway Trust Fund cash balances for the purposes listed in subsection (a3) of this section will not adversely affect the delivery schedule of any Highway Trust Fund projects. If the Department cannot certify that the full amounts authorized in subsection (a3) of this section are available, then the Department may determine the amount that can be used without adversely affecting the delivery schedule and may proportionately apply that amount to the purposes set forth in subsection (a3) of this section.~~

(b) Funds in the Trust Fund are annually appropriated to the Department of Transportation to be allocated and used as provided in this subsection. A ~~sum, not to exceed four and eight tenths percent (4.8%) of the amount of revenue deposited in the Trust Fund under subdivisions (a)(1), (2), and (3) of this section~~ sum, in the amount appropriated by law, may be used each fiscal year by the Department for expenses to administer the Trust Fund. Operation and project development costs of the North Carolina Turnpike Authority are eligible administrative expenses under this subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by the Authority from its toll revenue as soon as possible, subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be necessary to meet the State matching funds requirements to receive federal-aid highway trust funds for the next fiscal year may be set aside for that purpose. The rest of the funds in the Trust Fund shall be allocated and used as ~~follows:~~specified in G.S. 136-189.11.

~~(1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design, and construct projects on segments or corridors of the Intrastate System as described in G.S. 136-178 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these projects.~~

~~(2) Twenty-five and five hundredths percent (25.05%) to plan, design, and construct the urban loops described in G.S. 136-180 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these urban loops.~~

~~(3) Six and one-half percent (6.5%) to supplement the appropriation to cities for city streets under G.S. 136-181.~~

~~(4) Six and one-half percent (6.5%) for secondary road construction as provided in G.S. 136-182 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to secondary road construction.~~

The Department must administer funds allocated under ~~subdivisions (1), (2), and (4) of this subsection~~ this section in a manner that ensures that sufficient funds are available to make the debt service payments on bonds issued under the State Highway Bond Act of 1996 as they become due.

~~(b1) The Secretary may authorize the transfer of funds allocated under subdivisions (1) through (4) of subsection (b) of this section to other projects that are ready to be let and were to be funded from allocations to those subdivisions. The Secretary shall ensure that any funds transferred pursuant to this subsection are repaid promptly and in any event in no more than four years. The Secretary shall certify, prior to making any transfer pursuant to this subsection, that the transfer will not affect the delivery schedule of Highway Trust Fund projects in the current Transportation Improvement Program. No transfers shall be allowed that do not conform to the applicable provisions of the equity formula for distribution of funds, G.S. 136-17.2A. If the Secretary authorizes a transfer pursuant to this subsection, the Secretary shall report that decision to the next regularly scheduled meetings of the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, and to the Fiscal Research Division.~~

(b2) **(Effective July 1, 2013)** There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of ~~one hundred twelve million dollars ($112,000,000).~~forty-nine million dollars ($49,000,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway, and twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the ~~Monroe Connector/Bypass, twenty eight million dollars ($28,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Mid Currituck Bridge, and thirty five million dollars ($35,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Garden Parkway.~~Monroe Connector/Bypass. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes, or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations made in this subsection at any time to decrease or eliminate the amount annually appropriated to the Authority. Funds transferred from the Highway Trust Fund to the Authority pursuant to this subsection are not subject to the ~~equity~~ formula in ~~G.S. 136-17.2A.~~G.S. 136-189.11.

~~(c) If funds are received under 23 U.S.C. Chapter 1, Federal Aid Highways, for a project for which funds in the Trust Fund may be used, the amount of federal funds received plus the amount of any funds from the Highway Fund that were used to match the federal funds may be transferred by the Secretary of Transportation from the Trust Fund to the Highway Fund and used for projects in the Transportation Improvement Program.~~

(d) A contract may be let for projects funded from the Trust Fund in anticipation of revenues pursuant to the cash-flow provisions of G.S. 143C-6-11 only for the two bienniums following the year in which the contract is let.

(e) **(Effective July 1, 2013)** Subject to ~~G.S. 136-17.2A and other funding distribution formulas, funds allocated under subdivisions (1), (3), and (4) of subsection (b) of this section may also~~ G.S. 136-189.11, funds may be used for fixed guideway projects, including providing matching funds for federal grants for fixed guideway projects."

SECTION 4.9. The following statutes are repealed:

(1) G.S. 136-177.
(2) G.S. 136-177.1.
(3) G.S. 136-178.
(4) G.S. 136-179.
(5) G.S. 136-180.
(6) G.S. 136-184.
(7) G.S. 136-185.
(8) G.S. 136-187.
(9) G.S. 136-188.
(10) G.S. 136-189.

TURNPIKE AUTHORITY CHANGES

SECTION 5.1. G.S. 136-89.183(a)(2) reads as rewritten:

"**§ 136-89.183. Powers of the Authority.**

(a) The Authority shall have all of the powers necessary to execute the provisions of this Article, including the following:

...

(2) To study, plan, develop, and undertake preliminary design work on up to ~~eight~~ nine Turnpike Projects. At the conclusion of these activities, the Turnpike Authority is authorized to design, establish, purchase, construct, operate, and maintain the following projects:

a. Triangle Expressway, including segments also known as N.C. 540, Triangle Parkway, and the Western Wake Freeway in Wake and Durham ~~Counties, and Southeast Extension in Wake and Johnston Counties, except that no portion of the Southeast Extension shall be located north of an existing protected corridor established by the Department of Transportation circa 1995, except in the area of Interstate 40 East.~~Counties. The described segments constitute three projects.

~~b. Gaston East-West Connector, also known as the Garden Parkway.~~

c. Monroe Connector/Bypass.

~~d. Cape Fear Skyway.~~

~~e. A bridge of more than two miles in length going from the mainland to a peninsula bordering the State of Virginia, pursuant to G.S. 136-89.183A.~~

Any other project proposed by the Authority in addition to the projects listed in this ~~subdivision must be approved by the General Assembly prior to construction.~~subdivision requires prior consultation with the Joint Legislative Commission on Governmental Operations pursuant to G.S. 120-76.1 no less than 180 days prior to initiating the process required by Article 7 of Chapter 159 of the General Statutes.

~~A~~ With the exception of the four projects set forth in sub-subdivisions a. and c. of this subdivision, the Turnpike ~~Project~~ projects selected for construction by the Turnpike ~~Authority~~ Authority, prior to the letting of a contract for the project, shall meet the following conditions: (i) two of the projects must be ranked in the top 35 based on total score on the Department-produced list entitled "Mobility Fund Project Scores" dated June 6, 2012, and, in addition, may be subject to G.S. 136-18(39a); (ii) of the projects not ranked as provided in (i), one may be subject to G.S. 136-18(39a); (iii) the projects shall be included in any applicable locally adopted comprehensive transportation ~~plans and~~plans; (iv) the projects shall be shown in the current

...

State Transportation Improvement ~~Plan prior to the letting of a contract for the Turnpike Project.~~Program; and (v) toll projects must be approved by all affected Metropolitan Planning Organizations and Rural Transportation Planning Organizations for tolling."

SECTION 5.2. G.S. 136-18 reads as rewritten:

"**§ 136-18. Powers of Department of Transportation.**

The said Department of Transportation is vested with the following powers:

...

(39a) a. The Department of Transportation or Turnpike Authority, as applicable, may enter into ~~a partnership agreement~~ up to three agreements with a private entity as provided under subdivision (39) of this section for which the provisions of this section apply. ~~The pilot project allowed under this subdivision must be one that is a candidate for funding under the Mobility Fund, that is planned for construction through a public private partnership, and for which a Request for Qualifications has been issued by the Department no later than June 30, 2012.~~

b. A private entity or its contractors must provide performance and payment security in the form and in the amount determined by the Department of Transportation. The form of the performance and payment security may consist of bonds, letters of credit, parent guaranties, or other instruments acceptable to the Department of Transportation.

c. Notwithstanding the provisions of G.S. 143B-426.40A, an agreement entered into under this subdivision may allow the private entity to assign, transfer, sell, hypothecate, and otherwise convey some or all of its right, title, and interest in and to such agreement, and any rights and remedies thereunder, to a lender, bondholder, or any other party. However, in no event shall any such assignment create additional debt or debt-like obligations of the State of North Carolina, the Department, or any other agency, authority, commission, or similar subdivision of the State to any lender, bondholder, entity purchasing a participation in the right to receive the payment, trustee, trust, or any other party providing financing or funding of projects described in this section. The foregoing shall not preclude the Department from making any payments due and owing pursuant to an agreement entered into under this section.

d. ~~The Department of Transportation may fix, revise, charge, and collect tolls and fees to the same extent allowed under~~ Article 6H of Chapter 136 of the General ~~Statutes.~~Statutes shall apply to the Department of Transportation and to projects undertaken by the Department of Transportation under subdivision (39) of this section. The Department may assign its authority under that Article to fix, revise, charge, retain, enforce, and collect tolls and fees to the private entity.

e. Any contract under this subdivision or under Article 6H of this Chapter for the development, construction, maintenance, or operation of a project shall provide for revenue sharing between the private party and the Department, notwithstanding the provisions of G.S. 136-89.188(d). Excess toll revenues from a Turnpike project shall be used for the funding or financing of transportation projects

within the corridor where the Turnpike Project is located. For purposes of this subdivision, the term "excess toll revenues" means those toll revenues derived from a Turnpike Project that are not otherwise used or allocated to the Authority or a private entity pursuant to this subdivision. For purposes of this subdivision, the term "corridor" means (i) the right-of-way limits of the Turnpike Project and any facilities related to the Turnpike Project or any facility or improvement necessary for the use, design, construction, operation, maintenance, repair, rehabilitation, reconstruction, or financing of a Turnpike Project; (ii) the right-of-way limits of any subsequent improvements, additions, or extension to the Turnpike Project and facilities related to the Turnpike projects, including any improvements necessary for the use, design, construction, operation, maintenance, repair, rehabilitation, reconstruction, or financing of those subsequent improvements, additions, or extensions to the Turnpike Project; and (iii) roads used for ingress or egress to the toll facility or roads that intersect with the toll facility, whether by ramps or separated grade facility, and located within one mile in any direction.

f. Agreements entered into under this subdivision shall comply with the following additional provisions:

1. The Department shall solicit proposals for agreements.
2. Agreement shall be limited to no more than 50 years from the date of the beginning of operations on the toll facility.
3. Notwithstanding the provisions of G.S. 136-89.183(a)(5), all initial tolls or fees to be charged by a private entity shall be reviewed by the Turnpike Board. Prior to setting a toll rate, either a set rate or a minimum and maximum rate set by the private entity, the private entity shall hold a public hearing on the toll rates, in accordance with guidelines for the hearing developed by the Department. After tolls go into effect, the private entity shall report to the Turnpike Authority Board 30 days prior to any increase in tolls by the private entity.
4. Financial advisors and attorneys retained by the Department on contract to work on projects pursuant to this subsection shall be subject to State law governing conflicts of interest.
5. 60 days prior to the signing of a concession agreement subject to this subdivision, the Department shall report to the Joint Legislative Transportation Oversight Committee on the following for the presumptive concessionaire:
   I. Project description.
   II. Number of years that tolls will be in place.
   III. Name and location of firms and parent companies, if applicable, including firm responsibility and stake, and assessment of audited financial statements.
   IV. Analysis of firm selection criteria.
   V. Name of any firm or individual under contract to provide counsel or financial analysis to the Department or Authority. The Department shall disclose payments to these contractors related to completing the agreement under this subdivision.

VI. Demonstrated ability of the project team to deliver the project, by evidence of the project team's prior experience in delivering a project on schedule and budget, and disclosure of any unfavorable outcomes on prior projects.

VII. Detailed description of method of finance, including sources of funds, State contribution amounts, including schedule of availability payments and terms of debt payments.

VIII. Information on assignment of risk shared or assigned to State and private partner.

IX. Information on the feasibility of finance as obtained in traffic and revenue studies.

6. The Turnpike Authority annual report under G.S. 136-89.193 shall include reporting on all revenue collections associated with projects subject to this subdivision under the Turnpike Authority.

7. The Department shall develop standards for entering into comprehensive agreements with private entities under the authority of this subdivision and report those standards to the Joint Legislative Transportation Oversight Committee on or before October 1, 2013.

...

(43) For the purposes of financing an agreement under subdivision (39a) of this section, the Department of Transportation may act as a conduit issuer for private activity bonds to the extent the bonds do not constitute a debt obligation of the State. The issuance of private activity bonds under this subdivision and any related actions shall be governed by The State and Local Government Revenue Bond Act, Article 5 of Chapter 159 of the General Statutes, with G.S. 159-88 satisfied by adherence to the requirements of ~~subdivisions (39) and~~ subdivision (39a) of this section."

SECTION 5.3. G.S. 136-89.183(a)(5) reads as rewritten:

"**§ 136-89.183. Powers of the Authority.**

(a) The Authority shall have all of the powers necessary to execute the provisions of this Article, including the following:

...

(5) To fix, revise, charge, retain, enforce, and collect tolls and fees for the use of the Turnpike Projects. Prior to the effective date of any toll or fee for use of a Turnpike Facility, the Authority shall submit a description of the proposed toll or fee to the Board of Transportation, the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations for review.

...."

SECTION 5.4. G.S. 136-89.188 reads as rewritten:

"**§ 136-89.188. Use of revenues.**

(a) Revenues derived from Turnpike Projects authorized under this Article shall be used only for the following:

(1) Authority administration ~~costs;~~costs.

(2) Turnpike Project development, right-of-way acquisition, design, construction, operation, ~~and maintenance;~~maintenance, reconstruction, rehabilitation, and replacement.~~and~~

(3) ~~debt~~ Debt service on the Authority's revenue bonds or related purposes such as the establishment of debt service reserve ~~funds.~~funds.

(4) Debt service, debt service reserve funds, and other financing costs related to any of the following:

a. A financing undertaken by a private entity under a partnership agreement with the entity for a Turnpike Project.

b. Private activity bonds issued under law related to a Turnpike Project.

c. Any federal or State loan, line of credit, or loan guarantee relating to a Turnpike Project.

(5) A return on investment of any private entity under a partnership agreement with the entity for a Turnpike Project.

(6) Any other uses granted to a private entity under a partnership agreement with the entity for a Turnpike Project.

(b) The Authority may use up to one hundred percent (100%) of the revenue derived from a Turnpike Project for debt service on the Authority's revenue bonds or for a combination of debt service and operation and maintenance expenses of the Turnpike Projects.

(c) The Authority shall use not more than five percent (5%) of total revenue derived from all Turnpike Projects for Authority administration costs.

(d) Notwithstanding the provisions of subsections (a) and (b) of this section, toll revenues generated from a converted segment of the State highway system previously planned for operation as a nontoll facility shall only be used for the funding or financing of the right of way acquisition, construction, expansion, operations, maintenance, and Authority administration costs associated with the converted segment or a contiguous toll facility."

SECTION 5.5. Part 1 of Article 6H of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-89.199. Designation of high-occupancy toll and managed lanes.**

Notwithstanding any other provision of this Article, the Authority may designate one or more lanes of any highway, or portion thereof, within the State, including lanes that may previously have been designated as HOV lanes under G.S. 20-146.2, as high-occupancy toll (HOT) or other type of managed lanes; provided, however, that such designation shall not reduce the number of existing general purpose lanes. In making such designations, the Authority shall specify the high-occupancy requirement or other conditions for use of such lanes, which may include restricting vehicle types, access controls, or the payment of tolls for vehicles that do not meet the high-occupancy requirements or conditions for use."

SECTION 5.6. Part 2 of Article 6H of Chapter 136 of the General Statutes reads as rewritten:

"Part 2. Collection of Tolls on Turnpike Projects.

...

"**§ 136-89.212. Payment of toll required for use of Turnpike project.**

(a) A motor vehicle that is driven on a Turnpike project is subject to a toll imposed by the Authority for the use of the project. If the toll is an open road toll, the person who is the registered owner of the motor vehicle is liable for payment of the toll unless the registered owner establishes that the motor vehicle was in the care, custody, and control of another person when it was driven on the Turnpike project.

(b) A person establishes that a motor vehicle was in the care, custody, and control of another person when it was driven on a Turnpike project by submitting to the Authority a sworn affidavit stating one of the following:

(1) The name and address of the person who had the care, custody, and control of the motor vehicle when it was driven. If the motor vehicle was leased or rented under a long-term lease or rental, as defined in G.S. 105-187.1, the

affidavit must be supported by a copy of the lease or rental agreement or other written evidence of the agreement.

(2) The motor vehicle was stolen. The affidavit must be supported by an insurance or police report concerning the theft or other written evidence of the theft.

(3) The person transferred the motor vehicle to another person by sale or otherwise before it was driven on the Turnpike project. The affidavit must be supported by insurance information, a copy of the certificate of title, or other evidence of the transfer.

(c) If a person establishes that a motor vehicle was in the care, custody, and control of another person under subsection (b) of this section, the other person shall be liable for the payment of the toll, and the Authority may send a bill to collect and enforce the toll in accordance with this Article; provided, however, that such other person may contest such toll in accordance with this Article.

"§ 136-89.213. Administration of tolls and requirements for open road tolls.

(a) Administration. – The Authority is responsible for collecting tolls on Turnpike projects. In exercising its authority under G.S. 136-89.183 to perform or procure services required by the Authority, the Authority may contract with one or more providers to perform part or all of the collection functions and may enter into agreements to exchange information, including confidential information under subsection (a1) of this section, that identifies motor vehicles and their owners with one or more of the following entities: the Division of Motor Vehicles of the Department of Transportation, another state, another toll operator, ~~or~~ a toll collection-related ~~organization.~~organization, or a private entity that has entered into a partnership agreement with the Authority pursuant to G.S. 136-89.183(a)(17). Further, the Authority may assign its authority to fix, revise, charge, retain, enforce, and collect tolls and fees under this Article to a private entity that has entered into a partnership agreement with the Authority pursuant to G.S. 136-89.183(a)(17).

...

(b) Open Road Tolls. – If a Turnpike project uses an open road tolling system, the Authority must operate a facility that is in the immediate vicinity of the Turnpike project ~~and that accepts~~or provide an alternate means to accept cash payment of the toll and must place signs on the Turnpike project that give drivers the following information:

(1) Notice that the driver is approaching a highway for which a toll is required. Signs providing this information must be placed before the toll is incurred.

(2) The methods by which the toll may be paid.

(3) ~~Directions~~ If applicable, directions to the nearby facility that accepts cash payment of the toll.

"§ 136-89.214. Bill for unpaid open road toll.

(a) Bill. – If a motor vehicle travels on a Turnpike project that uses an open road tolling system and a toll for traveling on the project is not paid prior to travel or at the time of travel, the Authority must send a bill by first-class mail to the registered owner of the motor vehicle or the person who had care, custody, and control of the vehicle as established under G.S. 136-89.212(b) for the amount of the unpaid toll. The Authority must send the bill within 90 days after the travel ~~occurs.~~occurs, or within 90 days of receipt of a sworn affidavit submitted under G.S. 136-89.212(b) identifying the person who had care, custody, and control of the motor vehicle. If a bill is not sent within the required time, the Authority waives collection of the toll. The Authority must establish a billing period for unpaid open road tolls that is no shorter than 15 days. A bill for a billing period must include all unpaid tolls incurred by the same person during the billing period.

(b) Information on Bill. – A bill sent under this section must include all of the following information:

(1) The name and address of the registered owner of the motor vehicle that traveled on the Turnpike ~~project.~~project or of the person identified under G.S. 136-89.212(b).
(2) The date the travel occurred, the approximate time the travel occurred, and each segment of the Turnpike project on which the travel occurred.
(3) An image of the registration plate of the motor vehicle, if the Authority captured an electronic image of the motor vehicle when it traveled on the Turnpike project.
(4) The amount of the toll due and an explanation of how payment may be made.
(5) The date by which the toll must be paid to avoid the imposition of a processing fee under G.S. 136-89.215 and the amount of the processing fee.
(6) A statement that a vehicle owner who has unpaid tolls is subject to a civil penalty and may not renew the vehicle's registration until the tolls and civil penalties are paid.
(7) A clear and concise explanation of how to contest liability for the toll.
(8) If applicable, a copy of the affidavit submitted under G.S. 136-89.212(b) identifying the person with care, custody, and control of the motor vehicle.

"**§ 136-89.215. Required action upon receiving bill for open road toll and processing fee for unpaid toll.**

(a) Action Required. – A person who receives a bill from the Authority for an unpaid open road toll must take one of the following actions within 30 days of the date of the bill:
(1) Pay the bill.
(2) Send a written request to the Authority for a review of the toll.

(b) Fee. – If a person does not take one of the actions required under subsection (a) of this section within the required time, the Authority may add a processing fee to the amount the person owes. The processing fee may not exceed six dollars ($6.00). A person may not be charged more than forty-eight dollars ($48.00) in processing fees in a 12-month period.

The Authority must set the processing fee at an amount that does not exceed the costs of collecting the unpaid toll.~~identifying the owner of a motor vehicle that is subject to an unpaid toll and billing the owner for the unpaid toll. The fee is a receipt of the Authority and must be applied to these costs.~~

...."

SECTION 5.7. DOT/Southeast Extension-Triangle Expressway. – The Department of Transportation shall strive to expedite the federal environmental impact statement process to define the route for the Southeast Extension of the Triangle Expressway Turnpike Project by promptly garnering input from local officials and other stakeholders, accelerating any required State studies, promptly submitting permit applications to the federal government, working closely with the federal government during the permitting process, and taking any other appropriate actions to accelerate the environmental permitting process.

SECTION 5.8. Monitoring. – As part of its oversight of the Department of Transportation, the Joint Legislative Transportation Oversight Committee shall closely monitor the progress of the Southeast Extension of the Triangle Expressway Turnpike Project.

TRANSITION STUDY AND REPORTING REQUIREMENTS

SECTION 6.1. Formula Implementation Report. – The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than August 15, 2013, on the Department's recommended formulas that will be used in the prioritization process to rank highway and nonhighway projects. The Department of Transportation's Prioritization Office shall develop the prioritization processes and formulas for all modes of transportation. The report will include a

statement on the process used by the Department to develop the formulas, include a listing of external partners consulted during this process, and include feedback from its 3.0 workgroup partners on the Department's proposed recommendations. The Department shall not finalize the formula without consulting with the Joint Legislative Transportation Oversight Committee. The Joint Legislative Transportation Oversight Committee has 30 days after the report is received to meet and consult on the Department's recommendations. If no meeting occurs within 30 days after the report is received, the consultation requirement will be met. If consultation occurs and a majority of members serving on the Committee request changes to the Department's recommended formulas for highway and nonhighway modes, the Department shall review the requests and provide to the Committee its response to the requested changes no later than October 1, 2013. A final report on the highway and intermodal formulas shall be submitted to the Joint Legislative Transportation Oversight Committee by January 1, 2014.

SECTION 6.2. State Transportation Improvement Program Transition Report. – The Department of Transportation shall submit transition reports to members of the Joint Legislative Transportation Oversight Committee, House of Representatives Appropriations Subcommittee on Transportation and the Senate Appropriations Committee on Department of Transportation, and the Fiscal Research Division on March 1, 2014, and November 1, 2014. The reports shall include information on the Department's transition to Strategic Prioritization, overview changes to the State Transportation Improvement Program (STIP) and other internal and external processes that feed into the STIP, and offer statutory and policy recommendations or items for consideration to the General Assembly that will enhance the prioritization process. The March 1, 2014, report shall also include an analysis of the distribution of tax and fee revenues between the Highway Fund and Highway Trust Fund and an analysis to determine if maintenance, construction, operations, administration, and capital expenditures are properly budgeted within the two funds and existing revenues are most effectively distributed between the two funds.

EFFECTIVE DATE

SECTION 7.1.(a) Except as provided herein, this act becomes effective July 1, 2013.

SECTION 7.1.(b) This act is effective only if the General Assembly appropriates funds in the Current Operations and Capital Improvements Appropriations Act of 2013 to implement this act.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

S **D**

SENATE BILL 663
Health Care Committee Substitute Adopted 5/29/13
PROPOSED COMMITTEE SUBSTITUTE S663-CSMD-11 [v.2]

Short Title: Blue Ribbon Comm. Recs./Supportive MH Housing. (Public)

Sponsors:

Referred to:

April 4, 2013

A BILL TO BE ENTITLED

AN ACT TO REQUIRE THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO ESTABLISH A SUPPORTIVE HOUSING PROGRAM FOR INDIVIDUALS TRANSITIONING FROM INSTITUTIONAL SETTINGS TO INTEGRATED COMMUNITY-BASED SETTINGS, TO CLARIFY HOW FUNDS APPROPRIATED TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR THE ESTABLISHMENT AND OPERATION OF THIS PROGRAM SHALL BE USED, AND TO CREATE A COMMUNITY LIVING HOUSING FUND WITHIN THE HOUSING FINANCE AGENCY TO INTEGRATE INDIVIDUALS WITH DISABILITIES INTO COMMUNITY-BASED SUPPORTED HOUSING.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 122C-3 is amended by adding a new subdivision to read:

"(20c) "Local management entity/managed care organization" or "LME/MCO" means a local management entity that is under contract with the Department to operate the combined Medicaid Waiver program authorized under section 1915(b) and section 1915(c) of the Social Security Act."

SECTION 2.(a) Chapter 122C of the General Statutes is amended by adding a new Article to read:

"Article 1B.

"Transitions to Community Living.

"Part 1. North Carolina Supportive Housing Program.

"**§ 122C-20.5. Definitions.**

The following definitions apply in this Article:

(1) In-reach activities. – Education and information provided by the Department or an LME/MCO by individuals who are knowledgeable about community services and supports to residents of adult care homes or State psychiatric hospitals about the benefits and financial aspects of clinically appropriate, community-based supportive housing in an integrated setting. The term includes all of the following: (i) facilitating and accompanying residents' visits to supportive housing apartments, (ii) assessing residents' interest in supportive housing, (iii) exploring and addressing residents' concerns about moving to supportive housing, (iv) reviewing residents' housing preferences, and (v) providing opportunities for residents to meet with other individuals with disabilities who are living, working, and receiving services in integrated

settings, their families, and community providers. This term does not include education or information provided by adult care homes.

(2) Individual with serious mental illness or SMI. – An individual who is 18 years of age or older with a mental illness or disorder that is described in the Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition, that impairs or impedes functioning in one or more major areas of living and is unlikely to improve without treatment, services, supports, or all three. The term does not include a primary diagnosis of Alzheimer's disease or dementia.

(3) Individual with serious and persistent mental illness or SPMI. – A person who is 18 years of age or older who meets one of the following criteria:

a. Has a mental illness or disorder that is so severe and chronic that it prevents or erodes development of functional capacities in primary aspects of daily life such as personal hygiene and self-care, decision making, interpersonal relationships, social transactions, learning, and recreational activities.

b. Is receiving Supplemental Security Income or Social Security Disability Income due to mental illness.

"**§ 122C-20.6. Department to establish statewide supportive housing program for individuals transitioning into community living; purpose.**

The Department of Health and Human Services, in consultation with the North Carolina Housing Finance Agency, shall establish and administer a tenant-based rental assistance program known as the North Carolina Supportive Housing Program. The purpose of the program is to transition individuals diagnosed with serious mental illness or serious and persistent mental illness from institutional settings to more integrated community-based settings appropriate to meet their needs. Under the program, the Department, in consultation with the North Carolina Housing Finance Agency and LME/MCOs, shall arrange for program participants to be placed in housing slots available through the program with all the rights and obligations created by a landlord-tenant relationship.

"**§ 122C-20.7. Administration of housing subsidies for supportive housing.**

The Department may enter into a contract with a private vendor to serve as the housing subsidy administrator for the North Carolina Supportive Housing Program with responsibility for distributing rental vouchers and community living vouchers to program participants based on a formula developed by the Department.

"**§ 122C-20.8. Eligibility requirements for NC Supportive Housing Program.**

The Division of Aging and Adult Services shall adopt rules to establish eligibility requirements for the program. The eligibility requirements shall, at a minimum, include income eligibility requirements and requirements to give priority for program participation and transition services to individuals diagnosed with serious mental illness or serious and persistent mental illness who are currently residing in institutional settings. The Division may adopt temporary rules necessary to implement this Article.

"**§ 122C-20.9. In-reach activities for supportive housing.**

The Department shall have ongoing responsibility for developing and distributing a list of potentially eligible program participants for each LME/MCO by catchment area. Upon receipt of this information, each LME/MCO shall have ongoing responsibility for prioritizing the list of individuals to whom it will provide in-reach activities in order to (i) arrange an in-person meeting with potentially eligible participants to determine their eligibility and level of interest and (ii) report back to the Department on the LME/MCO's recommended list of program participants on a daily basis. Upon receipt of an LME/MCO's recommended list of program participants, the Department shall make a final determination of eligibility.

"**§ 122C-20.10. Allocation of supportive housing slots to LME/MCOs.**

The Department shall annually determine the number of housing slots to be allocated to each LME/MCO as follows:

(1) Each year, the Department shall distribute at least fifty percent (50%) of the housing slots available through this program equally among all LME/MCOs.

(2) The Department shall award additional housing slots to LME/MCOs based on local need, as determined by the information provided by LME/MCOs to the Department in accordance with G.S. 122C-20.9.

"**§ 122C-20.11. Transition of program participants into housing slots.**

The LME/MCO shall develop a written transition plan for each individual determined to be eligible and interested in participating in the North Carolina Supportive Housing Program. The transition plan for the approved housing slot shall identify at least all of the following:

(1) Available housing units that meet the individual's needs.

(2) Any transition services that will be necessary for the individual, including, but not limited to, a one-time transition stability payment, not to exceed two thousand dollars ($2,000) per individual, for up-front move-in costs approved by the Department or the housing subsidy administrator.

(3) Solutions to potential barriers to the individual's successful transition to community-based supported housing.

(4) Any other information the Department deems necessary for the individual program participant's successful transition into community-based supported housing.

"**§ 122C-20.12. Transition services.**

LME/MCOs shall provide individualized transition services to program participants within their respective catchment areas for the 90-day period following the individual's transition into a housing slot provided through the program.

"**§ 122C-20.13. Tenancy support services.**

The Department or the housing subsidy administrator shall provide ongoing tenancy support services to program participants.

"**§ 122C-20.14. Approval of landlords and housing units.**

The Department shall develop an application process for owners of housing units seeking to participate in the program as landlords. The application process shall, at a minimum, include an inspection of the owners' selected housing units and a requirement that owners receive educational information from the Department about the North Carolina Supportive Housing Program prior to being approved as landlords.

"**§ 122C-20.15. Annual reporting on NC Supportive Housing Program.**

Annually on October 1, the Department shall report to the General Assembly on the number of individuals within each catchment area who transitioned into housing slots available through the North Carolina Supportive Housing Program during the preceding calendar year. The report shall include a breakdown of all funds expended by each LME/MCO for transitioning these individuals into the housing slots.

"**§ 122C-20.16. NC Supportive Housing Program not an entitlement.**

The Department shall not be required to provide housing slots to individuals beyond the number that can be supported by funds appropriated by the General Assembly for this purpose. The supportive housing program established under this Part, whether administered by the Department or a private entity, is not an entitlement, and nothing in this Part shall create any property right."

SECTION 2.(b) By no later than June 30, 2013, each LME/MCO shall transition at least 15 eligible individuals to community-based supported housing slots available through the North Carolina Supportive Housing Program established under G.S. 122C-20.5.

SECTION 3. Funds appropriated to the Department of Health and Human Services for the 2013-2015 fiscal biennium to develop and implement housing, support, and other

services for people with mental illness pursuant to the Department of Justice settlement agreement shall be used as follows:

(1) The sum of one million seven hundred forty-five thousand two hundred eighty dollars ($1,745,280) for fiscal year 2013-2014 and the sum of three million one hundred twenty thousand thirty-seven dollars ($3,120,037) for fiscal year 2014-2015 shall be used to establish and operate the North Carolina Supportive Housing Program authorized in Article 1B of Chapter 122C of the General Statutes.

(2) The sum of one million four hundred forty thousand dollars ($1,440,000) for fiscal year 2013-2014 and the sum of one million five hundred forty thousand dollars ($1,540,000) for fiscal year 2014-2015 shall be used for program administration for the North Carolina Supportive Housing Program authorized in Article 1B of Chapter 122C of the General Statutes.

(3) The sum of six hundred fifty thousand dollars ($650,000) for fiscal year 2013-2014 and the sum of one million two hundred sixteen thousand dollars ($1,216,000) for fiscal year 2014-2015 shall be used to provide one-time transition stability funds, not to exceed two thousand dollars ($2,000) per individual, to cover the cost of up-front move-in costs for individuals placed in housing slots available through the North Carolina Supportive Housing Program authorized in Article 1B of Chapter 122C of the General Statutes.

(4) Any funds appropriated for the 2014-2015 fiscal year that are not used for the purposes set forth in subdivisions (1) through (3) of this section shall be used to provide a comprehensive array of services that individuals need to transition to and be maintained in the community.

SECTION 4. Chapter 122E of the General Statutes is amended by adding a new section to read:

"**§ 122E-3A. Community Living Housing Fund.**

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

(1) Catchment area. – As defined in G.S. 122C-3.

(2) Targeted units. – Units within Low Income Housing Tax Credit developments that are specifically designed to facilitate the inclusion of individuals with disabilities.

(b) Creation and Source of Funds. – The Community Living Housing Fund is established within the Housing Finance Agency to pay for the transition of individuals diagnosed with severe mental illness or severe and persistent mental illness as defined in G.S. 122C-20.5 from institutional settings to integrated, community-based supported housing and to increase the percentage of targeted housing units available to individuals with disabilities for use in the North Carolina Supportive Housing Program under Article 1B of Chapter 122C of the General Statutes. Beginning with fiscal year 2013-2014, any unexpended, unencumbered balance of the amount appropriated to the Transitions to Community Living Fund established pursuant to Section 10.23A.(d) of S.L. 2012-142 at the end of each fiscal year shall not revert but shall be transferred and made available to the Community Living Housing Fund.

(c) Use of Funds. – The North Carolina Housing Finance Agency, in consultation with the Department of Health and Human Services, shall be responsible for administering the Community Living Housing Fund. The monies in the Fund shall be available for expenditure only upon an act of appropriation by the General Assembly and only for the following purposes:

(1) To provide permanent community-based housing in integrated settings appropriate for individuals with severe mental illness and severe and persistent mental illness.

(2) To support an increase in the number of targeted units for individuals with disabilities located in housing projects funded by the Housing Finance Agency from ten percent (10%) to fifteen percent (15%). The additional targeted units funded shall be made available to the Department of Health and Human Services for use in the North Carolina Supportive Housing Program under Article 1B of Chapter 122C of the General Statutes. Priority for funding of the additional targeted units shall be given to units to be located in catchment areas identified by the Department of Health and Human Services, in consultation with the North Carolina Housing Finance Agency and LME/MCOs, as having the greatest need for targeted units.

SECTION 5 The Transitions to Community Living Fund established pursuant to Section 10.23A.(d) of S.L. 2012-142 terminates on June 30, 2020, and any balance remaining on that date shall revert to the General Fund.

SECTION 6. Section 3 of this act becomes effective July 1, 2013. The remainder of this act is effective when it becomes law.

2013-2014 General Assembly

SENATE BILL 663: Blue Ribbon Comm. Recs./Supportive MH Housing

Committee:	Senate Appropriations/Base Budget	**Date:**	June 10, 2013
Introduced by:	Sen. Hise	**Prepared by:**	Luke Gillenwater Committee Counsel
Analysis of:	PCS to Second Edition S663-CSMD-11		

SUMMARY: ***Senate Bill 663 establishes a tenant based rental assistance program to be known as the NC Supportive Housing Program to help transition persons with serious mental illness (SMI) and serious and persistent mental illness (SPMI) from institutional settings to more integrated community based living as appropriate for their needs and directs that certain funds appropriated to DHHS be used to implement the program. The bill also establishes a Community Living Housing Fund within the Housing Finance Agency to be used to provide permanent community based housing to individuals diagnosed with SMI and SPMI and to increase the number of targeted units available for individuals with disabilities and make them available to the Supportive Housing Program.***

The First Edition of S663 was a recommendation of the Housing Subcommittee of the Blue Ribbon Commission on Transitions to Community Living.

This PCS (i) adjusts Section 3 to direct that certain funds appropriated to DHHS for the 2013-2015 fiscal biennium be used to implement the NC Supportive Housing Program and clarifies that remaining funds be used to provide a comprehensive array of services individuals need in order to transition to and be maintained in the community; (ii) deletes former Section 5 in its entirety because the funds necessary to expand the North Carolina Assistive Technology Program were not included in the Senate budget; and (iii) corrects the effective date of Section 3 to July 1, 2013.

BILL ANALYSIS: **Section 1** adds a definition of "Local management entity/managed care organization to G.S. 122C-3.

Section 2.(a) adds Article 1B to Chapter 122 and creates the North Carolina Supportive Housing Program.

G.S. 122C-20.5 provides definitions for the new Article. *"In reach activities"* include education and information provided by DHHS and the LME/MCO's about the benefits and financial aspects of clinically appropriate community-based supported housing. The term includes facilitating and accompanying individuals to view supported housing units, assessing interest and exploring concerns about moving to supported housing, reviewing housing preferences and providing opportunities to meet with individuals who are living, working, and receiving services in integrated settings. It does not include information provided by adult care homes. Individuals with" *serious mental illness (SMI)"* are those who have been diagnosed with a mental illness or disorder that impairs or impedes functioning in one or more major areas of living and who are not likely to improve without treatment, supports, or services. It does not include persons with Alzheimer's disease or dementia. Individuals with *"serious and persistent mental illness(SPMI)"* are 18 or older, have a mental illness so severe and chronic that it prevents or erodes functional capacities in primary aspects of daily life, and who are receiving SSI or Social Security Disability Income due to mental illness.

G.S. 122C-20.6 directs DHHS, in consultation with the NC Housing Finance Agency to establish and administer a tenant based rental program. The purpose of the program is to transition persons diagnosed with SMI or SPMI out of institutional settings to more integrated community based settings. The program shall provide for individuals to be placed in housing slots available through the program with all the rights and obligations of a landlord-tenant relationship.

G.S. 122C-20.7 authorizes DHHS to contract with a private vendor to serve as the housing subsidy administrator and to distribute rental vouchers and community living vouchers to program participants based on DHHS developed formulas.

G.S. 122C-20.8 directs the Division of Aging and Adult Services to adopt rules on the eligibility requirements for the program, including income eligibility and priority for individuals with SMI/SPMI who live in institutional settings.

G.S. 122C-20.9 provides DHHS with ongoing responsibility to develop and distribute a list of potentially eligible individuals for the program for each LME/MCO. The LME/MCO must prioritize the list and arrange for in person meetings with potentially eligible participants to determine their level or interest. The LME/MCO's must report back to DHHS on the LME/MCO's recommended list of program participants on a daily basis. Upon receipt of the report DHHS shall make the final determination on eligibility.

G.S. 122C-20.10 provides for DHHS to annually determine the number of housing slots to be allocated. Each year 50% of the slots available will be equally distributed among all LME/MCO's. Additional slots will be allocated based on local need as determined by information submitted by the LME/MCO's.

G.S. 122C-20.11 requires LME/MCO's to develop individual, written transition plans that include (1) available housing units that meet the individual's needs; (2) necessary transition services including a one-time stability payment up to $2,000 for up front move in costs; (3) solutions to potential barriers to successful transition; and (4) other information DHHS deems necessary for successful transition.

G.S. 122C-20.12 directs LME/MCO's to provide individualized transition services to program participants for the first 90 days after the transition to a housing slot.

G.S. 122C-20.13 directs DHHS or the housing subsidy administrator to provide ongoing tenancy support services.

G.S. 122C-20.14 directs DHHS to develop an application process for landlords seeking to participate in the program. The process will include an inspection of the selected housing units and require that the landlord receive educational information about the program before being approved.

G.S. 122C-15 requires annual reports by DHHS to the General Assembly on the number of individuals in each catchment area who transitioned into housing slots through the program in the previous year including a breakdown of funds expended by the LME/MCO's to transition the individuals.

G.S. 122C-16 establishes that the program is not an entitlement. DHHS is not required to provide housing slots beyond the number that can be supported by appropriations by the General Assembly for that purpose.

Section 2.(b) requires each LME/MCO to transition at least 15 eligible individuals to community based housing slots by June 30, 2013.

Section 3 provides that funds appropriated to DHHS for the 2013-2015 fiscal biennium to develop and implement housing, support, and other services for people with mental illness pursuant to the Department of Justice Settlement Agreement shall be used as follows:

- $1,745,280 for FY 2013-2014 and $3,120,037 for FY 2014-2015 to establish and operate the NC Supportive Housing Program.
- $1,440,000 for FY 2013-2014 and $1,540,000 for FY 2014-2015 for program administration.
- $650,000 for FY 2013-2014 and $1,216,000 for FY 2014-2015 to provide one-time transition stability funds (not to exceed $2,000 per individual).
- Any remaining funds to provide a comprehensive array of services individuals need in order to transition to and be maintained in the community.

Section 4 establishes a Community Living Housing Fund within the Housing Finance Authority. The Fund will consist of unexpended and unencumbered money appropriated to the Transitions to Community Living Fund beginning in FY 2013-2014. The Fund shall be used, only on appropriation by the General Assembly, to (1) provide permanent community based housing for individuals with SMI or SPMI and (2) support an increase in the number of targeted units for individuals with disabilities located in housing projects funded by the Housing Finance Agency from 10% to 15%. The additional targeted units will be made available to DHHS for the Supportive Housing Program.

Section 5 sets a sunset date of June 30, 2020 for the Transitions to Community Living Fund established pursuant to S.L. 2012-142. Any balance remaining in that fund on that date shall revert to the General Fund.

EFFECTIVE DATE: Sections 3 becomes effective July 1, 2013. The remainder of the act is effective when it becomes law.

Barbara Riley, counsel to Senate Health Care, substantially contributed to this summary.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

S 2

SENATE BILL 663
Health Care Committee Substitute Adopted 5/29/13

Short Title: Blue Ribbon Comm. Recs./Supportive MH Housing. (Public)

Sponsors:

Referred to:

April 4, 2013

A BILL TO BE ENTITLED

AN ACT TO REQUIRE THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO ESTABLISH A SUPPORTIVE HOUSING PROGRAM AND AN ASSISTIVE TECHNOLOGY REUTILIZATION PROGRAM FOR INDIVIDUALS TRANSITIONING FROM INSTITUTIONAL SETTINGS TO INTEGRATED COMMUNITY-BASED SETTINGS, TO APPROPRIATE FUNDS TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR THE ESTABLISHMENT AND OPERATION OF THESE PROGRAMS, AND TO CREATE COMMUNITY LIVING HOUSING FUND WITHIN THE HOUSING FINANCE AGENCY TO INTEGRATE INDIVIDUALS WITH DISABILITIES INTO COMMUNITY-BASED SUPPORTED HOUSING.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 122C-3 is amended by adding a new subdivision to read:

"(20c) "Local management entity/managed care organization" or "LME/MCO" means a local management entity that is under contract with the Department to operate the combined Medicaid Waiver program authorized under Section 1915(b) and Section 1915(c) of the Social Security Act."

SECTION 2.(a) Chapter 122C of the General Statutes is amended by adding a new Article to read:

"Article 1B.

"Transitions to Community Living.

"Part 1. North Carolina Supportive Housing Program.

"**§ 122C-20.5. Definitions.**

The following definitions apply in this Article:

(1) In-reach activities. – Education and information provided by the Department or an LME/MCO by individuals who are knowledgeable about community services and supports to residents of adult care homes or State psychiatric hospitals about the benefits and financial aspects of clinically appropriate, community-based supportive housing in an integrated setting. The term includes all of the following: (i) facilitating and accompanying residents' visits to supportive housing apartments, (ii) assessing residents' interest in supportive housing, (iii) exploring and addressing residents' concerns about moving to supportive housing, (iv) reviewing residents' housing preferences, and (v) providing opportunities for residents to meet with other individuals with disabilities who are living, working, and receiving services in integrated settings; their families; and community providers. This term does not include education or information provided by adult care homes.

(2) Individual with serious mental illness or SMI. – An individual who is 18 years of age or older with a mental illness or disorder that is described in the Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition, that impairs or impedes functioning in one or more major areas of living and is unlikely to improve without treatment, services, supports, or all three. The term does not include a primary diagnosis of Alzheimer's disease or dementia.

(3) Individual with serious and persistent mental illness or SPMI. – A person who is 18 years of age or older who meets one of the following criteria:

a. Has a mental illness or disorder that is so severe and chronic that it prevents or erodes development of functional capacities in primary aspects of daily life such as personal hygiene and self-care, decision making, interpersonal relationships, social transactions, learning, and recreational activities.

b. Is receiving Supplemental Security Income or Social Security Disability Income due to mental illness.

"**§ 122C-20.6. Department to establish statewide supportive housing program for individuals transitioning into community living; purpose.**

The Department of Health and Human Services, in consultation with the North Carolina Housing Finance Agency, shall establish and administer a tenant-based rental assistance program known as the North Carolina Supportive Housing Program. The purpose of the program is to transition individuals diagnosed with serious mental illness or serious and persistent mental illness from institutional settings to more integrated community-based settings appropriate to meet their needs. Under the program, the Department, in consultation with the North Carolina Housing Finance Agency and LME/MCOs, shall arrange for program participants to be placed in housing slots available through the program with all the rights and obligations created by a landlord-tenant relationship.

"**§ 122C-20.7. Administration of housing subsidies for supportive housing.**

The Department may enter into a contract with a private vendor to serve as the housing subsidy administrator for the North Carolina Supportive Housing Program with responsibility for distributing rental vouchers and community living vouchers to program participants based on a formula developed by the Department.

"**§ 122C-20.8. Eligibility requirements for NC Supportive Housing Program.**

The Division of Aging and Adult Services shall adopt rules to establish eligibility requirements for program. The eligibility requirements shall, at a minimum, include income eligibility requirements and requirements to give priority for program participation and transition services to individuals diagnosed with serious mental illness or serious and persistent who are currently residing in institutional settings. The Division may adopt temporary rules necessary to implement this article.

"**§ 122C-20.9. In-reach activities for supportive housing.**

The Department shall have ongoing responsibility for developing and distributing a list of potentially eligible program participants for each LME/MCO by catchment area. Upon receipt of this information, each LME/MCO shall have ongoing responsibility for prioritizing the list of individuals to whom it will provide in-reach activities in order to (i) arrange an in-person meeting with potentially eligible participants to determine their eligibility and level of interest and (ii) report back to the Department on the LME/MCO's recommended list of program participants on a daily basis. Upon receipt of an LME/MCO's recommended list of program participants, the Department shall make a final determination of eligibility.

"**§ 122C-20.10. Allocation of supportive housing slots to LME/MCOs.**

The Department shall annually determine the number of housing slots to be allocated to each LME/MCO as follows:

(1) Each year, the Department shall distribute at least fifty percent (50%) of the housing slots available through this program equally among all LME/MCOs.
(2) The Department shall award additional housing slots to LME/MCOs based on local need, as determined by the information provided by LME/MCOs to the Department in accordance with G.S. 122C-20.9.

"**§ 122C-20.11. Transition of program participants into housing slots.**

The LME/MCO shall develop a written transition plan for each individual determined to be eligible and interested in participating in the North Carolina Supportive Housing Program. The transition plan for the approved housing slot shall identify at least all of the following:

(1) Available housing units that meet the individual's needs.
(2) Any transition services that will be necessary for the individual, including, but not limited to, a one-time transition stability payment, not to exceed two thousand dollars ($2,000) per individual, for up-front move-in costs approved by the Department or the housing subsidy administrator.
(3) Solutions to potential barriers to the individual's successful transition to community-based supported housing.
(4) The individual's assistive technology needs, as determined by an assessment conducted in accordance with G.S. 168-18.3.
(5) Any other information the Department deems necessary for the individual program participant's successful transition into community-based supported housing.

"**§ 122C-20.12. Transition services.**

LME/MCOs shall provide individualized transition services to program participants within their respective catchment areas for the 90-day period following the individual's transition into a housing slot provided through the program.

"**§ 122C-20.13. Tenancy support services.**

The Department or the housing subsidy administrator shall provide ongoing tenancy support services to program participants.

"**§ 122C-20.14. Approval of landlords and housing units.**

The Department shall develop an application process for owners of housing units seeking to participate in the program as landlords. The application process shall, at a minimum, include an inspection of the owners' selected housing units and a requirement that owners receive educational information from the Department about the North Carolina Supportive Housing Program prior to being approved as landlords.

"**§ 122C-20.15. Annual reporting on NC Supportive Housing Program.**

Annually on October 1, the Department shall report to the General Assembly on the number of individuals within each catchment area who transitioned into housing slots available through the North Carolina Supportive Housing Program during the preceding calendar year. The report shall include a breakdown of all funds expended by each LME/MCO for transitioning these individuals into the housing slots.

"**§ 122C-20.16. NC Supportive Housing Program not an entitlement.**

The Department shall not be required to provide housing slots to individuals beyond the number that can be supported by funds appropriated by the General Assembly for this purpose. The supportive housing program established under this Part, whether administered by the Department or a private entity, is not an entitlement, and nothing in this Part shall create any property right."

SECTION 2.(b) By no later than June 30, 2013, each LME/MCO shall transition at least 15 eligible individuals to community-based supported housing slots available through the North Carolina Supportive Housing Program established under G.S. 122C-20.5.

SECTION 3. There is appropriated from the General Fund to the Department of Health and Human Services, the sum of three million eight hundred thirty-five thousand two

hundred eighty dollars ($3,835,280) for the 2013-2014 fiscal year and the sum of five million eight hundred seventy-six thousand dollars ($5,876,000) for the 2014-2015 fiscal year. These funds shall be used as follows:

(1) The sum of one million seven hundred forty-five thousand two hundred eighty dollars ($1,745,280) for fiscal year 2013-2014 and the sum of three million one hundred twenty thousand thirty-seven dollars ($3,120,037) for fiscal year 2014-2015 shall be used to establish and operate the North Carolina Supportive Housing Program authorized in G.S. 122C-20.5.

(2) The sum of one million four hundred forty thousand dollars ($1,440,000) for fiscal year 2013-2014 and the sum of one million five hundred forty thousand dollars ($1,540,000) for fiscal year 2014-2015 shall be used for program administration for the North Carolina Supportive Housing Program authorized in G.S. 122C-20.5.

(3) The sum of six hundred fifty thousand dollars ($650,000) for fiscal year 2013-2014 and the sum of one million two hundred sixteen thousand dollars ($1,216,000) for fiscal year 2014-2015 shall be used to provide one-time transition stability funds, not to exceed two thousand dollars ($2,000) per individual, to cover the cost of up-front move-in costs for individuals placed in housing slots available through the North Carolina Supportive Housing Program authorized in G.S. 122C-20.5.

SECTION 4. Chapter 122E of the General Statutes is amended by adding a new section to read:

"**§ 122E-3A. Community Living Housing Fund.**

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

(1) Catchment area. – As defined in G.S. 122C-3.

(2) Targeted units. – Units within Low Income Housing Tax Credit developments that are specifically designed to facilitate the inclusion of individuals with disabilities.

(b) Creation and Source of Funds. – The Community Living Housing Fund is established within the Housing Finance Agency to pay for the transition of individuals diagnosed with severe mental illness or severe and persistent mental illness as defined in G.S. 122C-20.5 from institutional settings to integrated, community-based supported housing and to increase the percentage of targeted housing units available to individuals with disabilities for use in the North Carolina Supportive Housing Program under Article 1B of Chapter 122C of the General Statutes. Beginning with fiscal year 2013-2014, any unexpended, unencumbered balance of the amount appropriated to the Transitions to Community Living Fund pursuant to Section 10.23A of S.L. 2012 at the end of each fiscal year shall not revert but shall be transferred and made available to the Community Living Housing Fund.

(c) Use of Funds. – The North Carolina Housing Finance Agency, in consultation with the Department of Health and Human Services, shall be responsible for administering the Community Living Housing Fund. The monies in the Fund shall be available for expenditure only upon an act of appropriation by the General Assembly and only for the following purposes:

(1) To provide permanent community-based housing in integrated settings appropriate for individuals with severe mental illness and severe and persistent mental illness.

(2) To support an increase in the number of targeted units for individuals with disabilities located in housing projects funded by the Housing Finance Agency from ten percent (10%) to fifteen percent (15%). The additional targeted units funded shall be made available to the Department of Health and Human Services for use in the North Carolina Supportive Housing

Program under Article 1B of Chapter 122C of the General Statutes. Priority for funding of the additional targeted units shall be given to units to be located in catchment areas identified by the Department of Health and Human Services, in consultation with the North Carolina Housing Finance Agency and LME/MCOs, as having the greatest need for targeted units.

(d) Sunset. – The Transitions to Community Living Fund terminates on June 30, 2020, and any balance remaining on that date shall revert to the General Fund.

SECTION 5.(a) Chapter 168 of the General Statutes is amended by adding a new Article to read:

"Article 2A.

"Assistive Technology for Individuals Transitioning Into Community Living.

"**§ 168-18. Definitions.**

The following definitions apply in this Article:

(1) Assistive technology device or ATD. – Any item, piece of equipment, or product system, whether acquired commercially, modified, or customized, that is used to increase, maintain, or improve the functional capacities of individuals with disabilities. This term includes durable medical equipment.

(2) Assistive technology services. – A device, service, strategy, or practice used to increase or improve functional capabilities of individuals with disabilities.

(3) Department. – North Carolina Department of Health and Human Services.

(4) Durable medical equipment or DME. – Equipment that meets all of the following criteria:

a. Can withstand repeated use.

b. Is primarily and customarily used to serve a medical purpose.

c. Generally is not useful to a person in the absence of an illness or injury.

d. Is appropriate for use in the home.

(5) Individuals with disabilities. – Individuals with serious mental illness, as defined in G.S. 122C-20.5, or serious and persistent mental illness, as defined in G.S. 122C-20.5, who are transitioning from institutional settings to integrated, community-based settings.

(6) Professional assistive technology consultant. – An individual who is certified as an assistive technology practitioner by an accrediting body approved by the Secretary or an individual who is employed by the Department as an assistive technology consultant.

(7) Secretary. – Secretary of the North Carolina Department of Health and Human Services.

"**§ 168-18.1. Department to establish assistive technology reutilization program for individuals with disabilities transitioning into integrated, community-based settings.**

The Department shall expand the North Carolina Assistive Technology Program to include an assistive technology reutilization program. The purpose of the assistive technology reutilization program is for the Department to (i) retrieve ATDs purchased with State funds, including durable medical equipment purchased through the State Medicaid Program, from consumers who no longer utilize the ATDs and (ii) catalogue, refurbish, sanitize, store, and reassign the ATDs to individuals with disabilities.

"**§ 168-18.2. Preference for the assistive technology reutilization program.**

Prior to purchasing a new ATD for an individual with a disability, each Division within the Department and each LME/MCO shall determine if a suitable refurbished ATD is available through the assistive technology reutilization program authorized in G.S. 168-18. If available, the Division or LME/MCO shall provide the refurbished ATD to the individual in lieu of

purchasing, or facilitating the purchase of, a new ATD; provided, however, the Division or an LME/MCO may purchase a new ATD for an individual with a disability if the cost of transporting the refurbished ATD to the individual would outweigh the cost of purchasing a new ATD. The Division or LME/MCO shall provide each recipient of a new or refurbished ATD with information about the assistive technology reutilization program.

"**§ 168-18.3. Outreach and training on assistive technology.**

The Department and LME/MCOs shall provide or arrange for outreach and training on assistive technology devices for individuals with disabilities and professionals working with these individuals. This outreach and training shall be conducted by individuals who are knowledgeable about assistive technology and local community services and supports and shall, at a minimum, include general information about the assistive technology reutilization program, ATDs, how to include ATDs in the transition planning process, and various statewide resources for accessing assistive technology services, ATD demonstrations, and ATD loans.

"**§ 168-18.4. Assessment of assistive technology needs.**

The Department or an LME/MCO, as appropriate, shall arrange for each individual with a disability within its catchment area to undergo at least two assistive technology assessments by a professional assistive technology consultant, one during the planning phase of the individual's transition to an integrated, community-based setting and a second upon the individual's transition into that setting. The assistive technology assessment conducted during the transition planning phase shall be included in the individual's transition plan developed in accordance with G.S. 122C-20.11. The purpose of the assistive technology assessment is to determine the individual's specific assistive technology needs based on functional ability, environment, the tasks to be completed with the assistive technology, and available technology options. The assistive technology assessment shall cover the individual's home, independent living environment, employment setting, or all three, as needed.

"**§ 168-18.5. Assistive technology device demonstrations and loans.**

The Department or an LME/MCO, as appropriate, shall arrange for individuals with disabilities to access ATDs through the North Carolina Assistive Technology Program for trial and demonstration during the planning phase of the individual's transition into an integrated, community-based setting. The purpose of the trial and demonstration is to ensure that the selected ATDs are the best match for the individual considering the individual's functional ability, the environment, and the tasks to be completed with the assistive technology. LME/MCOs may fulfill the requirements of this section by providing hands-on, online, or remote demonstrations of ATDs, or by arranging for loans of ATDs to individuals with disabilities during the planning phase of the individual's transition.

"**§ 168-18.6. Disposal of assistive technology devices and durable medical equipment.**

The Department shall transfer to the Department of Administration donations of assistive technology devices that are deemed unfit for reuse or reassignment under the assistive technology reutilization program. The Department of Administration shall dispose of these donations as State surplus property."

SECTION 5.(b) There is appropriated from the General Fund to the Transitions to Community Living Fund established pursuant to Section 10.23A.(d) of S.L. 2012, the sum of one hundred fifty thousand dollars ($150,000) for the 2014-2015 fiscal year. These funds shall be used to pay for assistive technology assessments and assistive technology devices for individuals with disabilities who are transitioning from institutional settings to integrated, based settings in order to identify the assistive technology devices that are the best match for the individual considering the environment, task, and ability of the user.

SECTION 6. Section 3 of this act becomes effective July 1, 2014. Section 5(b) of this act becomes effective July 1, 2013. The remainder of this act is effective when it becomes law.

Attachment 11

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 12, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom West	Poyner Spruill LLP
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Judy Jenkins	OAPI
Will Graham	MWC
Maeve Hayden	GSK
[illegible]	[illegible]
Will Pauy-Hin	NCHFA
Allen Hardison	CRSCWMA
Erin Wynia	NCLM
Tony Brady	TOG
George T. Smith	NP
Heather Roorman	NCRMA
Cameron Moore	BASE
[illegible]	Legislative Staff
Steve Mitchell	Astellas
Evelyn Hawthorne	EHOR

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 12, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Hugh Johnson	Governor's Office
Calvin Leggett	DOT
Bobby Lewis	NCDOT
Johanna Reese	NCACC
Craig Hughes	NCDOT
Allan Paul	NCDOT
Teresa Hart	NCDOT
Cheryl M. Leonard	NCDOT
Cris Mulder	NCDOT
Kay Emanuel	School of Government
[illegible]	SELC
John Hamlin	NFIB
[illegible]	[illegible]
[illegible]	[illegible]
Kerra Bolton	LCA
Annaliese Dolph	Dolph Law
[illegible]	NCACC

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 12, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
E Nelson	NCHA
Daniel Baum	Troutman Sanders
Jay Peters	CSS
Mike James	ACP
[illegible]	NCRMA

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 12, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Corye Dunn	DRNC
Brooks Rainey Pearson	SELC
Mildred Spearman	NCAOC

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Wednesday, June 12, 2013

Senator Brown,
submits the following with recommendations as to passage:

FAVORABLE

HB **459** Chronic Care Coordination Act.

Draft Number:	None
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

UNFAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL NO. 2, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL NO. 3

HB **817** **(SCS#2)** Strategic Transportation Investments.

Draft Number:	H817-PCS90114-RWx-64
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 2

Senator Louis Pate will handle HB 459
Senator William Rabon will handle HB 817



NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Wednesday, June 12, 2013

Senator Brown,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 2

SB **663** **(CS#1)** Blue Ribbon Comm. Recs./Supportive MH Housing.

Draft Number:	S663-PCS35366-MD-11
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Senator Ralph Hise will handle SB 663



Attachment 2

Senate Committee on Appropriations/Base Budget
Tuesday, June 25, 2013, 8:30 AM
643 Legislative Office Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 336	UNC School of Arts/Student Fees PCS presented for Continuing Resolution	Representative Conrad

Adjournment

Senate Committee on Appropriations/Base Budget
Tuesday, June 25, 2013 at 8:30 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:30 AM on June 25, 2013 in Room 643 of the Legislative Office Building. 17 members were present. Senator Neal Hunt presided. Senator Hunt recognized the Sergeant at Arms' staff and Senate Pages.

Senator Tillman moved to hear the PCS. The motion carried. Senator Brunstetter was recognized to explain the PCS for House Bill 336: **Continuing Budget Authority.**

AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO CONTINUE EXPENDITURES FOR THE OPERATION OF GOVERNMENT AT A PERCENTAGE OF THE LEVEL IN EFFECT ON JUNE 30, 2013.

Following a short discussion period, Senator Tillman moved for a favorable report. The motion carried.

Attachments:

1. Committee Notice
2. Agenda
3. PCS for H. 338
4. Summary of H. 338
5. Visitor's Log
6. Committee Report

The meeting adjourned at 8:38 AM

Senator Neal Hunt, Chair

Kathy Davis, Committee Clerk

Attachment 1

Kathy Davis (Sen. Neal Hunt)

om: Sherry Pearson (Senate LA Office)
ent: Monday, June 24, 2013 07:48 PM
To: Rep. Donny Lambeth; Rep. Edward Hanes; Rep. Debra Conrad; Rep. Evelyn Terry
Cc: Pan Briles (Rep. Donny Lambeth); Tonya Horton (Rep. Edward Hanes); Rachel Delk (Rep. Debra Conrad); Dee Hodge (Rep. Evelyn Terry)
Subject: <NCGA> Senate Appropriations/Base Budget Committee Meeting Notice for Tuesday, June 25, 2013 at 8:30 AM - CORRECTED #1

Principal Clerk ____
Reading Clerk ____

Corrected #1: Remove HB 585; and add HB336

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	June 25, 2013	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 336	UNC School of Arts/Student Fees.	Representative Conrad Representative Lambeth Representative Hanes Representative Terry

PCS presented for Continuing Resolution

Senator Harry Brown, Co-Chair
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H D

HOUSE BILL 336
PROPOSED SENATE COMMITTEE SUBSTITUTE H336-PCS80397-LE-19

Short Title: Continuing Budget Authority. (Public)

Sponsors:

Referred to:

March 20, 2013

A BILL TO BE ENTITLED

AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO CONTINUE EXPENDITURES FOR THE OPERATION OF GOVERNMENT AT A PERCENTAGE OF THE LEVEL IN EFFECT ON JUNE 30, 2013.

The General Assembly of North Carolina enacts:

BUDGET CONTINUATION

SECTION 1. The Director of the Budget may continue to allocate funds for expenditure for current operations by State departments, institutions, and agencies at a level not to exceed ninety-five percent (95%) of the level at which these operations were authorized in S.L. 2012-142, as amended. The Director of the Budget shall implement the budget reductions set out in Senate Bill 402, 3rd edition, and Senate Bill 402, 5th edition, that are not in controversy. The Director of the Budget shall not implement any transfers set out in Senate Bill 402, 3rd edition, Senate Bill 402, 5th edition, or both.

To the extent necessary to implement this authorization, there is appropriated from the appropriate State funds and cash balances, federal receipts, and departmental receipts for 2013-2014 fiscal year funds necessary to carry out this section, except that cash balances subject to proposed transfer in Senate Bill 402, 3rd edition, Senate Bill 402, 5th edition, or both shall not be expended.

Vacant positions subject to proposed budget reductions in Senate Bill 402, 3rd edition, Senate Bill 402, 5th edition, or both shall not be filled after June 30, 2013.

State employees employed in positions subject to elimination in both Senate Bill 402, 3rd edition, and Senate Bill 402, 5th edition, because of a reduction, in total or in part, in the funds used to support the job or its responsibilities shall, as soon as practicable and in accordance with Reduction in Force policies, be provided written notification of termination of employment 30 days prior to the effective date of the termination.

State agencies shall not make grant awards with funds that are subject to proposed budget reductions in Senate Bill 402, 3rd edition, Senate Bill 402, 5th edition, or both.

Except as otherwise provided by this act, the limitations and directions for the 2012-2013 fiscal year in S.L. 2011-145, as amended, and in S.L. 2012-142, as amended, that applied to appropriations to particular agencies or for particular purposes apply to the funds appropriated and authorized for expenditure under this section.

EMPLOYEE SALARIES

SECTION 2. The salary schedules and specific salaries established for the 2012-2013 fiscal year by or under S.L. 2012-142 and in effect on June 30, 2013, for offices and

positions shall remain in effect until the effective date of the Current Operations and Capital Improvements Appropriations Act of 2013.

State employees subject to G.S. 7A-102(c), 7A-171.1, or 20-187.3 shall not move up on salary schedules or receive automatic increases, including automatic step increases, until authorized by the General Assembly.

State employees, including those exempt from the classification and compensation rules established by the State Personnel Commission, shall not receive any automatic step increases, annual, performance, merit, bonuses, or other increments until authorized by the General Assembly.

Public school employees paid on the teacher salary schedule or school-based administrator salary schedule and other employees shall not move up on salary schedules or receive automatic step increases, annual, performance, merit, or other increments until authorized by the General Assembly.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 3.(a) The State's employer contribution rates budgeted for retirement and related benefits for the 2013-2014 fiscal year shall be as provided for in Section 29.22(f) of S.L. 2011-145 and Section 25.10 of S.L. 2012-142.

SECTION 3.(b) The State's employer contribution rates established by this section are effective until the Current Operations and Capital Improvements Appropriations Act of 2013 becomes law and are subject to revision in that act. If the Current Operations and Capital Improvements Appropriations Act of 2013 modifies these rates, the Director of the Budget shall further modify the rates set in that act for the remainder of the 2013-2014 fiscal year so as to compensate for the different amount contributed between July 1, 2013, and the date the Current Operations and Capital Improvements Appropriations Act of 2013 becomes law so that the effective rates for the entire year reflect the rates set in the Current Operations and Capital Improvements Appropriations Act of 2013.

FUNDS SHALL NOT REVERT

SECTION 4.(a) If the provisions of either Senate Bill 402, 3rd edition, Senate Bill 402, 5th edition, or both direct that funds shall not revert, the funds shall not revert on June 30, 2013. Unless these funds are encumbered on or before June 30, 2013, these funds shall not be expended after June 30, 2013, except as provided by a law enacted after June 30, 2013.

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

CORRECTION TO 2013-2014 BUDGET BILL REPEALED

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

STATE CONTROLLER SHALL NOT TRANSFER FUNDS ON JUNE 30

SECTION 6.(a) Notwithstanding G.S. 143C-4-3, for the 2012-2013 fiscal year only, funds shall not be reserved to the Repairs and Renovations Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Repairs and Renovation Reserve Account on June 30, 2013.

SECTION 6.(b) Notwithstanding G.S. 143C-4-2, for the 2012-2013 fiscal year only, funds shall not be reserved to the Savings Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Savings Reserve Account on June 30, 2013.

SECTION 6.(c) This section becomes effective June 30, 2013.

FEDERAL BLOCK GRANTS

SECTION 7.(a) Except as provided by subsection (b) of this section, the Director of the Budget shall continue to allocate DHHS federal block grant funds at the levels provided in Section 10.25 of S.L. 2012-142, and as otherwise provided by law, and appropriations from DHHS federal block grants are hereby made. Further, the Quality and Availability Initiatives item under Local Program Expenditures of the Child Care and Development Block Grant shall be funded at ninety percent (90%) of the 2012-2013 fiscal year funding level. However, the Women's Health and Oral Health items under Local Program Expenditures and the Health Promotion item under the Department of Health and Human Services Program Expenditures of the Maternal and Child Health Block Grant shall not be funded.

SECTION 7.(b) Subject to the provisions of subsection (a) of this section, the Director of the Budget shall allocate DHHS federal block grant funds at the levels provided in Senate Bill 402, 3rd edition, and Senate Bill 402, 5th edition, for the following block grants that are not in controversy:

(1) Temporary Assistance for Needy Families (TANF) Funds.

(2) Temporary Assistance for Needy Families (TANF) Emergency Contingency Funds.

(3) Substance Abuse Prevention and Treatment Block Grant.

SECTION 7.(c) Notwithstanding any other provision of this section, if funds appropriated for an item in Section 10.25 of S.L. 2012-142, and as otherwise provided by law, are not appropriated for that item in Senate Bill 402, 3rd edition, or Senate Bill 402, 5th edition, that item shall not be funded.

SECTION 7.(d) Appropriations from NER federal Block Grant funds are made for the fiscal year ending June 30, 2014, according to the schedules enacted for State fiscal year 2012-2013, or until a new schedule is enacted by the General Assembly. The schedule of NER federal Block Grants and governing provisions are specified in Section 13.1 of S.L. 2012-142.

MEDICAID STATE PLAN AMENDMENTS

SECTION 8.(a) To achieve the proposed budget reductions for the 2013-2015 fiscal biennium, the Department of Health and Human Services shall do all of the following:

(1) Prepare the necessary State Plan amendments to the Centers for Medicare and Medicaid Services that reflect the Medicaid reduction items in Senate Bill 402, 3rd edition, or Senate Bill 402, 5th edition.

(2) Submit the necessary State Plan amendments to the Centers for Medicare and Medicaid Services that reflect the Medicaid reduction items where the amount of the reduction is identical in both Senate Bill 402, 3rd edition, and Senate Bill 402, 5th edition.

SECTION 8.(b) The Department shall amend or withdraw any unnecessary State Plan amendments when reductions enacted in the Current Operations and Capital Improvements Appropriations Act of 2013 become law.

PUBLIC SCHOOLS

SECTION 9. Effective July 1, 2013, there is appropriated from the General Fund to the Department of Public Instruction the sum of ten million six hundred fifty-one thousand three hundred twenty-nine dollars ($10,651,329) for the 2013-2014 fiscal year to fully fund increases in average daily membership in public schools, subject to adjustment by the General Assembly.

COMMUNITY COLLEGE TUITION INCREASE

SECTION 10.(a) The in-State tuition rate for community college students shall be seventy-one dollars and fifty cents ($71.50) per credit hour. The out-of-State tuition rate shall be two hundred sixty-three dollars and fifty cents ($263.50) per credit hour.

SECTION 10.(b) The fees charged for community college continuing education courses shall be based on the number of hours of class time. The fees shall be as follows:

(1) Classes 1-24 hours – $70.00.
(2) Classes 25-50 hours – $125.00.
(3) Classes 51+ hours – $180.00.

EXCESS LOTTERY RECEIPTS

SECTION 11.(a) Excess lottery receipts realized in the 2012-2013 fiscal year shall not be transferred out of the Education Lottery Fund in accordance with G.S. 18C-164(f) or any other provision of law. These excess funds shall remain in the Education Lottery Fund until appropriated by the General Assembly.

SECTION 11.(b) This section becomes effective June 30, 2013.

CERTAIN INFORMATION TECHNOLOGY FUNDS SHALL REMAIN IN THE OFFICE OF INFORMATION TECHNOLOGY SERVICES

SECTION 12.(a) Section 6A.5(c1) of S.L. 2012-142 reads as rewritten:

"**SECTION 6A.5.(c1)** To offset the transfer in this act of fourteen million dollars ($14,000,000) from the Information Technology Internal Service Fund to the State Controller, the sum of two million eight hundred thousand dollars ($2,800,000) shall ~~be transferred to agencies utilizing federal funding for IT Internal Service Fund payments~~ remain at the Office of Information Technology Services until required to provide the appropriate refunds to the federal government. Information Technology Services shall be allowed to retain this amount in excess of its allowed defined contingency balance."

SECTION 12.(b) This section becomes effective June 30, 2013.

ADDITIONAL FUNDS TO COVER MEDICAID SHORTFALL

SECTION 13.(a) Section 1 of S.L. 2013-56 reads as rewritten:

"**SECTION 1.** Notwithstanding G.S. 143C-6-4 or any other provision of law, in order to ensure that there is adequate funding in the Medicaid budget for the 2012-2013 fiscal year, the General Assembly directs the Director of the Budget, in conjunction with the State Controller and other necessary State officials, to effectuate the budget adjustments authorized in Section 2 of this act in an amount not to exceed ~~four hundred fifty-one million dollars ($451,000,000)~~ four hundred ninety-six million dollars ($496,000,000) to cover a projected budget shortfall.~~shortfall of three hundred thirty-three million dollars ($333,000,000) and the repayment of Medicaid federal drug rebates in the amount of one hundred eighteen million dollars ($118,000,000).~~ No other budget adjustments shall be made pursuant to G.S. 143C-6-4 or any other provision of law to cover a projected Medicaid budget shortfall for the 2012-2013 fiscal year."

SECTION 13.(b) Section 2 of S.L. 2013-56 reads as rewritten:

"**SECTION 2.** The Director of the Budget shall make the following adjustments to increase the budget of the Division of Medical Assistance. These adjustments are set forth in priority order, and no adjustment shall be made until the preceding adjustment has been completely exhausted in the permissible amount:

(1) Use the sum of seventy-four million dollars ($74,000,000) from drug rebate refunds within the Division of Medical Assistance. These funds are hereby appropriated.

(2) Transfer the sum of twenty million nine hundred thousand dollars ($20,900,000) from State appropriations not expended pursuant to Section 10.9G of S.L. 2012-142.

(3) Transfer a minimum of ~~forty-eight million dollars ($48,000,000)~~ eighty-four million five hundred thirty-nine thousand nine hundred dollars ($84,539,900) from projected reversions within the Department of Health and Human Services, including any unspent or unobligated State appropriations from the Transitions to Community Living Fund. However, before these projected reversions may be expended, all payments required under Section 10.23A(f) of S.L. 2012-142 and S.L. 2013-5 must be made.

(4) Use the sum of two hundred thirteen million four hundred thirty-two thousand eight hundred seventy-eight dollars ($213,432,878) from the June 30, 2012, unreserved fund balance. These funds are hereby appropriated.

(5) Transfer of projected revenue overcollections for the 2012-2013 fiscal year in the amount of up to ninety-four million six hundred sixty-seven thousand one hundred twenty-two dollars ($94,667,122). These funds are hereby appropriated.

(6) Use eight million four hundred sixty thousand one hundred dollars ($8,460,100) in federal Block Grant funds. The sum of six million five hundred thousand dollars ($6,500,000) is hereby appropriated from available Temporary Assistance for Needy Families Emergency Contingency Funds and the sum of one million nine hundred sixty thousand one hundred dollars ($1,960,100) is hereby appropriated from Temporary Assistance for Needy Families Funds."

SECTION 13.(c) This section is effective when it becomes law.

EFFECTIVE DATE

SECTION 14. Except as otherwise provided, this act becomes effective July 1, 2013, and expires July 31, 2013, at 11:59 P.M.

HOUSE BILL 336:
Continuing Budget Authority

2013-2014 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	June 24, 2013
Introduced by:		**Prepared by:**	Luke Gillenwater
Analysis of:	PCS to First Edition H336-CSLE-19		Committee Co-Counsel

SUMMARY: House Bill 336 authorizes the Director of the Budget to continue expenditures for the 2013-2014 fiscal year at a level not to exceed 95% of the level at which operations were authorized for the 2012-2013 fiscal year and makes various other provisions for the continued operation of State government until a budget bill is enacted.

BILL ANALYSIS:

Section 1: Does the following:

- Authorizes the Director of the Budget to continue to allocate funds for expenditure for operations by State departments, institutions, and agencies at a level not to exceed 95% of the level at which operations were authorized in S.L. 2012-142, as amended.
- Instructs the Director of the Budget to implement budget reductions set out in Senate Bill 402, 3rd edition, and Senate Bill 402, 5th edition, that are not in controversy.
- Prohibits the Director of the Budget from implementing any transfers set out in either or both editions of Senate Bill 402.
- Except for cash balances subject to transfer in either or both editions of Senate Bill 402, appropriates State funds and cash balances, federal receipts, and departmental receipts required to carry out this section.
- Prohibits filling vacant positions subject to proposed reductions in either or both editions of Senate Bill 402.
- Directs that State employees in positions subject to elimination in both editions of Senate Bill 402 be provided with written notification of termination 30 days prior to the effective date of the termination.
- Prohibits State agencies from making grants awards with funds subject to reductions in either or both editions of Senate Bill 402.
- Provides that limitations and directions for the 2012-2013 fiscal year in S.L. 2011-145, as amended, and S.L. 2012-142, as amended, apply to the funds appropriated and authorized for expenditure under this section.

Section 2: Maintains salary schedules and specific salaries at the level in effect on June 30, 2013 until otherwise authorized by the General Assembly.

Section 3(a): Maintains the State's employer contribution rates budgeted for retirement and related benefits at the rates set in Section 29.22(f) of S.L. 2011-145 and Section 25.10 of S.L. 2012-142.

Section 3(b): Provides that the State's employer contribution rates are effective until Senate Bill 402 becomes law and are subject to revisions in that Act. If revised, the Director of the Budget is instructed to further modify the rates for the remainder of the 2013-2014 fiscal year to compensate for the different amounts.

Section 4(a): Prohibits the reversion of funds that either or both editions of Senate Bill 402 prohibit from reverting. Also prohibits expending these funds after June 30, 2013 unless (1) the funds were encumbered before June 30, 2013 or (2) a law enacted after June 30, 2013 directs the funds to be expended.

Section 4(b): Provides an effective date of June 30, 2013 for Section 4.

Section 5: Corrects Section 5.1 of S.L. 2011-145, as enacted by Section 5.1 of S.L. 2012-142, to remove language appropriating amounts needed to issue tax refunds, escheat funds needed for escheated property awards, and amounts needed to refund overpayments made to State agencies.

Section 6(a): Prohibits the statutory transfer of funds from the unreserved credit balance to the Repairs and Renovations Account.

Section 6(b): Prohibits the statutory transfer of funds from the unreserved credit balance to the Savings Reserve Account.

Section 6(c): Provides an effective date of June 30, 2013 for Section 6.

Section 7(a): Does the following:

- Appropriates the DHHS federal block grant funds and authorizes the Director of the Budget to continue to allocate the funds at the levels provided in Section 10.25 of S.L. 2012-142 and other relevant law.
- Funds the Quality and Availability Initiatives item under Local Program Expenditures of the Child Care and Development Block Grant at 90% of the 2012-2013 fiscal year funding level.
- Prohibits the funding of (1) the Women's Health and Oral Health items under Local Program Expenditures and (2) the Health Promotion item under the DHHS Program Expenditures of the Maternal and Child Health Block Grant.

Section 7(b): Directs the Director of the Budget to allocate DHHS federal block grant funds at the levels in both editions of Senate Bill 402 for the following block grants that are not in controversy: (1) TANF Funds, (2) TANF Emergency Contingency Funds, and (3) Substance Abuse Prevention and Treatment Block Grant.

Section 7(c): Provides that if funds appropriated for an item in Section 10.25 of S.L. 2012-142 or other relevant laws are not funded in either edition of Senate Bill 402, then that item shall not be funded.

Section 7(d): Provides that appropriations from NER federal block grant funds are made for the 2013-2014 fiscal year according to the schedules enacted for the 2012-2013 fiscal year.

Section 8(a): Directs DHHS to (1) prepare the necessary State Plan amendments to the Centers for Medicare and Medicaid Services that reflect Medicaid reduction items in either edition of Senate Bill 402 and (2) submit the necessary State Plan amendments to the Centers for Medicare and Medicaid Services that reflect identical Medicaid reduction items in both editions of Senate Bill 402.

Section 8(b): Directs DHHS to amend or withdraw unnecessary State Plan amendments when Senate Bill 402 becomes law.

Section 9: Appropriates the sum of $10,651,329 from the General Fund to DPI to fully fund increases in average daily membership in public schools.

Section 10(a): Sets in-state tuition rates for community college students at $71.50 per credit hour and out-of-state tuition rates for community college students at $263.50 per credit hour.

Section 10(b): Sets the fees charged for community college continuing education course based on the following number of hours of class time:

- Classes 1-24 hours - $70
- Classes 25-50 hours - $125
- Classes 51+ hours - $180

Section 11(a): Prohibits the transfer of excess lottery receipts realized in the 2012-2013 fiscal year. These funds shall remain in the Education Lottery Fund until otherwise authorized by the General Assembly.

Section 11(b): Provides an effective date of June 30, 2013 for Section 11.

Section 12(a): Amends Section 6A.5(c1) of S.L. 2012-142 to allow the Office of Information Technology Services to retain $2,800,000 in excess of its allowed defined contingency basis to provide required refunds to the federal government.

Section 12(b): Provides an effective date of June 30, 2011 for Section 12.

Section 13(a): Amends Section 1 of S.L. 2013-56 to allow the Director of the Budget to effectuate an additional $45,000,000 in budget adjustments to cover a projected Medicaid budget shortfall during the 2012-2013 fiscal year. This section also clarifies that no other budget adjustments shall be made pursuant to any other provision of law to cover any additional Medicaid budget shortfalls for the 2012-2013 fiscal year.

Section 13(b): Amends Section 2 of S.L. 2013-56 to authorize (1) an additional transfer of $36,539,900 from projected reversions within DHHS and (2) an additional use of $8,460,100 in federal block grant funds to effectuate the additional budget adjustments under Section 13(a). The $8,460,100 in federal block grant funds consists of the following:

- $6,500,000 appropriated from available TANF Emergency Contingency Funds.
- $1,960,000 appropriated from available TANF Funds.

Section 13(c): Provides that Section 13 is effective when this Act becomes law.

EFFECTIVE DATE: Effective July 1, 2013, and expires July 31, 2013 at 11:59 P.M.

Attachment 5

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June ~~25~~ 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Katherine Joyce	NCASA
Mitch Leonard	SEANC
Tommy	BNT
Adam Pridemore	NCASA
Allison Waller	Nelson Mullins
Elizabeth Zimmerman	NCBWA
Jim KENT	NC Beer & Wine
Andy Chase	KMA
Tommy Sevier	Moore and Van Allen
Susan Kelly	FSP
Elizabeth Bise	Brooks Pierce
Will Morgan	TNC
Caden Thomas	NCAR
Marion C Todd	K+L Gates
Julia Adams	The Arc of NC / NCARF
Annaliese Dapp	DL
Pam Kilpatrick	OSBM

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 25, 2013

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Daphne Lyon	OSBM
Susan McCracken	Appalachian State
Jonathan Kappler	UNC-GA
Drew Moretz	UNC-GA
Daniel Baum	Troutman Sanders
Amanda Deane	TSS
Cher [illegible]	RCLA
Fred Baggett	NCACP
Doug Holleroad	NCDPS
LTC Sean Moser	NCNG / DPS
Kathryn Trogden	NCMMC
[illegible]	NCMMC
Dave Fanton	CLT
[illegible]	[illegible]
Harvey Hurtado	N.C.B.A.

Attachment 6

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Brunstetter, Co-Chair
Senator Hunt, Co-Chair

Tuesday, June 25, 2013

Senator Hunt,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

HB **336** UNC School of Arts/Student Fees.

Draft Number:	H336-PCS80397-LE-19
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Senator Peter Brunstetter will handle HB 336



Kathy Davis (Sen. Neal Hunt)

m:	Mary Marchman (Sen. Kathy Harrington)
t:	Tuesday, May 13, 2014 12:24 PM
To:	Mary Marchman (Sen. Kathy Harrington)
Cc:	Candace Slate (Rep. Nelson Dollar); Dina Long (Rep. Justin Burr); Emma Shelby (Rep. Bryan Holloway); Joanna Hogg (Rep. Linda Johnson); Nancy Fox (Rep. Pat McElraft); Rep. Bryan Holloway; Rep. Justin Burr; Rep. Linda Johnson; Rep. Nelson Dollar; Rep. Pat McElraft
Subject:	<NCGA> Senate Appropriations/Base Budget Committee Meeting Notice for Thursday, May 15, 2014 at 8:30-10:30 AM
Attachments:	LINC_Meeting Notice.ics

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	May 15, 2014	8:30-10:30 AM	643 LOB

Presentation of the Governor's Budget

Senator Harry Brown, Co-Chair
Senator Neal Hunt, Co-Chair

SENATE AND HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEES

Legislative Office Building, Room 643

May 15, 2014
8:30 a.m.

I. Opening Remarks

Sen. Harry Brown
Sen. Kathy Harrington
Sen. Neal Hunt
Sen. Brent Jackson

Rep. Justin Burr
Rep. Nelson Dollar
Rep. Bryan Holloway
Rep. Linda Johnson
Rep. Pat McElraft

II. Presentation of the Governor's 2014-15 Recommended Budget

Art Pope
State Budget Director

III. Adjournment

SENATE AND HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEES

Legislative Office Building, Room 643

May 15, 2014
8:30 a.m.

I. Opening Remarks

Sen. Harry Brown
Sen. Kathy Harrington
Sen. Neal Hunt
Sen. Brent Jackson

Rep. Justin Burr
Rep. Nelson Dollar
Rep. Bryan Holloway
Rep. Linda Johnson
Rep. Pat McElraft

II. Presentation of the Governor's 2014-15 Recommended Budget

Art Pope
State Budget Director

III. Adjournment

Joint Senate and House Committee on Appropriations/Base Budget
Thursday, May 15, 2014 at 8:30 AM
Room 643, Legislative Office Building

MINUTES

The Joint Senate and House Committee on Appropriations/Base Budget met at 8:30 am on Thursday, May 15, in Room 643. Fifteen Senators and Seventy six Representatives were present. Chairman Dollar presided.

Presentation of the Governor's 2014-15 Recommended Budget Adjustments

Introduction and Summary of FY 2013-15 Budget
Art Pope, State Budget Director, Office of State Budget and Management (OSBM)

Public Education - Elizabeth Grovenstein, Assistant State Budget Officer for Education

Health and Human Services - Pam Kilpatrick, Assistant State Budget Officer for Health and Human Services

General Government - Jay Drake, Assistant State Budget Officer for General Government/IT/Salaries and Benefits

Natural and Economic Resources/Public Safety/Transportation - Mercidee Benton, Assistant State Budget Officer for Justice and Public Safety/Natural and Economic Resources/Transportation

Statewide Reserves – Art Pope, State Budget Director

Summary and Questions – Art Pope, State Budget Director

The meeting adjourned at 10:03 AM.

Attachments: 1. Committee Notice 2. Agenda 3. Governor's 2014-15 Recommended Budget Adjustments 4. Visitor's Log

Representative Nelson Dollar
Presiding

Candace Slate
Candace Slate, Committee Clerk

ATTACHMENT 1

Principal Clerk
Reading Clerk

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	May 15, 2014	8:30-10:30 AM	643 LOB

Presentation of the Governor's Budget

Senator Harry Brown, Co-Chair
Senator Neal Hunt, Co-Chair

The Governor's 2014-15 Recommended Budget Adjustments

Governor Pat McCrory

Art Pope

State Budget Director

Office of State Budget and Management

May 15, 2014

ATTACHMENT 3

General Fund Availability

Brief Description	FY 2014-15 Recommended
Budget Availability	
Beginning Credit Balance:	
Unappropriated Balance Remaining From Previous Year	323,693,704
Anticipated Over (Under) Collections from FY 2013-14	(445,400,000)
Anticipated Reversions for FY 2013-14	290,000,000
Supplemental Medicaid Appropriations*	0
Subtotal Unreserved Fund Balance	168,293,704
Transfer to Savings Reserve Account	(42,073,426)
Transfer to Repair and Renovations Account	(42,073,426)
Subtotal Statutory Reserve Allocation	(84,146,852)
Subtotal Credit Balance	84,146,852
Base Revenue (consensus revenue forecast)	20,962,767,811
Revenue Changes:	
Department of Revenue Out-of-State Sales Tax Collection	40,000,000
FICA Transfer	4,000,000
Subtotal Revenue Changes	44,000,000
Total Availability	**21,090,914,663**
Total Recommended Appropriations	**20,990,267,640**
General Fund Balance	**100,647,023**

Comparison to FY 2013-14 Enacted Budget

Brief Description	FY 2013-14 Enacted	FY 2014-15 Recommended	Difference ($)	Difference (%)
Availability				
Beginning Credit Balance:				
Unappropriated Balance	213,432,877	323,693,704	110,260,827	51.7%
Anticipated Over (Under) Collections	537,441,075	(445,400,000)	(982,841,075)	-182.9%
Anticipated Reversions	290,742,586	290,000,000	(742,586)	-0.3%
Supplemental Medicaid Appropriations	(308,100,000)	0	308,100,000	-100.0%
Subtotal Unreserved Fund Balance	733,516,538	168,293,704	(565,222,834)	-77.1%
Transfer to Savings Reserve Account	(232,537,942)	(42,073,426)	190,464,516	-81.9%
Transfer to Repair and Renovations Account	(150,000,000)	(42,073,426)	107,926,574	-72.0%
Subtotal Statutory Reserve Allocation	(382,537,942)	(84,146,852)	298,391,090	-78.0%
Subtotal Credit Balance	350,978,596	84,146,852	(266,831,744)	-76.0%
Base Revenue (consensus revenue forecast)	20,603,482,753	20,962,767,811	359,285,058	1.7%
Revenue Changes:				
Department of Revenue Out-of-State Sales Tax Collection		40,000,000		
FICA Transfer		4,000,000		
Subtotal Revenue Changes		44,000,000		
Total Availability	**20,954,461,349**	**21,090,914,663**	**136,453,314**	**0.7%**
Total Recommended Appropriations	**20,630,767,645**	**20,990,267,640**	**359,499,995**	**1.7%**
General Fund Balance	**323,693,704**	**100,647,023**	**(223,046,681)**	**-68.9%**

Comparison to FY 2014-15 Enacted Budget

Brief Description	FY 2014-15 Enacted	FY 2014-15 Recommended	Difference ($)	Difference (%)
Availability				
Beginning Credit Balance:				
Unappropriated Balance	323,693,704	323,693,704	0	0.0%
Anticipated Over (Under) Collections	0	(445,400,000)	(445,400,000)	n.a.
Anticipated Reversions	0	290,000,000	290,000,000	n.a.
Supplemental Medicaid Appropriations	0	0	0	n.a.
Subtotal Unreserved Fund Balance	323,693,704	168,293,704	(155,400,000)	-48.0%
Transfer to Savings Reserve Account	(37,122,346)	(42,073,426)	(4,951,080)	13.3%
Transfer to Repair and Renovations Account	(12,751,137)	(42,073,426)	(29,322,289)	230.0%
Subtotal Statutory Reserve Allocation	(49,873,483)	(84,146,852)	(34,273,369)	68.7%
Subtotal Credit Balance	273,820,221	84,146,852	(189,673,369)	-69.3%
Base Revenue (consensus revenue forecast)	21,153,767,811	20,962,767,811	(191,000,000)	-0.9%
Revenue Changes:				
Department of Revenue Out-of-State Sales Tax Collection		40,000,000		
FICA Transfer		4,000,000		
Subtotal Revenue Changes		44,000,000		
Total Availability	**21,427,588,032**	**21,090,914,663**	**(336,673,369)**	**-1.6%**
Total Recommended Appropriations	**20,998,801,208**	**20,990,267,640**	**(8,533,568)**	**0.0%**
General Fund Balance	**428,786,824**	**100,647,023**	**(328,139,801)**	**-76.5%**

Budget Recommendations for FY 2014-15

Brief Description	FY 2014-15 Recommended
Budget Availability	
Beginning Credit Balance:	
Unappropriated Balance Remaining From Previous Year	323,693,704
Anticipated Over (Under) Collections from FY 2013-14	(445,400,000)
Anticipated Reversions for FY 2013-14	290,000,000
Supplemental Medicaid Appropriations	0
Subtotal Unreserved Fund Balance	168,293,704
Transfer to Savings Reserve Account	(42,073,426)
Transfer to Repair and Renovations Account	(42,073,426)
Subtotal Statutory Reserve Allocation	(84,146,852)
Subtotal Credit Balance	84,146,852
Base Revenue (consensus revenue forecast)	20,962,767,811
Revenue Changes:	
Department of Revenue Out-of-State Sales Tax Collection	40,000,000
FICA Transfer	4,000,000
Subtotal Revenue Changes	44,000,000
Total Availability	21,090,914,663
Recommended Appropriations	
Authorized Budget	20,998,801,208
Fiscal Responsibility:	
Additional Transfer to Savings Reserve Account	7,926,574
Additional Transfer to Repair and Renovations Account	7,926,574
Medicaid Risk Reserve	50,000,000
Subtotal Fiscal Responsibility	65,853,148
Net Change by Subcommittee:	
Education	
Public Education	46,358,028
Community Colleges	16,866,780
University System	(49,398,097)
Health and Human Services	(122,592,860)
General Government	1,941,928
Natural and Economic Resources	4,561,239
Justice and Public Safety	28,433,112
Statewide Reserves	1,702,070
Debt Service	(9,340,916)
Capital	7,052,000
Subtotal Net Change by Subcommittee	(74,386,716)
Total Recommended Appropriations	20,990,267,640
General Fund Balance	100,647,023
Percent Change from FY 2013-14	1.7%

Comparison to FY 2013-14 Enacted Budget

Brief Description	FY 2013-14 Enacted	FY 2014-15 Recommended	Difference ($)	Difference (%)
Budget Availability				
Beginning Credit Balance:				
Unappropriated Balance	213,432,877	323,693,704	110,260,827	51.7%
Anticipated Over (Under) Collections*	537,441,075	(445,400,000)	(982,841,075)	-182.9%
Anticipated Reversions*	290,742,586	290,000,000	(742,586)	-0.3%
Supplemental Medicaid Appropriations	(308,100,000)	0	308,100,000	-100.0%
Subtotal Unreserved Fund Balance	733,516,538	168,293,704	(565,222,834)	-77.1%
Transfer to Savings Reserve Account	(232,537,942)	(42,073,426)	190,464,516	-81.9%
Transfer to Repair and Renovations Account	(150,000,000)	(42,073,426)	107,926,574	-72.0%
Subtotal Statutory Reserve Allocation	(382,537,942)	(84,146,852)	298,391,090	-78.0%
Subtotal Credit Balance	350,978,596	84,146,852	(266,831,744)	-76.0%
Base Revenue (consensus revenue forecast)	20,603,482,753	20,962,767,811	359,285,058	1.7%
Revenue Changes:				
Department of Revenue Out-of-State Sales Tax Collection		40,000,000		
FICA Transfer		4,000,000		
Subtotal Revenue Changes		44,000,000		
Total Availability	20,954,461,349	21,090,914,663	136,453,314	0.7%
Recommended Appropriations				
Authorized Budget	20,630,767,645	20,998,801,208	368,033,563	1.8%
Fiscal Responsibility:				
Additional Transfer to Savings Reserve Account		7,926,574		
Additional Transfer to Repair and Renovations Account		7,926,574		
Medicaid Risk Reserve		50,000,000		
Subtotal Fiscal Responsibility		65,853,148		
Net Change by Subcommittee:				
Education				
Public Education		46,358,028		
Community Colleges		16,866,780		
University System		(49,398,097)		
Health and Human Services		(122,592,860)		
General Government		1,941,928		
Natural and Economic Resources		4,561,239		
Justice and Public Safety		28,433,112		
Statewide Reserves		1,702,070		
Debt Service		(9,340,916)		
Capital		7,082,000		
Subtotal Net Change by Subcommittee		(74,386,716)		
Total Recommended Appropriations	20,630,767,645	20,990,267,640	359,499,995	1.7%
General Fund Balance	323,693,704	100,647,023	(223,046,681)	-68.9%

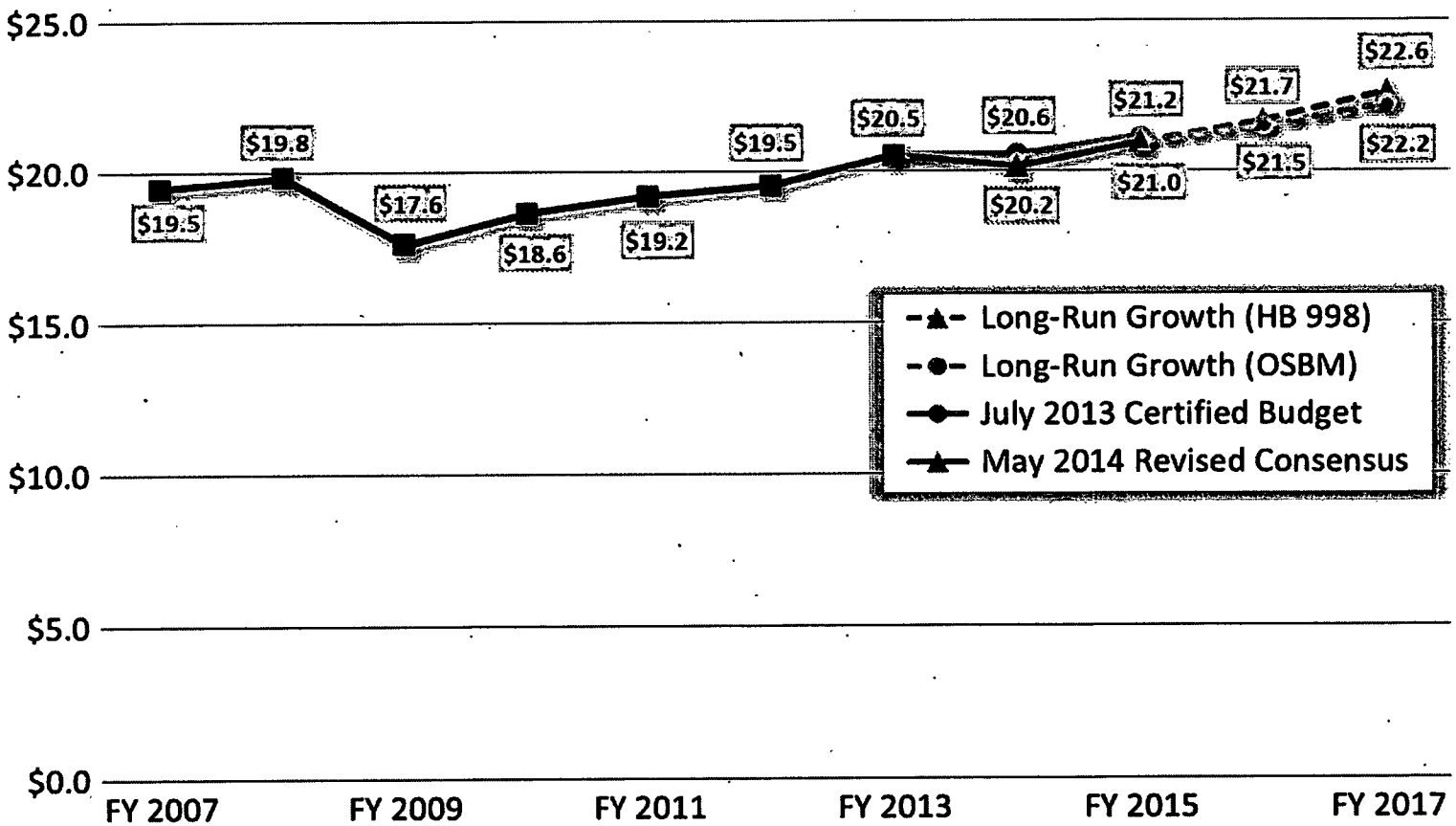
*FY 2013-14 Enacted column uses actual over (under) collections and reversions from FY 2012-1

Comparison to FY 2014-15 Enacted Budget

Brief Description	FY 2014-15 Enacted	FY 2014-15 Recommended	Difference ($)	Difference (%)
Budget Availability				
Beginning Credit Balance:				
Unappropriated Balance Remaining From Previous Year	323,693,704	323,693,704	0	0.0%
Anticipated Over (Under) Collections	0	(445,400,000)	(445,400,000)	n.a.
Anticipated Reversions	0	290,000,000	290,000,000	n.a.
Supplemental Medicaid Appropriations	0	0	0	n.a.
Subtotal Unreserved Fund Balance	323,693,704	168,293,704	(155,400,000)	-48.0%
Transfer to Savings Reserve Account	(37,122,346)	(42,073,426)	(4,951,080)	13.3%
Transfer to Repair and Renovations Account	(12,751,137)	(42,073,426)	(29,322,289)	230.0%
Subtotal Statutory Reserve Allocation	(49,873,483)	(84,146,852)	(34,273,369)	68.7%
Subtotal Credit Balance	273,820,221	84,146,852	(189,673,369)	-69.3%
Base Revenue (consensus revenue forecast)	21,153,767,811	20,962,767,811	(191,000,000)	-0.9%
Revenue Changes:				
Department of Revenue Out-of-State Sales Tax Collection		40,000,000		
FICA Transfer		4,000,000		
Subtotal Revenue Changes		44,000,000		
Total Availability	21,427,588,032	21,090,914,663	(336,673,369)	-1.6%
Recommended Appropriations				
Authorized Budget	20,998,801,208	20,998,801,208	0	0.0%
Fiscal Responsibility:				
Additional Transfer to Savings Reserve Account		7,926,574		
Additional Transfer to Repair and Renovations Account		7,926,574		
Medicaid Risk Reserve		50,000,000		
Subtotal Fiscal Responsibility		65,853,148		
Net Change by Subcommittee:				
Education				
Public Education		46,358,028		
Community Colleges		16,866,780		
University System		(49,398,097)		
Health and Human Services		(122,592,860)		
General Government		1,941,928		
Natural and Economic Resources		4,561,239		
Justice and Public Safety		28,433,112		
Statewide Reserves		1,702,070		
Debt Service		(9,340,916)		
Capital		7,082,000		
Subtotal Net Change by Subcommittee		(74,386,716)		
Total Recommended Appropriations	20,998,801,208	20,990,267,640	(8,533,568)	0.0%
General Fund Balance	428,786,824	100,647,023	(328,139,801)	-76.5%

Scenarios for General Fund Revenue Forecast

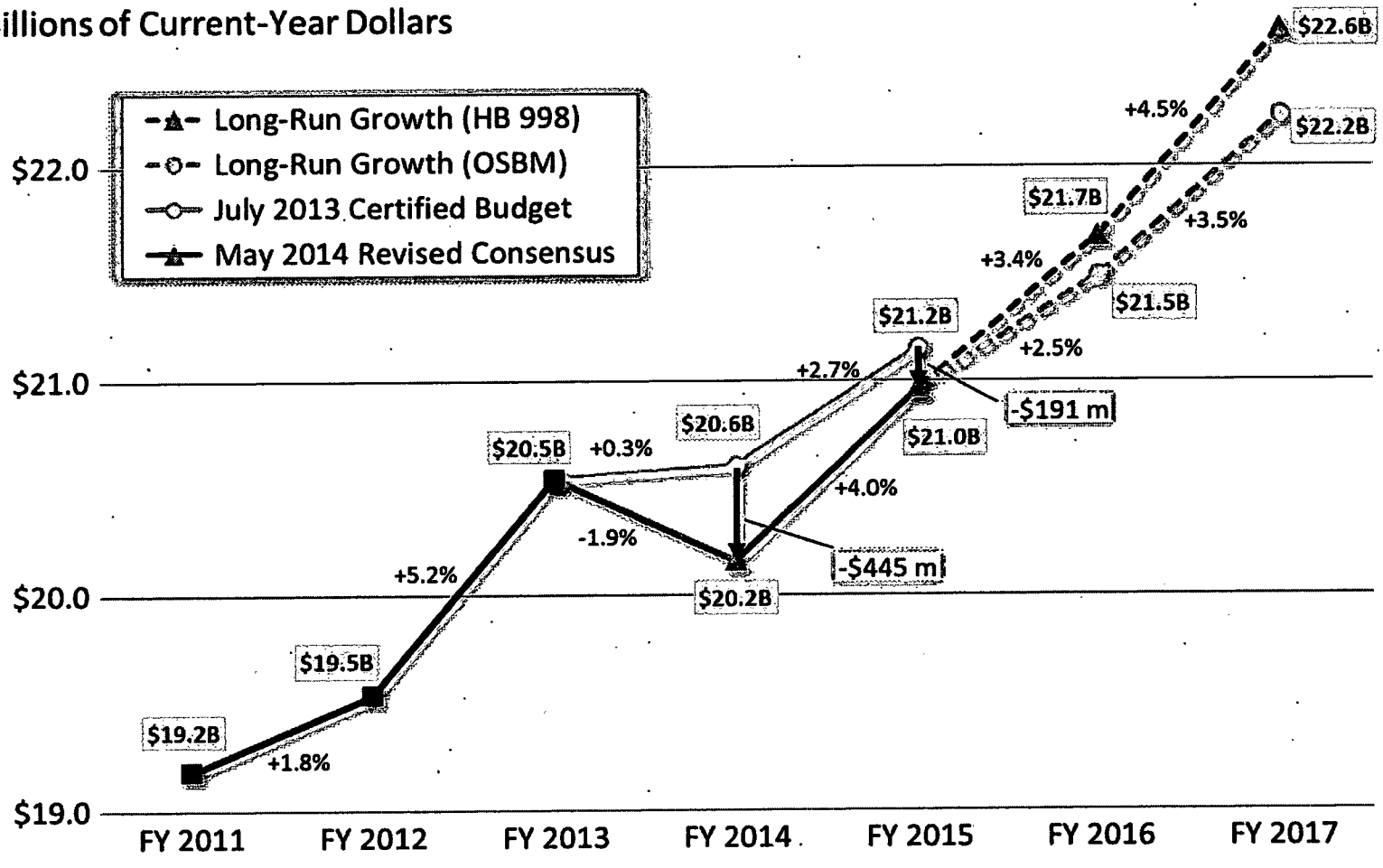
Billions of Current-Year Dollars



Notes: Long-run growth (HB 998) is based on the FRD fiscal analysis for HB 998 and equals the 20-year average of inflation and population growth, with adjustments for tax changes. Long-run growth (OSBM) is based on the compound average baseline inflation-adjusted revenue growth over the 15-year period from 1998-2013 plus the Congressional Budget Office forecast for PCE inflation through state fiscal year 2017, with adjustments for tax changes.

Scenarios for General Fund Revenue Forecast

Billions of Current-Year Dollars

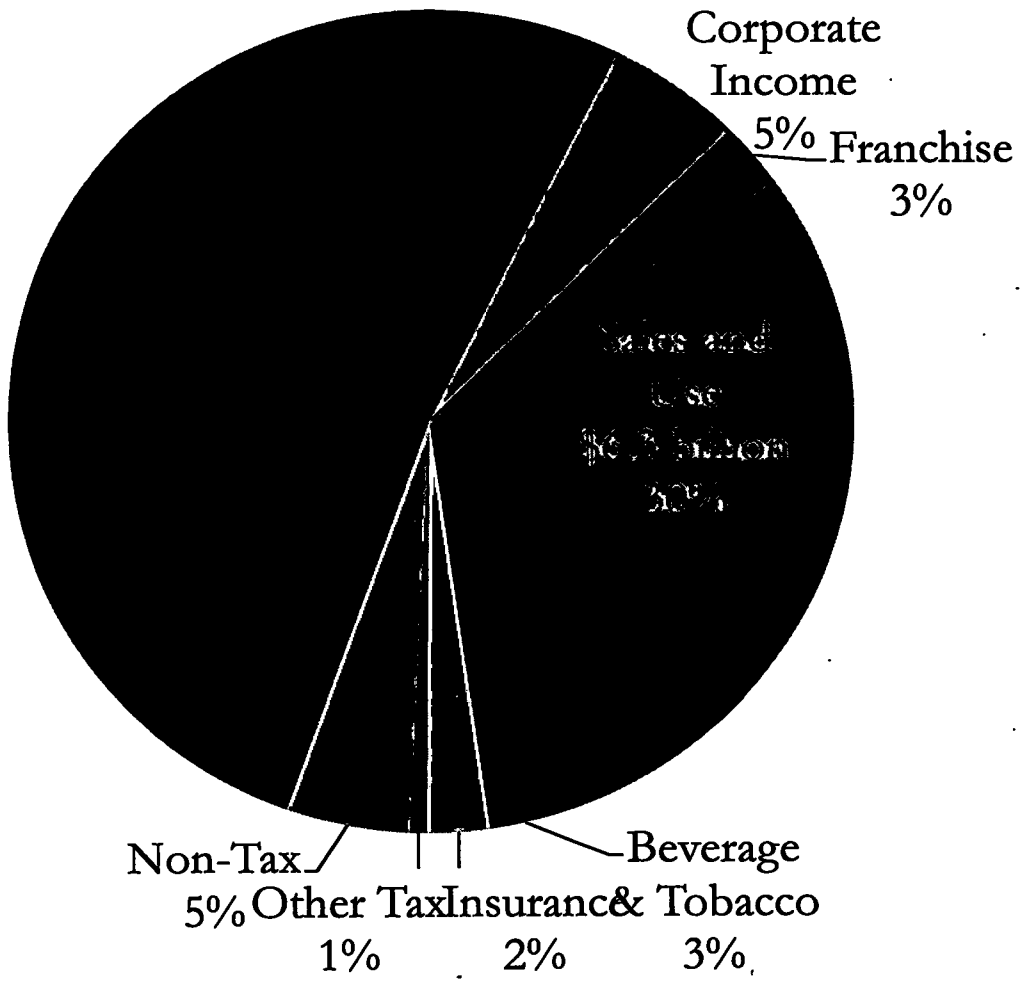


Notes: Long-run growth (HB 998) is based on the FRD fiscal analysis for HB 998 and equals the 20-year average of inflation and population growth, with adjustments for tax changes. Long-run growth (OSBM) is based on the compound average baseline inflation-adjusted revenue growth over the 15-year period from 1998-2013 plus the Congressional Budget Office forecast for PCE inflation through state fiscal year 2017, with adjustments for tax changes.

General Fund Revenue by Source

FY 2014-15 General Fund Revenues = $21.0 billion

- Individual income tax - comprises more than half of all General Fund revenues
- Sales and use tax - comprises more than one quarter of total General Fund revenues
- All other taxes combined comprise 14% of total General Fund revenues
- Non-tax revenue sources comprise remaining 5%



Key Drivers of Availability: Medicaid/Reversions

*Supplemental Medicaid Appropriations

- Projected Medicaid FY 2013-14 budget shortfall is approximately $70 million
- Expected to be billed to Medicaid after June 30 for services provided in FY 2013-14
- Cash remaining in DHHS (not included in $290 million statewide reversion estimate) will be carried forward to FY 2014-15 to cover anticipated FY 2013-14 claims that will be billed after June 30
- Federal share of late June drug rebates will be carried forward to repay the federal government in July

Reversions

- $290 million estimate based on survey of agency expectations
- Consistent with FY 2012-13 actual reversions ($291 million)

General Fund Appropriations

Recommended Appropriations	
Authorized Budget	20,998,801,208
Fiscal Responsibility:	
Additional Transfer to Savings Reserve Account	7,926,574
Additional Transfer to Repair and Renovations Account	7,926,574
Medicaid Risk Reserve	50,000,000
Subtotal Fiscal Responsibility	65,853,148
Net Change by Subcommittee:	
Education	
Public Education	46,358,028
Community Colleges	16,866,780
University System	(49,398,097)
Health and Human Services	(122,592,860)
General Government	1,941,928
Natural and Economic Resources	4,561,239
Justice and Public Safety	28,433,112
Statewide Reserves	1,702,070
Debt Service	(9,340,916)
Capital	7,082,000
Subtotal Net Change by Subcommittee	(74,386,716)
Total Recommended General Fund Appropriations	**20,990,267,640**
General Fund Balance	**100,647,023**

Comparison to FY 2013-14 Enacted Budget

Brief Description	FY 2013-14 Enacted	FY 2014-15 Recommended	Difference ($)	Difference (%)
Recommended Appropriations				
Authorized Budget	20,630,767,645	20,998,801,208	368,033,563	1.8%
Fiscal Responsibility:				
Additional Transfer to Savings Reserve Account		7,926,574		
Additional Transfer to Repair and Renovations Account		7,926,574		
Medicaid Risk Reserve		50,000,000		
Subtotal Fiscal Responsibility		65,853,148		
Net Change by Subcommittee:				
Education				
Public Education		46,358,028		
Community Colleges		16,866,780		
University System		(49,398,097)		
Health and Human Services		(122,592,860)		
General Government		1,941,928		
Natural and Economic Resources		4,561,239		
Justice and Public Safety		28,433,112		
Statewide Reserves		1,702,070		
Debt Service		(9,340,916)		
Capital		7,082,000		
Subtotal Net Change by Subcommittee		(74,386,716)		
Total Recommended Appropriations	**20,630,767,645**	**20,990,267,640**	**359,499,995**	**1.7%**
Balance	**323,693,704**	**100,647,023**	**(223,046,681)**	**-68.9%**

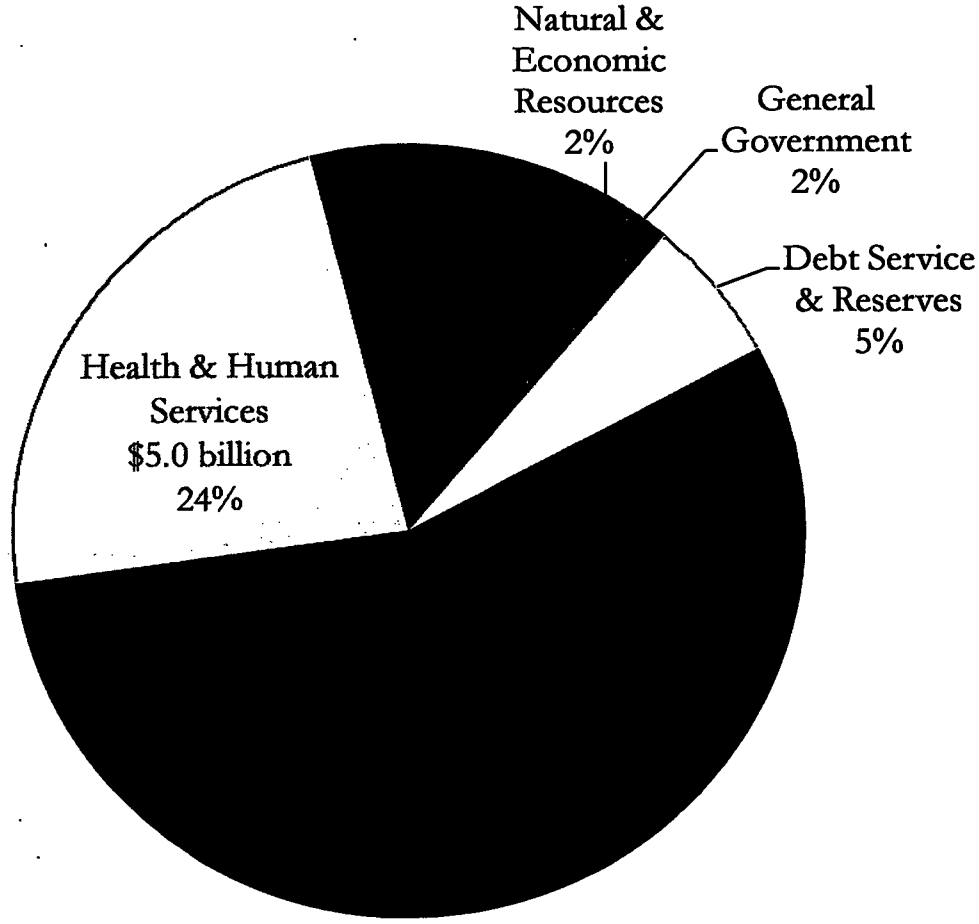
Comparison to FY 2014-15 Enacted Budget

Brief Description	FY 2014-15 Enacted	FY 2014-15 Recommended	Difference ($)	Difference (%)
Recommended Appropriations				
Authorized Budget	20,998,801,208	20,998,801,208	0	0.0%
Fiscal Responsibility:				
Additional Transfer to Savings Reserve Account		7,926,574		
Additional Transfer to Repair and Renovations Account		7,926,574		
Medicaid Risk Reserve		50,000,000		
Subtotal Fiscal Responsibility		65,853,148		
Net Change by Subcommittee:				
Education				
Public Education		46,358,028		
Community Colleges		16,866,780		
University System		(49,398,097)		
Health and Human Services		(122,592,860)		
General Government		1,941,928		
Natural and Economic Resources		4,561,239		
Justice and Public Safety		28,433,112		
Statewide Reserves		1,702,070		
Debt Service		(9,340,916)		
Capital		7,082,000		
Subtotal Net Change by Subcommittee		(74,386,716)		
Total Recommended Appropriations	**20,998,801,208**	**20,990,267,640**	**(8,533,568)**	**0.0%**
Balance	**428,786,824**	**100,647,023**	**(328,139,801)**	**-76.5%**

General Fund Appropriations by Subcommittee

FY 2014-15 General Fund Appropriations = $21.0 billion

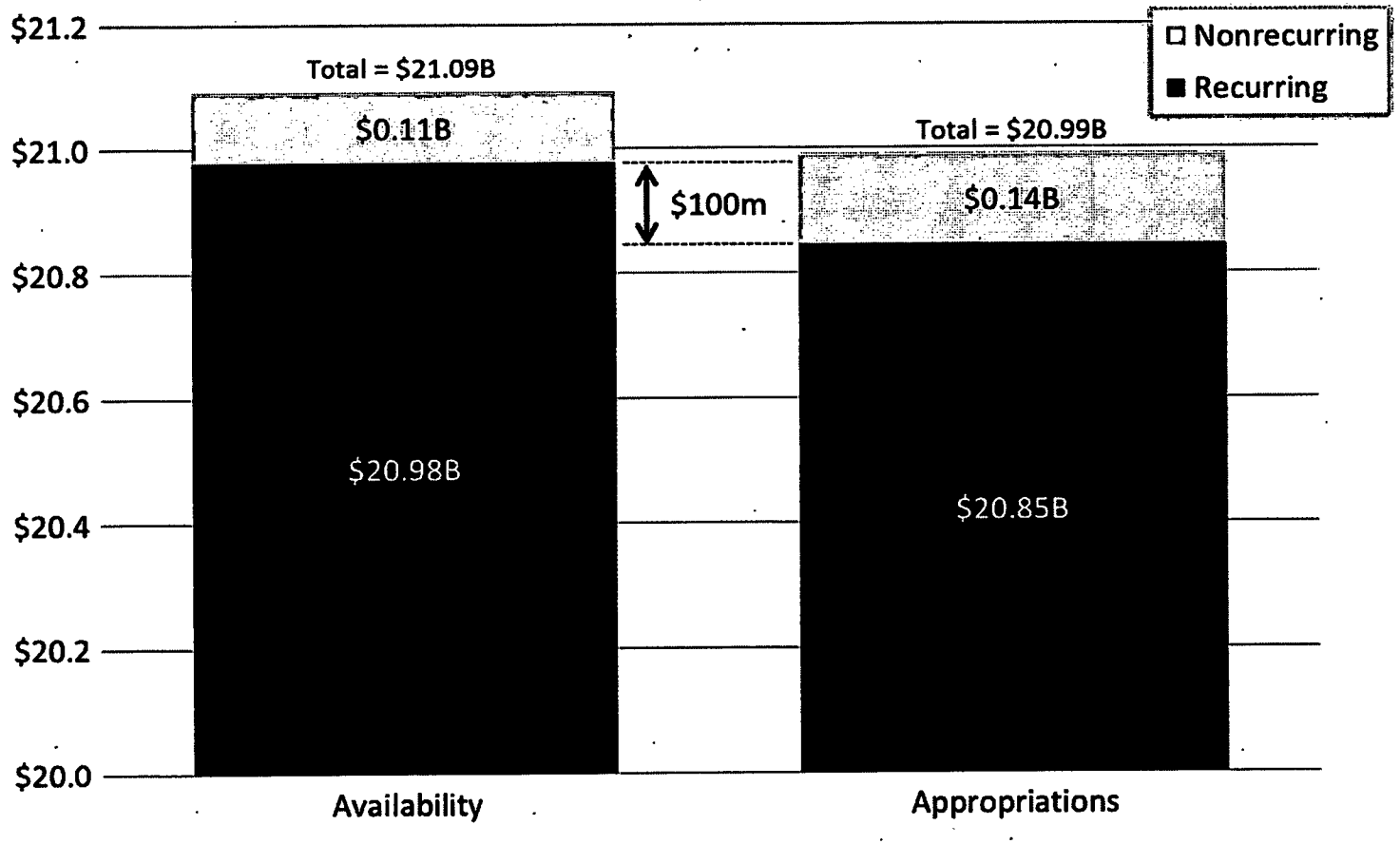
- Education-related spending - more than half of all appropriations (56%)
- Health & Human Services - nearly one-quarter of all appropriations, with Medicaid accounting for more than two-thirds of HHS spending
- Justice & Public Safety - less than one-eighth of total appropriations
- General Government and Natural & Economic Resources - comprises 1/25th of all appropriations



General Fund Budget: Recurring v. Nonrecurring

Recurring Availability Exceeds Recurring Appropriations by More than $100 million

Billions of Current-Year Dollars



FY 2014-15 Governor's Recommended Budget

Highlights: Public Education

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	$9,804,398,812	$11,168,933,698	$11,308,116,403	$79,014,034	$11,387,130,437	2.0%	0.7%
Receipts	$2,064,365,645	$3,302,973,049	$3,262,014,781	$32,629,006	$3,294,643,787	-0.3%	1.0%
GF Approp.	$7,740,033,167	$7,865,960,649	$8,046,101,622	$46,385,028	$8,092,486,650	2.9%	0.6%

- $162 million for salary increases for teachers and other school employees
  - Starting teacher pay raised by 7.1% to $33,000 and funds the step increase
- $9.8 million from Education Lottery receipts for Career Pathways pilot program directed at retaining quality teachers who take on increased responsibilities
- $23 million from Education Lottery receipts for textbooks, a 100% increase
- $18.7 million to continue master's degree salary for teachers 1) who have taken a course towards the master's degree as of July 1, 2013 and 2) who achieve the degree at any time and are in teaching in field of their master's degree

Highlights: NCCCS

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	$1,458,457,154	$1,446,956,448	$1,442,715,567	$5,835,560	$1,448,551,127	0.1%	0.4%
Receipts	$422,203,748	$425,660,981	$426,228,100	($11,031,220)	$415,196,880	-2.5%	-2.6%
GF Approp.	$1,036,253,406	$1,021,295,467	$1,016,487,467	$16,866,780	$1,033,354,247	1.2%	1.7%

- $18.6 million provides a $1,000 salary and benefit increase for community college employees
- $16.8 million reinvested from reduction in remedial course enrollments into programs targeted to close the skills gap
- $1.9 million appropriated to offset the anticipated tuition waived for military veterans who served at least four years, are within two years of exiting service, have been stationed in and reside in or have Home of Record in NC at time of enrollment

Highlights: UNC System

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	$4,256,834,231	$4,150,831,095	$4,148,800,495	($67,277,142)	$4,081,523,353	-1.7%	-1.6%
Receipts	$1,604,986,881	$1,567,782,825	$1,548,898,786	($17,879,045)	$1,531,019,741	-2.3%	-1.2%
GF Approp.	$2,651,847,350	$2,583,048,270	$2,599,901,709	($49,398,097)	$2,550,503,612	-1.3%	-1.9%

- $33.4 million provides a $1,000 salary and benefit increase for UNC System employees
- $5 million from Education Lottery receipts establishes NC SERV, a financial aid program for military veterans who served at least four years, are within two years of exiting service, have been stationed in and reside in or have Home of Record in NC at time of enrollment
- $3 million will assist UNC campuses with transitioning laboratory research to the marketplace

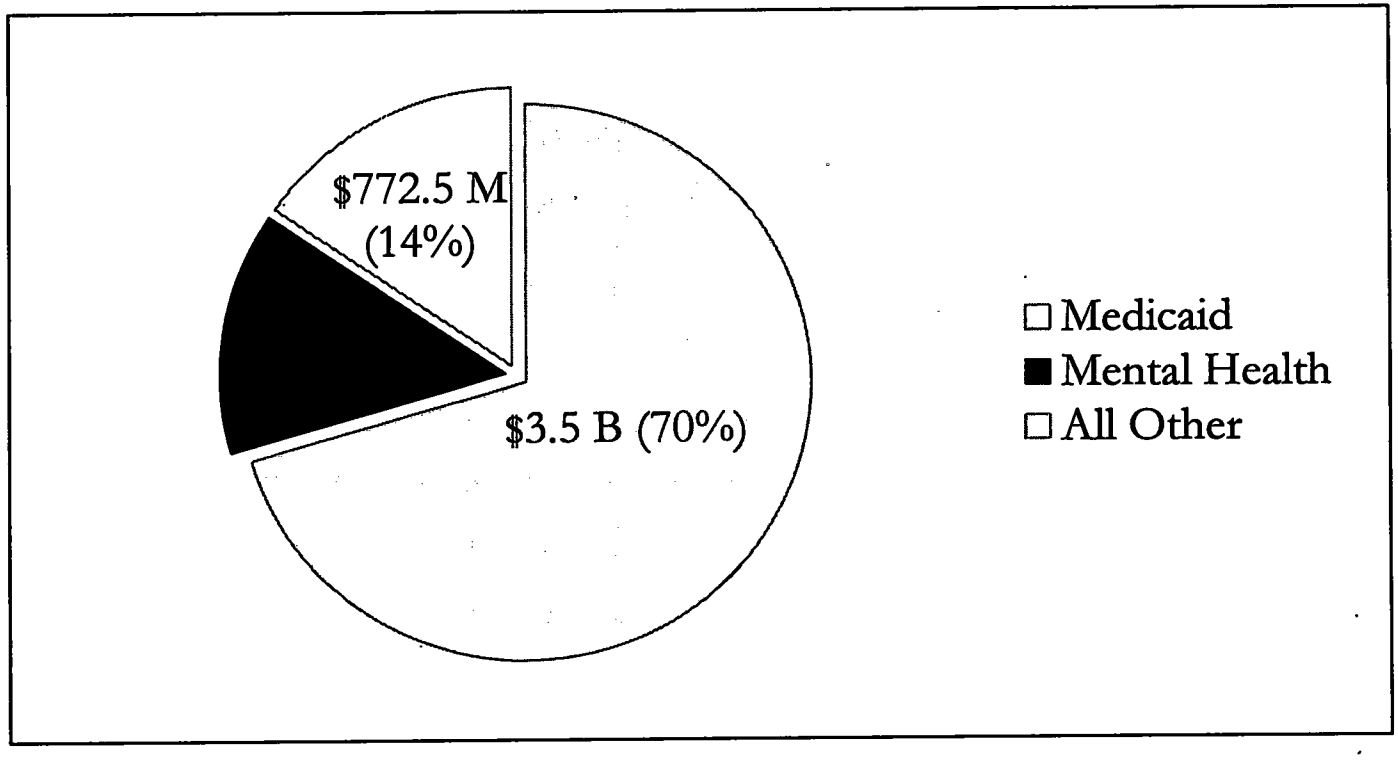
DHHS: Budget Overview

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	$17,896,294,301	$18,381,623,666	$18,749,006,470	$ 70,376,829	$18,819,443,299	2.38%	0.4%
Receipts	$12,891,308,763	$13,387,835,343	$13,611,391,895	$ 192,969,689	$13,804,361,584	3.11%	1. 4%
GF Appropriation	$ 5,004,985,538	$ 4,993,788,323	$ 5,137,674,575	$ (122,592,860)	$ 5,015,081,715	0.43%	(2.4)%

Includes:

- *Medicaid and Health Choice*
- *Social Services*
- *Mental Health*
- *Public Health*
- *Child Development and Early Education*
- *Vocational Rehabilitation*
- *Central Administration*
- *Aging and Adult Services*
- *Services for the Blind, Deaf and Hard of Hearing*
- *Health Services Regulation*

Medicaid and Mental Health account for 86% of the DHHS General Fund appropriations in the Governor's Recommended 2014-15 Budget



Recommended appropriations total $5B

Recommended changes for all of DHHS net to a savings of $122.6 million

	2014-15 Certified GF Appropriation	Net Change	Revised 2014-15 Certified GF Appropriation
Health and Human Services			
Central Management and Support	76,301,328	(2,642,150)	73,659,178
Aging and Adult Services	54,342,341	28,890	54,371,231
Child Development and Early Education	254,314,609	(37,488,213)	216,826,396
Public Health	141,941,587	(2,953,983)	138,987,604
Social Services	176,558,432	1,104,174	177,662,606
Medical Assistance	3,608,119,091	(74,441,942)	3,533,677,149
NC Health Choice	57,747,933	(9,749,000)	47,998,933
Mental Health, DD, SAS	704,985,988	3,828,910	708,814,898
Health Service Regulation	16,411,479	(61,000)	16,350,479
Blind and Deaf / Hard of Hearing Services	8,178,618	59,830	8,238,448
Vocational Rehabilitation	38,773,169	(278,376)	38,494,793
Total	**5,137,674,575**	**(122,592,860)**	**5,015,081,715**

Recommended state share of salary increases are included in these totals

DHHS Savings

$42M in refinancing existing programs without reducing services

- *$22 million in Federal block grants and Education Lottery proceeds for NC Pre K*
- *$15 million in Federal block grants for subsidized child care and state administration*
- *$3.8 million in drug rebates and federal funding for Aids Drug Assistance Program*

$75M from additional provider assessments to match federal funds with no reduction to Medicaid services

- *$59.6 million by having mental health local management entities/managed care organizations participate in the assessment program*
- *$15 million by increasing the state's share of the current hospital assessment program*

$28 million in efficiencies and updated budget estimates (such as Health Choice, State/County Special Assistance and various administrative savings)

Total DHHS General Fund savings of $145M

Investments in Health and Human Services

Targeted to at-risk children, mental health services, core public health infrastructure, and Medicaid

- $6M for employee pay raises
- $2.7M for improved oversight of child welfare programs
- $5M to support the growing caseload of children in foster care
- $3.6M for NC Pre K to enhance school readiness of at-risk 4-year-olds
- $10.7M redirected to finance state facilities providing in-patient care
- $6.1M in federal funds to improve mental health crisis services and the Governor's Substance Abuse Prevention and Treatment Initiative
- $1.3M to improve public services through the Office of Chief Medical Examiner and Vital Records agency
- $1M to begin Medicaid reform

Total DHHS General Fund increases of $23M, plus savings are reinvested and federal and other receipts leveraged for priorities

Net change in DHHS General Fund appropriations is ($122M)

Medicaid 2014-15 Budget as Enacted in Session Law 2013-360

Medicaid	Requirements	Receipts	Appropriations
Enacted 2013-14 Budget	13,071,194,944	9,609,244,825	3,461,950,119
Enacted 2014-15 Budget	**13,476,334,404**	**9,868,225,313**	**3,608,109,091**
Increase 2014-15 over 2013-14	405,139,460	258,980,488	146,158,972
	3.1%	2.7%	4.2%

Enacted budget for 2014-2015 is $13.4B, $3.6B in state General Fund appropriation

- Includes rebase increase of $123M
- Overall net increase of $146M
- Represents a 4.2% increase over 2013-14 budget

The State's investment in Medicaid has grown from $3.1B in 2012-13 enacted budget to $3.6B in the 2014-15 enacted budget, or $506M

Medicaid Assumptions and Methods

2013-14 (Current Year) Estimated Shortfall

- Uses latest financial data available through March 2014 and estimates 4Q expenditures based on 3-year historical average
- Assumes net $205 million budget shortfall inclusive of the backlog of claims and enrollment ($70 million state share)
- Assumes no 2014-15 budget impact because unspent cash from 2013-14 will be carried forward into the new fiscal year

Federal share of late June drug rebates will be carried forward to repay the Federal government in July

Medicaid Assumptions and Methods

2014-15 Medicaid Estimate

- Uses 2014-15 enacted budget of $3.6B as the baseline and accounts for the estimated 2013-14 $70M shortfall
- Annualizes savings and increases implemented in 2013-14
- Assumes full funding for 71,000 Health Choice children moved to Medicaid
- Expects lower than budgeted ACA enrollment growth/woodworking
- Adjusts for federal matching percentage updates from 65.78 to 65.88

Estimate is based on limit data available at the time of budget submission

Medicaid Summary

With the 2014-15 enacted budget as a baseline, adjustments to state appropriations are proposed

Salaries and Benefits DMA employees	167,240
Shared Savings	6,199,607
Medicaid Reform	1,000,000
Adjust Private Duty Nursing Rates	(1,150,000)
MH Drug Prior Authorization	(6,000,000)
LME/MCO Assessment	(59,555,995)
Hospital Assessment Increase	(15,102,794)
Net Changes	(74,441,942)

Unknowns and Variables

- Accuracy of the backlog estimate; impact of growth (five year average annual total requirements Medicaid growth is 2.8%; enacted budget allows 3.1%); overall data limitations

Governor's budget recommends a $50M statewide Medicaid Risk Reserve to allow for variance in estimating and potential growth greater than anticipated in Medicaid spending.

General Government: Budget Overview

TOTAL GENERAL GOVERNMENT GENERAL FUND BUDGETS

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	$570,885,064	$589,202,597	$581,404,942	$40,938,014	$622,342,956	5.6%	7.0%
Receipts	$172,209,627	$164,443,752	$162,622,827	$38,996,086	$201,618,913	22.6%	24.0%
GF Approp.	$398,675,437	$424,758,845	$418,782,115	$1,941,928	$420,724,043	-0.9%	0.5%

Includes Departments and Offices of:

Administration, State Human Resources ,
State Controller, General Assembly, Governor,
State Budget and Management, Housing Finance Agency,
Lieutenant Governor, Secretary of State, State Auditor,
State Treasurer, Insurance, Revenue, Cultural Resources,
Roanoke Island Commission, State Board of Elections,
Administrative Hearings

General Government Priorities

- $3.6 million for $1,000 Salary and Benefit increase for agency employees
- Restores $.5 million for the Tryon Palace historic site
- $3 million Challenge Grant for hull repairs on Battleship North Carolina
- Funds Youth Advocacy and Involvement Office at FY13-14 level
- Funds Historically Underutilized Business Program at FY13-14 level

Increases in Receipt supported activities:

- $18.3 million for Veteran's Nursing Homes in Black Mountain and Kinston
- $10.2 million for upgrade of the Tax Information Management System (TIMS)
- $7.0 million to establish Guilford Call Center to improve tax services for citizens

NER: Budget Overview

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	$ 633,032,734	$ 653,774,754	$ 657,092,452	$ 8,883,944	$ 665,976,396	1.87%	1.35%
Receipts	$ 277,617,353	$ 282,526,784	$ 280,384,338	$ 4,322,705	$ 284,707,043	0.77%	1.54%
GF Approp.	$ 355,415,381	$ 371,248,970	$ 376,708,114	$ 4,561,239	$ 381,269,353	2.7%	1.21%

Includes:

- *Agriculture and Consumer Services*
- *Labor*
- *Environment and Natural Resources*
- *Wildlife Resources Commission*
- *Commerce*
- *Commerce - State Aid*

- $3.6 million for a $1,000 salary and benefits increase for all General Fund supported positions in the NER areas

Department of Agriculture and Consumer Services

- Endorses a recommendation from NC Government Efficiency and Reform project to transfer the Animal Welfare section and the Spay and Neuter Program to the Law Enforcement Division of the Department and Public Safety - $622 k reduction
  - Allow a greater emphasis on enforcement activities and enhanced coordination with local law enforcement
  - Maintain collaboration between animal cruelty prevention and enforcement efforts

Department of Environment and Natural Resources

- $1.2 million recurring and $596,000 non-recurring funds to effectively monitor coal ash ponds throughout the state
  - Recurring funding for 19 FTE's and operating funds
  - Non recurring funding for laboratory and field equipment
  - Allows for increased inspection, reporting, and enforcement of environmental protections
- $1.3 million for statewide aquatic weed control measures aimed at protecting drinking water, lakes and waterways
- $3.5 million for the Noncommercial Leaking Underground Storage Tank Fund Program

Department of Commerce

- Reorganize the Department of Commerce and create a Public Private Partnership (PPP) for Economic Development, effective July 1
  - Provides for a streamlined Department of Commerce
  - PPP will have the flexibility to provide marketing, recruitment, and job creation support for existing and new businesses in the state
  - Awarding of public funds for Economic Development by the Department of Commerce
  - Results in anticipated recurring savings of 5% or $921,015
- $3 million for statewide support of small businesses
  - State matching funds for federal contracts for the One N.C. Small Business Program
  - Competitive local grants for the Main Street Solutions Fund
- $350,000 transfer from the Community College System to allow the fee for participation in the Apprenticeship Program to be waived for FY 2014-15

JPS: Budget Overview

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	$2,609,053,583	$2,667,322,617	$2,622,053,872	$ 30,075,320	$2,652,129,192	-0.57%	1.15%
Receipts	$ 304,345,016	$ 298,647,424	$ 281,947,424	$ 1,642,208	$ 283,589,632	-5.04%	0.58 %
GF Appropriation	$2,304,718,567	$2,368,675,193	$2,340,106,448	$ 28,433,112	$2,368,539,560	-0.01%	1.22%

Includes:

- *Judicial*
- *Judicial – Indigent Defense*
- *Justice*
- *Department of Public Safety*

- $27.2 million for a $1,000 salary and benefits increase for all General Fund supported positions in the JPS areas

Judicial Branch

- $6.5 million for a one-step salary increase based on the current statutory pay plan for eligible Deputy Clerks, Assistant Clerks and Magistrates that have been frozen for several years; employees on the plan not eligible for a step increase will receive a $1,000 salary and benefits increase

Judicial Branch (Indigent Defense)

- $3.5 million non recurring funding for FY 2014-15 to help address a shortfall of funds and facilitate more timely payments for private assigned counsel that represent Indigent clients

Department of Justice

- $689,000 recurring and $546,000 non recurring funding for expansion of crime labs to improve efficiency and turnaround time for law enforcement
  - Enhance DNA testing capability at the Western Crime Lab (10 FTE's)
  - Enhance Toxicology testing capabilities at the Triad and Western State Crime labs
- $229,000 in funds for investigative activities that are core to the mission of the Department of Justice
  - Funds for investigation and response to cyber threats against children (3 FTE's)

Department of Public Safety

- $1.5 million for a partial step increase for State Highway Patrol troopers not at the top of their pay range that have been frozen for several years; all other troopers will receive a $1,000 salary and benefits increase

- $1.8 million in non recurring funding to purchase 100 additional vehicles for new Probation/Parole officers funded during the 2013 legislative session; funds will transferred to the Department of Administration, Motor Fleet Management Division to purchase the vehicles for lease to DPS

- $15.9 million for FY 2014-15 and $25 million in annualized savings for FY 2015-16 from operating efficiencies throughout the department, and the continued modification of prison staffing and operating budgets for a number of prison facilities to more appropriate levels based on current operational needs of the prisons

Transportation: Budget Overview

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	$8,308,289,447	$4,450,329,584	$4,307,617,851	$ 141,183,014	$4,421,800,865	(0.64)%	2.65%
Receipts	$3,905,654,322	$1,296,451,785	$1,285,907,351	$ (256,486)	$1,285,650,865	(0.83)%	(0.02)%
HF & HTF Appropriation	$4,402,635,125	$3,153,877,799	$3,021,710,500	$ 114,439,500	$3,136,150,000	(0.56)%	3.79%

Does not include duplication in requirements and receipts for project related costs.

Includes:

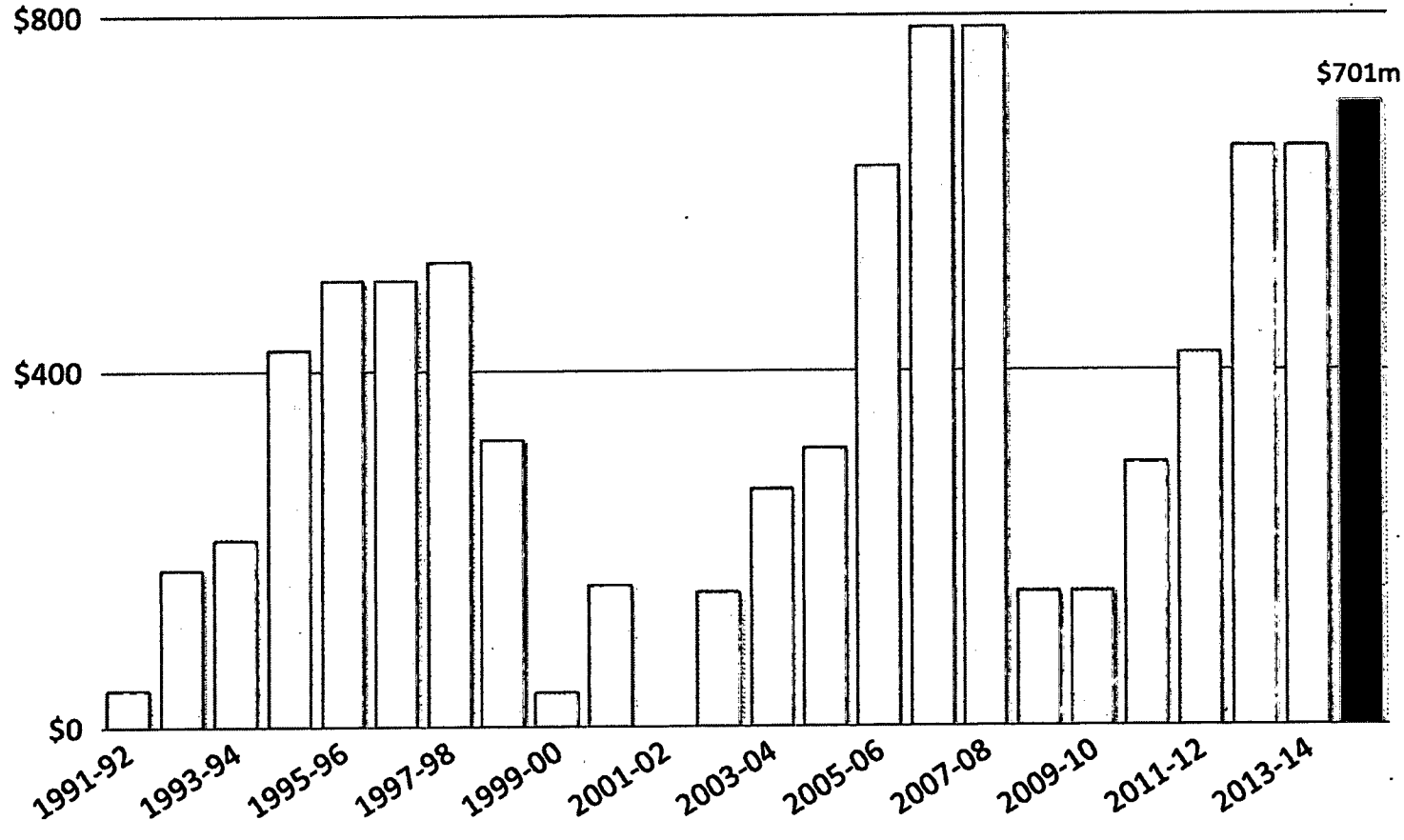
- *Highway Fund*
- *Highway Trust Fund*
- *Turnpike Authority*

Highway Fund

- $7.5 million for a $1,000 salary and benefits increase for all Highway Fund supported positions in the Department and other state agencies supported with Highway Fund appropriations
- Redirects $30 million in Highway Fund appropriations, generated from efficiencies identified in other programs, to support other Transportation priorities
- Provides an additional $43 million for FY 2014-15 over the enacted budget for 2013-14 for the Highway Maintenance Program
  - Facilitates the continued support for a well maintained, multimodal transportation infrastructure
- Continued modernization and improved customer service improvements for citizens that conduct business with the Division of Motor Vehicles
  - Adding additional resources at the Division's Call Center to answer questions from citizens
  - Substantial technology upgrade resulting in access to DMV services through multiple avenues, including smartphones, kiosks, and tablets
  - Replacement of critical DMV mainframe computer applications that fail to meet current business needs

Budget Includes $50 million for Savings Reserve Account

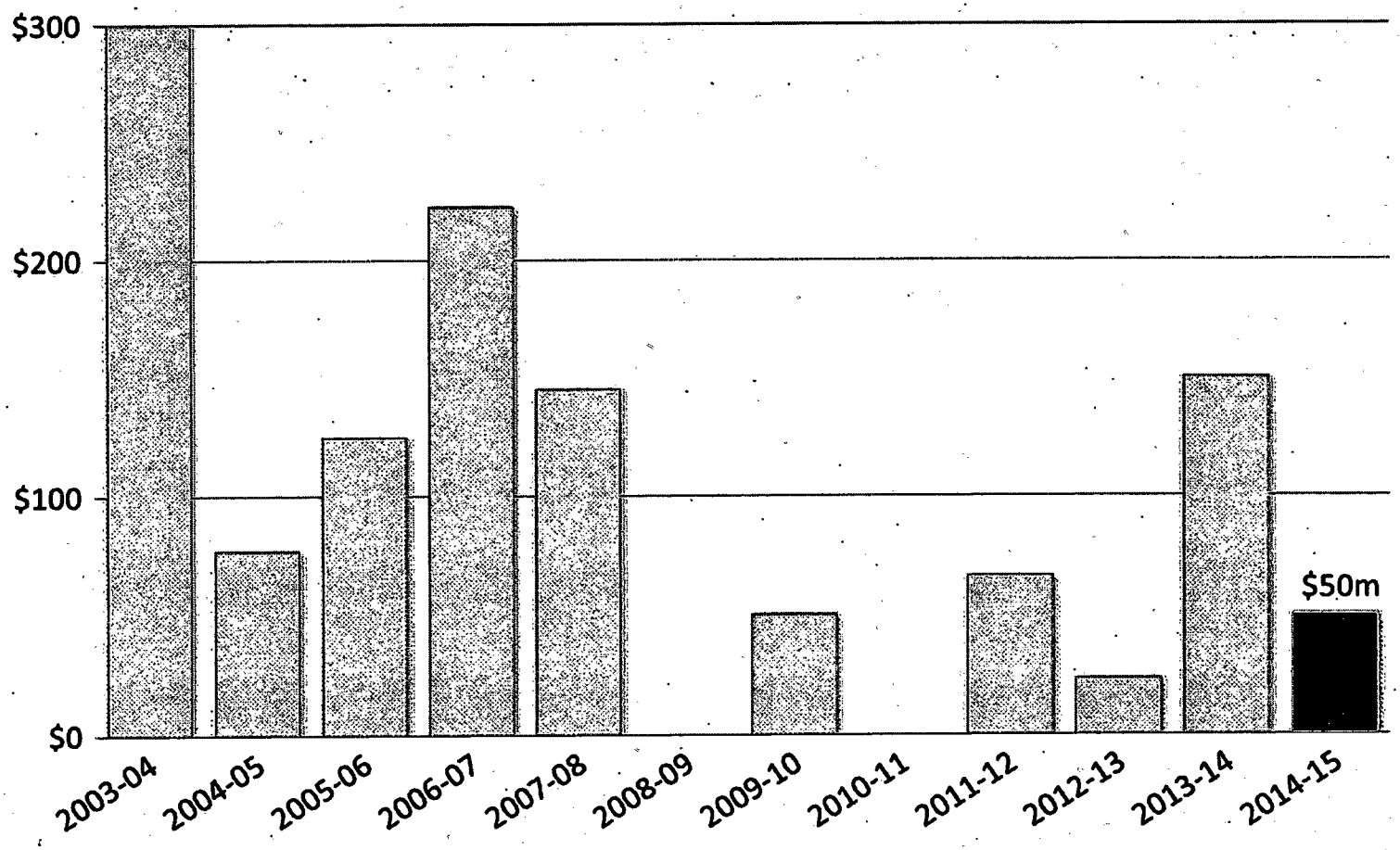
Year-End Savings Reserve Balance in Millions of Current-Year Dollars



Note: 1) FY 2013-14 balance as of March 31, 2014; all others as of end of fiscal year.

Budget Includes $50 million for Repair & Renovations

Millions of Current-Year Dollars



Information Technology Reserve

- Preserves capacity for statewide IT oversight, enterprise planning and requirements development
- Delays $8.6 million of planned infrastructure projects to meet State's fiscal requirements
  - Identified infrastructure projects that could be delayed
  - Allows time for more detailed planning and requirements development for FY15-16 project implementation.

Summary: Salaries & Benefits

- Raises starting teacher pay by 7.1% to $33,000 and funds the step increase.
- Teachers who move to steps 8-36 in the 2014-15 school year will receive an experience-based step increase ranging from 2% to 4.3%.
- Funds a partial salary-step increase for State Highway Patrol troopers not at the top of their pay range.
- Provides eligible magistrates and clerks a salary-step increase.
- Most State employees receive a $1,000 salary and benefit increase.

	2014-15
Teachers and Principals Salary & Benefit Increases	$ 108,385,094
State Highway Patrol Partial Step Increase	$ 1,486,030
Magistrates & Clerks Special Pay Raise	$ 6,475,252
Most State Employees, NCCCS, and LEA non-certified - $1,000 Salaries & Benefit Increase	$ 146,603,952
	$ 262,950,328

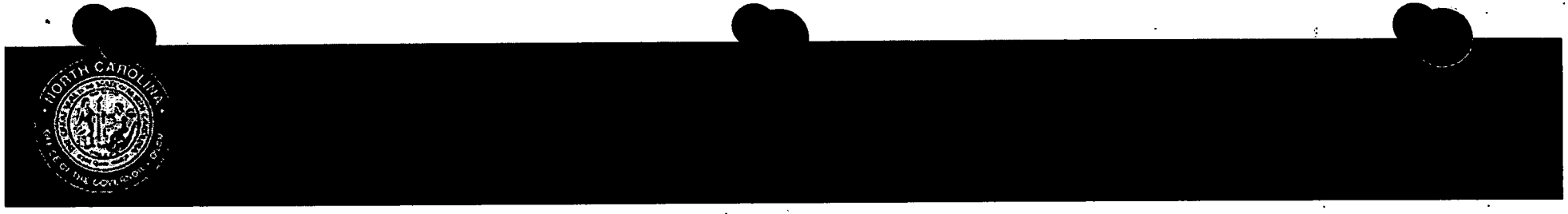
Summary: Salaries & Benefits

	2014-15
Teachers & Principals	$ 108,385,094
Public School System & DPI – Non-Teachers	$ 53,844,080
Community College System	$ 18,556,950
UNC System	$ 33,443,940
General Government	$ 3,656,950
Health and Human Services	$ 6,009,660
State Highway Patrol Partial-Step Increase	$ 1,486,030
Magistrates & Clerks Step Increase	$ 6,475,252
Justice and Public Safety – Other Personnel	$ 27,483,132
Natural and Economic Resources	$ 3,609,240
TOTAL	$ 262,950,328

Reserves: Salaries & Benefits

- Salary and benefit increases budgeted directly to departments and agencies.
- Funds an increase to the TSERS annual retirement contribution rate.
- Provides a 1.9% cost-of-living adjustment to retirees of TSERS and Consolidated Judicial Retirement System.
- Realigns a General Fund reserve to help provide a salary and benefit increase for State employees.

Retirement System Annual Contribution	$ 7,210,000
1.9% Cost-of Living Adjustment for Retirees	$ 70,000,000
Reserve for Future Benefit Needs	($56,400,000)



QUESTIONS ????

Electronic version of Governor McCrory's budget can be located at the Office of State Budget and Management website:

osbm.nc.gov

THE GOVERNOR'S

RECOMMENDED BUDGET ADJUSTMENTS



PAT MCCRORY
Governor

The State of North Carolina
2014-2015

The Governor of North Carolina's

RECOMMENDED BUDGET ADJUSTMENTS

2014-2015

Office of State Budget and Management
Office of the Governor
Raleigh, North Carolina

osbm.nc.gov

Art Pope, State Budget Director
Tony Gurley, Chief Operating Officer
David Brown, Deputy Director for Budget

May 2014

Questions about the Governor of North Carolina's Recommended Budget Adjustments, 2014-15 or requests for further information may be directed to the Office of State Budget and Management, 20320 Mail Service Center, Raleigh, NC 27699-0320, or telephone (919) 807-4700. The document may also be downloaded from the Office of State Budget and Management's website at osbm.nc.gov.

Introduction

Governor's recommended budget for the state

The purpose of this document is to summarize the governor's recommended state budget adjustments for fiscal year 2014-15. These recommended changes are based on the certified budget approved by the 2013 session of the General Assembly. This publication includes recommendations for expenditures from the General Fund, Highway Fund, and Highway Trust Fund. Recommended expenditures for capital improvements and for reserves, debt service, and other adjustments are also included.

Governor's letter and highlights

Governor McCrory's priorities are listed in his transmittal letter, followed by a brief description of key recommendations on a "Highlights" page.

Revenue and budget summary

A summary of General Fund recommended budget changes by department/budget code for the entire state budget appears in table 4: "Governor's Recommended General Fund Appropriation, FY 2014-15." Estimates of fund availability, an economic forecast, and demographic analysis are also included in this section.

Budget recommendations

Brief explanations of recommended adjustments to the budget are provided in sections that correspond to the following government functions: Education; General Government; Health and Human Services; Justice and Public Safety; Natural and Economic Resources; and Transportation.

Budget adjustments for a given department/agency appear in the appropriate section (for example, the North Carolina Community College System appears in the Education section, the Department of Administration appears in the General Government section, and so forth). A department/agency presentation begins with a summary table, showing the 2012-13 actual budget, 2013-14 certified budget, 2014-15 certified base budget, and the total recommended adjustments to requirements, receipts, appropriation, and positions for the department/agency. Next is an explanation of each adjustment for a given department/agency, along with a listing of the recurring and non-recurring requirements, receipts, appropriation, and positions for the proposed change. At the end of each department/budget code or section, there is a table that summarizes all recommended changes.

Adjustments are listed for each agency/department including adjustments that are required by statute, such as the Average Daily Membership (ADM) adjustment for public schools.

The Transportation section summarizes recommended revenue and expenditures for the Highway Fund and the Highway Trust Fund in addition to the typical presentation of adjustments.

The Capital Improvements section and Reserves and Other Adjustments section display information in a manner similar to the presentation of adjustments as described above.

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STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR

PAT MCCRORY
GOVERNOR

May 14, 2014

The North Carolina Senate
The Honorable Phil Berger, President Pro Tempore

The North Carolina House of Representatives
The Honorable Thom Tillis, Speaker

The Citizens of North Carolina

Dear Mr. President, Mr. Speaker, Ladies and Gentlemen of the General Assembly and my fellow North Carolina citizens:

The short session adjustments contained in my budget continue the long-term investments we began last year in North Carolina's people and economy. Foremost among these adjustments is a pay raise for state employees and teachers.

Increased Pay for Teachers and State Employees

A slow economic recovery from the recession has limited North Carolina's investments in our state employees. This budget reverses the trend by providing an average two percent salary increase. State employees who have been "frozen" on early pay steps for several years, specifically the Highway Patrol, Magistrates and Deputy and Assistant Clerks of Court will, on average, receive larger pay increases.

This budget fulfills a commitment to raise the base pay for teachers with up to seven years' experience from $30,800 to $33,000 annually in the upcoming academic year -- a 7.1 percent increase. A commitment to further raise the base to $35,000 for the 2015-2016 school year will mean a 13.6 percent increase for beginning teachers. Those teachers with more than seven years' experience will receive a pay increase that averages from 2 up to 4.3 percent. This immediate pay increase lays the foundation for long-term education and teacher compensation reform.

Education - Innovation and Achievement

The Recommended Budget for Fiscal Year 2014-2015 (including pay raises) increases spending for public schools, community colleges, and universities by $196 million or 1.7 percent more than the certified budget for the previous year.

Giving all teachers a pay raise this year lays the foundation for innovative reform of teacher compensation. The Career Pathways for Teachers framework will give pilot school districts the flexibility to develop additional teacher career opportunities and to reward classroom teaching that

directly improves student achievement. This budget will also restore funding for a reformed master's degree salary supplement and doubles spending on textbooks.

This budget continues to assist the community colleges in closing the "skills gap" with $16.8 million in additional funding for higher cost courses and for training workers in high demand fields such as health sciences, engineering, construction, manufacturing, transportation, chemical and biotechnology.

During the next few years, approximately 60,000 veterans will separate from their respective service at a military installation located in North Carolina. These men and women will come to the civilian workforce highly trained, disciplined and with the experience to get a job done. To help veterans make the transition to the civilian workforce easier, my budget provides in-state tuition for our veterans at all of the state's 58 community colleges.

Likewise, this budget establishes the North Carolina Scholarship for the Education of Returning Veterans (NC SERV). It will provide financial aid for returning military veterans attending UNC institutions who meet certain requirements. The aid will make up the difference between in-state and out-of-state tuition for their initial school year.

This budget makes strategic investments in our universities that will be a catalyst for future innovative growth such as new funding of $2 million a year for the Next Generation Power Electronics Innovation Institution at North Carolina State University. It also provides $3 million annually to help transition research from the university laboratory to the commercial marketplace. Additionally, this budget continues to provide the University of North Carolina the overall management flexibility it requests.

Natural and Economic Resources – Protection and Growth

The development of our natural resources into economic resources must be done in a manner that protects the environment without strangling jobs and economic growth. Protecting the environment and economic growth are not mutually exclusive. To accomplish both goals responsibly, this budget increases the funding for the Oil and Gas Regulatory Program and Mining and Energy Commission by 35 percent to ensure the exploration and production of energy is done in a manner that protects our citizens and the environment that we will leave for our children. Last year's budget made major commitments for sound environmental practices and to protect clean water. It included additional funding for the Drinking Water Revolving Fund match, Clean Water State Revolving Fund match, and Clean Water Management Trust Fund.

However, it's past time to solve the problems with the storage and containment of coal ash which literally has been accumulating for a hundred years. Therefore, I am proposing an initiative that converts or closes the state's coal ash ponds and eliminates special exemptions for utilities. Furthermore, it increases regulatory authority to ensure dam safety and protect water quality. This budget requests funding for 19 additional positions for increased inspection, reporting, and enforcement of environmental protections by the Department of Environment and Natural Resources.

In addition, $3.46 million in recurring funds are provided to continue the clean-up of residential leaking underground storage tanks as well as $1.3 million in new funds to support statewide aquatic weed control measures that protect our state's drinking water, lakes and waterways.

Commerce and Job Growth

Since I took office in January 2013, the state's unemployment rate has fallen from one of the highest in the nation, at 8.8 percent, to 6.3 percent in March 2014. That is a 28 percent decrease in North Carolina's unemployment rate. North Carolina added 65,000 jobs this year for a total of 4.1 million North Carolinians at work.

But the growth in jobs so far is not enough. While unemployment reform and tax reform will continue to help an economy that is still in weak recovery, we also need to take direct action with our Department of Commerce. Using authority granted in last year's budget, this year's budget proposes a streamlined, more flexible and accountable Department of Commerce with a Public Private Partnership (PPP) for Economic Development to be established by July 1, 2014. This will result in an anticipated annual savings of 5 percent. More importantly, the PPP will have the flexibility to provide marketing, recruitment, and job creation support for existing and new businesses in North Carolina. However, decisions awarding public funds will be made separately by the Department of Commerce.

Health and Human Services and Medicaid – Reform and Service

Unbudgeted Medicaid costs have bedeviled the budgeting process for years. This year, the state and counties faced the challenge of implementing completely new computer systems that had been delayed for years. While it is estimated that Medicaid will cost approximately $70 million more for Fiscal Year 2013-2014 than budgeted, the state will carry over sufficient funds to cover this cost. To provide a further cushion for next year, I am proposing a Medicaid Risk Reserve Fund of $50 million which will be in addition to the $506 million increase (from Fiscal Year 2012-2013) already built into the biennium budget. An additional $9 million will be invested to continue to upgrade and implement the NC Tracks and NC Fast computer systems.

However, more fundamental reform is vital to care for our citizens most in need. We have undertaken bold reform that will ensure Medicaid patients will receive comprehensive and compassionate care at a cost North Carolina taxpayers can afford. This reform will be submitted through separate legislation with this budget providing an initial $1 million in seed money to begin implementation.

To support a better life and education for our most vulnerable children from the start, this budget continues to not only fully fund, but will increase funding, for NC Pre-K, Oversight for County Child Welfare Operations, and Foster Care.

General Government and Capital – Restoration and Improvements

A broad range of investments are made by this budget throughout state government. They range from increased funding for the Youth Advocacy program to additional dollars for veterans nursing homes in Black Mountain and Kinston.

For the first time since the Battleship North Carolina was acquired in 1961, $3 million will be provided for a challenge grant to pay for major hull repairs. (The Battleship North Carolina will not sink on our watch!) Additionally, funding is restored for the preservation and operation of Tryon Palace.

This budget provides $6.8 million for vital water resource projects that include dredging, navigation, flood control, beach protection and stream restoration. An additional $500,000 is specifically provided for the preservation and enhancement of navigability of Oregon Inlet. An

additional $50 million is being added to the Repair and Renovation Fund to reverse deterioration and ensure safe buildings for the public and employees throughout the university system and state government.

Justice and Public Safety

This budget continues to strengthen our Courts and the Department of Justice with further funding increases for crime labs and updated technology. Reforms of the Justice Reinvestment Act will continue to be implemented, including placing more misdemeanor offenders in county jails rather than state prisons. Probation/Parole Officers will receive more funding (including more vehicles) which will aid in advancing the rehabilitation and transition of probationers and parolees from prison to a free society.

As part of the overall state employee pay increase, the "frozen" pay steps for the Highway Patrol, Magistrates, and Clerks of Court will be partially restored and increased. The Alcohol Law Enforcement positions for its officers will be partially restored.

Transportation and the Division of Motor Vehicles – Infrastructure and Modernization

From the first day of my administration, I have emphasized providing customer service to our citizens - starting with the Division of Motor Vehicles. This budget pays for substantial technology upgrades that will allow customers to access DMV services through self-service kiosks, tablet computers or smart phones as well as through DMV call centers and high volume DMV offices.

The core function of the Department of Transportation is supported with an additional $43 million for the Highway Fund in 2014-2015 for highway maintenance, preservation and resurfacing. The Highway Trust Fund's Strategic Investment Program will also increase by $57.9 million.

Sound Budget – Hard Decisions

Earlier this month, the Fiscal Research Division and the Office of State Budget and Management issued a General Fund Revenue Consensus Forecast which showed revenue for this current Fiscal Year 2013-2014 as $445 million under budget and reduced the revenue forecast for this Fiscal Year 2014-2015 budget by $191 million. However, the $445 million projected shortfall is more than offset by savings of $323.7 million in unappropriated funds set aside at the beginning of the fiscal year along with agency savings and reversions to the General Fund approaching $290 million. This fiscally conservative approach to the state budget means that the state does not have to take any extraordinary measures to balance its budget this year, and our Triple-A bond rating is secure. Even with $191 million less revenue than originally forecasted for Fiscal Year 2014-2015, responsible budgeting and making hard decisions will still provide a much needed pay increase for state employees and teachers and an overall increase in state funding for education.

In education, these hard decisions included giving school districts the same amount of funding for grades K-3 for classroom assistants in 2014-15 as they received in 2013-14 without any additional assistants for growth. I believe that giving our current teachers and public school employees a pay increase is a higher priority than hiring additional assistants at this time.

While an additional 2% management flexibility reduction for the UNC system was a difficult decision, my budget seeks to minimize hardships on smaller institutions by extending the exemption to include Winston-Salem State University, Fayetteville State University, and Elizabeth City State University in addition to institutions previously exempted by the General Assembly.

I have asked the Board of Governors to reduce spending on centers and institutes that are not essential for the awarding of degrees and the educational mission of the University. We all appreciate the private scholarships that attract the best students to UNC institutions. However, my budget treats these scholarships similar to other scholarships in the UNC System by requiring that they pay the full tuition for out-of-state students. While tuition should be kept as low as practical, this budget does implement the already approved tuition increase for out of state students which offsets $27 million in general fund savings in the UNC budget.

To save state dollars, in Health and Human Services I aggressively identified $40 million in federal funds and other receipts to finance existing health and human services programs. However, this means that those federal dollars are not available for the expansion of other programs. Hospitals are being asked to contribute more for the funding of Medicaid by increasing the State's share of the current assessment program. Likewise, local management entities/managed care organizations will begin participation in the assessment program. Together, these contributions will replace nearly $75 million in State funding for Medicaid without reducing Medicaid services.

On the other hand, a common sense decision was to sell a Department of Transportation helicopter.

To minimize the need for future budget reductions, this budget continues sound fiscally conservative practices by adding $50 million to the state's Saving Reserve Account and $50 million to the Repair and Renovation fund, which is more than required by statute. It also adds $50 million for the Medicaid Risk Reserve. The budget also leaves over $100 million unappropriated on the "bottom line" to provide for unknown contingencies in state revenue or Medicaid funding for next year.

There will always be more requests for spending and programs than there is money available. Priorities must be set and hard decisions made in order to provide a balanced and responsible budget for the state programs that serve the people of North Carolina.

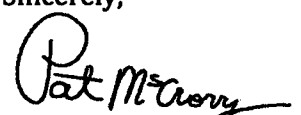
North Carolina Is On the Comeback

North Carolina has a lot to be proud of. During the past year, our unemployment rate has fallen 28 percent. More North Carolinians are earning a paycheck than were a year ago, and there is more money in those paychecks thanks to the historic tax reform we passed last session.

This budget builds upon these accomplishments with strategic investments, prudent spending, and continued reform that includes a much needed pay raise for teachers and state employees. This budget is directed at unleashing the potential of North Carolina's hard working and innovative people.

Thank you for your consideration of this budget recommendation, and I look forward to working with you on this budget during the session.

Sincerely,



Pat McCrory
Governor of North Carolina

Economic Priorities and Budget Summary

for 2014-15

Table 1

Recommended Total State Budget by Function Excluding Transfers

2014-15

	2014-15 Recommended	%
Education	$16,449,921,755	32.09%
General Government	2,492,751,071	4.86%
Health and Human Services	18,518,671,328	36.12%
Justice and Public Safety	2,825,049,836	5.51%
Natural and Economic Resources	5,805,676,628	11.32%
Transportation	3,830,475,637	7.47%
Capital Improvements	43,369,274	0.10%
Debt Service	914,916,877	0.08%
Reserves and Adjustments	338,907,143	0.66%
Total State Budget	**$51,269,739,549**	**100.0%**

Figure 1

Recommended Total State Budget by Function Excluding Transfers

2014-15

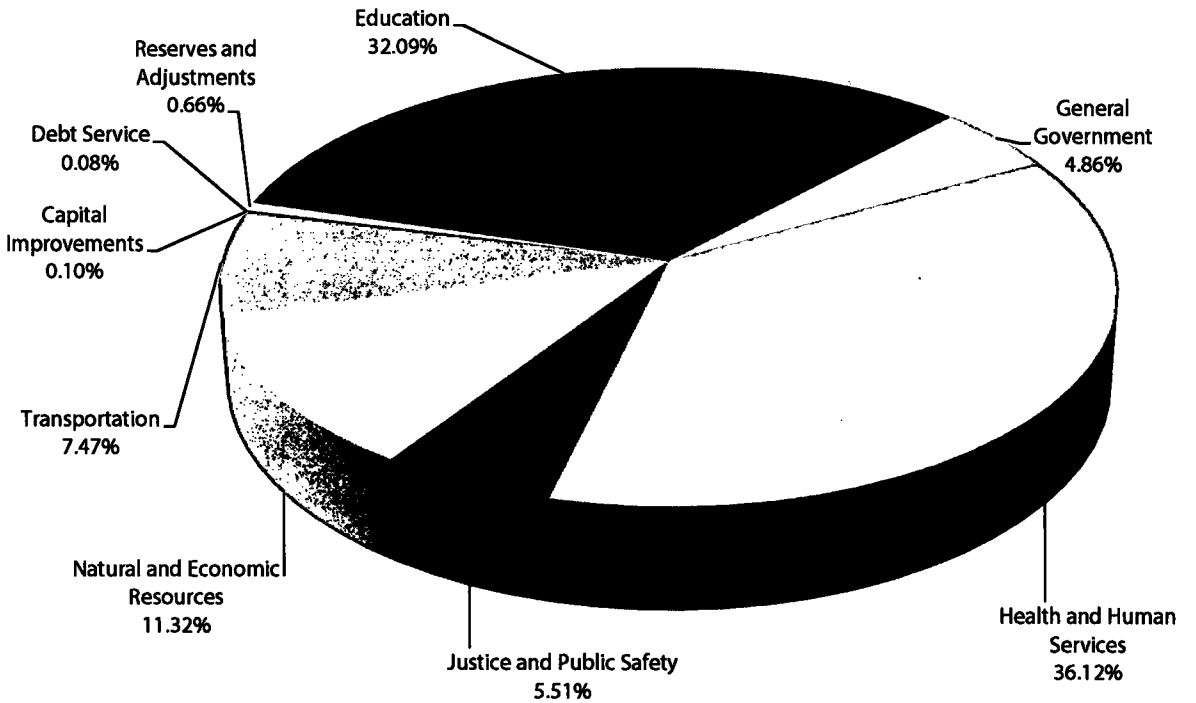


Table 2

Recommended General Fund Budget by Function

2014-15

	2014-15 Recommended	%
Education	$11,676,317,509	55.6%
General Government	420,724,043	2.0%
Health and Human Services	5,015,081,715	23.9%
Justice and Public Safety	2,368,530,560	11.3%
Natural and Economic Resources	381,269,353	1.8%
Transportation	0	0.0%
Capital Improvements	23,431,574	0.1%
Debt Service	715,996,743	3.4%
Reserves and Adjustments	388,907,640	1.9%
Total General Fund Budget	**$20,990,267,640**	**100.0%**

Figure 2

General Fund Budget by Function, 2014-15

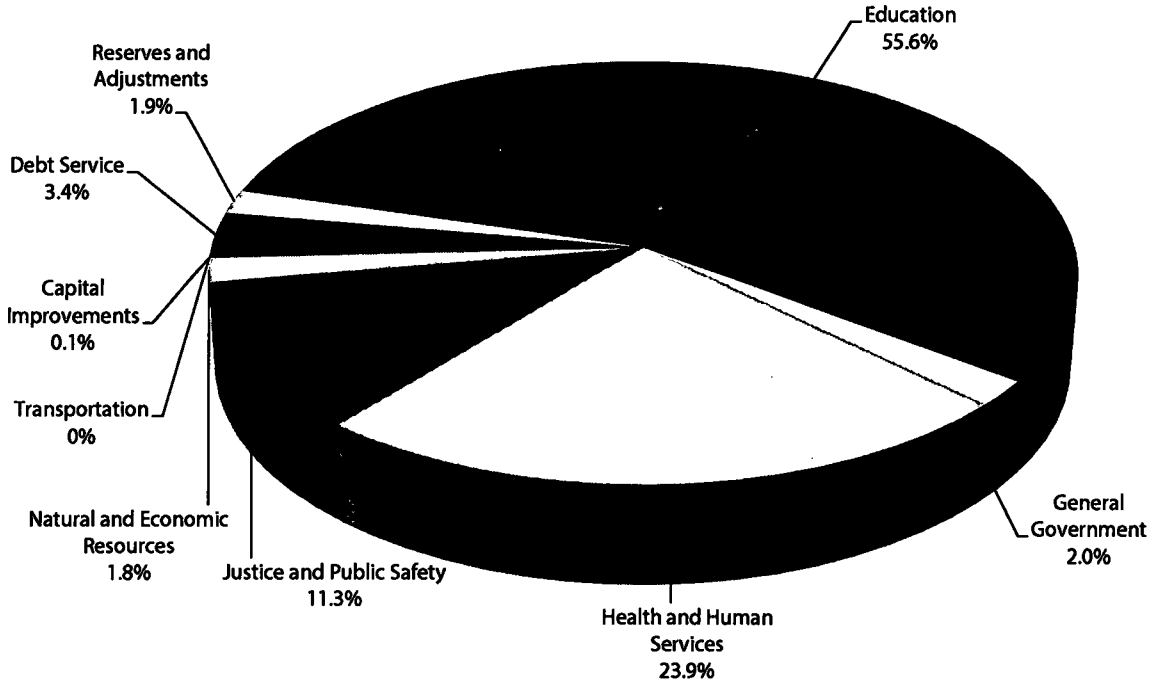


Table 3

Governor's Budget Recommendations for FY 2014-15: General Fund Balance Sheet

Brief Description	FY 2014-15
Availability	
Credit Balance:	
Unappropriated Balance (unspent)	323,693,704
Anticipated Over (Under) Collections from FY 2013-14	(445,400,000)
Anticipated Reversions from FY 2013-14	290,000,000
Subtotal Unreserved Fund Balance	168,293,704
Transfer to Savings Reserve Account	42,073,426
Transfer to Repair and Renovations Account	42,073,426
Subtotal Statutory Reserve Allocation	84,146,852
Subtotal Credit Balance	84,146,852
Revenue Based on Existing Tax Structure	20,962,767,811
Revenue Changes:	
Department of Revenue Out-of-State Sales Tax Collections	40,000,000
FICA Transfer	4,000,000
Subtotal Revenue Changes	44,000,000
Total Availability	**21,090,914,663**
Recommended Appropriations	
Authorized Budget	20,998,801,208
Fiscal Responsibility:	
Additional Transfer to Savings Reserve Account	7,926,574
Additional Transfer to Repair and Renovations Account	7,926,574
Medicaid Risk Reserve	50,000,000
Subtotal Fiscal Responsibility	65,853,148
Net Change by Subcommittee:	
Education	
Public Education	46,358,028
Community Colleges	16,866,780
University System	(49,398,097)
Health and Human Services	(122,592,860)
General Government	1,941,928
Natural and Economic Resources	4,561,239
Justice and Public Safety	28,433,112
Statewide Reserves	1,702,070
Debt Service	(9,340,916)
Capital	7,082,000
Subtotal Net Change by Subcommittee	(74,386,716)
Total Recommended General Fund Appropriations	**20,990,267,640**
General Fund Balance	**100,647,023**

Table 4

Governor's Recommended General Fund Budget, FY 2014-15

Budget Code	Function	FY 2014-15 Approved Certified Budget	Reductions			Continuation/Expansion			Net Change	FY 2014-15 Recommended Appropriation	Net Position Change
			Recurring	Nonrecurring	Appropriation Supported Positions	Recurring	Nonrecurring	Appropriation Supported Positions			
	Education:										
13510	Public Education	$ 8,046,101,622	$ (137,689,366)	(3,239,639)	(46.25)	$ 182,729,893	$ 4,557,140	8.00	$ 46,358,028	$ 8,092,459,650	(38.25)
16800	Community Colleges	1,016,487,467	(20,074,626)	(851,572)	-	37,792,978	-	-	16,866,780	1,033,354,247	-
160xx	University System	2,599,901,709	(89,339,523)	(4,579,138)	-	42,943,940	1,576,624	(2.80)	(49,398,097)	2,550,503,612	(2.80)
	Total Education	11,662,490,798	(247,103,515)	(8,670,349)	(46.25)	263,466,811	6,133,764	5.20	13,826,711	11,676,317,509	(41.05)
	General Government:										
14100	Administration	58,839,490	(1,176,790)	-	-	606,028	120,154	2.00	(450,608)	58,388,882	2.00
13300	State Auditor	11,217,468	(224,348)	-	(2.00)	122,000	400,000	-	297,652	11,515,120	(2.00)
14800	Cultural Resources	63,008,100	(634,408)	-	(6.00)	1,392,072	-	-	757,664	63,765,764	(6.00)
14802	Cultural Resources - Roanoke Island	450,000	(9,000)	-	-	-	-	-	(9,000)	441,000	-
11000	General Assembly	51,634,767	-	-	-	529,250	-	-	529,250	52,164,017	-
13000	Governor's Office	7,172,132	(103,442)	-	-	51,700	-	-	(51,742)	7,120,390	-
14100	NC Ethics Commission	1,164,169	(23,339)	-	-	12,000	-	-	(11,339)	1,152,830	-
13010	NC Housing Finance	8,411,632	-	-	-	-	-	-	-	8,411,632	-
13900	Insurance	38,003,624	(1,513,955)	-	(7.80)	367,910	-	-	(1,146,045)	36,857,579	(7.80)
13100	Lieutenant Governor	675,089	(13,502)	-	-	6,000	-	-	(7,502)	667,587	-
18210	Office of Administrative Hearings	5,027,130	(312,169)	-	(2.50)	45,000	-	-	(267,169)	4,759,961	(2.50)
14100	Office of State Human Resources	7,043,374	(142,368)	-	-	280,261	-	2.50	137,893	7,181,267	2.50
14700	Revenue	80,896,458	(2,360,425)	-	(1.00)	1,671,306	-	2.00	(689,119)	80,207,339	1.00
13200	Secretary of State	11,575,183	(100,000)	-	-	173,750	-	-	73,750	11,648,933	-
18025	State Board of Elections	5,693,244	(117,415)	-	-	51,000	-	-	(66,415)	5,626,829	-
13005	State Budget and Management (OSBM)	7,534,217	(150,684)	-	(1.00)	560,680	-	-	409,996	7,944,213	(1.00)
13085	OSBM-Special Appropriations	1,520,000	(20,000)	(500,000)	-	-	3,000,000	-	2,480,000	4,000,000	-
14160	Controller's Office	28,710,691	(1,051,869)	-	(4.75)	929,010	-	-	(122,859)	28,587,832	(4.75)
13410	State Treasurer	7,026,305	(140,700)	-	-	218,221	-	-	77,521	7,103,826	-
13412	State Treasurer - Retirement / Benefits	23,179,042	-	-	-	-	-	-	-	23,179,042	-
	Total General Government	418,782,115	(8,094,414)	(500,000)	(25.05)	7,016,188	3,520,154	6.50	1,941,928	420,724,043	(18.55)
	Health and Human Services:										
14410	Central Administration	76,301,328	(3,120,000)	-	-	477,850	-	-	(2,642,150)	73,659,178	-
14411	Aging	54,342,341	-	-	-	28,890	-	-	28,890	54,371,231	-
14420	Child Development	254,314,609	(30,383,496)	(7,195,807)	-	91,090	-	1.00	(37,488,213)	216,826,396	1.00
14430	Public Health	141,941,587	(1,173,380)	(3,782,163)	(7.00)	2,001,560	-	-	(2,953,983)	138,987,604	(7.00)
14440	Social Services	176,558,432	(6,754,406)	-	-	7,858,580	-	30.00	1,104,174	177,662,606	30.00
14445	Medical Assistance	3,608,119,091	(81,808,789)	-	-	6,366,847	1,000,000	-	(74,441,942)	3,533,677,149	-
14446	NC Health Choice	57,747,933	(9,750,000)	-	-	1,000	-	-	(9,749,000)	47,998,933	-
14450	Services for the Blind	8,178,618	-	-	-	59,830	-	-	59,830	8,238,448	-
14460	Mental Health/DD/SAS	704,985,988	(10,774,708)	-	(7.00)	14,603,618	-	-	3,828,910	708,814,898	(7.00)
14470	Health Service Regulation	16,411,479	(288,000)	-	-	227,000	-	-	(61,000)	16,350,479	-
14480	Vocational Rehabilitation	38,773,169	(575,336)	-	(20.75)	296,960	-	-	(278,376)	38,494,793	(20.75)
	Total Health and Human Services	5,137,674,575	(144,628,115)	(10,977,970)	(34.75)	32,013,225	1,000,000	31.00	(122,592,860)	5,015,081,715	(3.75)
	Justice and Public Safety:										
14550	Public Safety	1,690,014,006	(15,884,875)	-	(379.50)	25,528,307	2,883,754	27.00	12,527,186	1,702,541,192	(352.50)
12000	Judicial	456,426,252	-	-	-	9,509,825	2,061,800	1.00	11,571,625	467,997,877	1.00
12001	Judicial - Indigent Defense	111,357,264	-	-	-	603,250	3,850,000	-	4,453,250	115,810,514	-
13600	Justice	82,308,926	(2,699,327)	-	-	2,009,478	570,900	13.00	(118,949)	82,189,977	13.00
	Total Justice and Public Safety	2,340,106,448	(18,584,202)	-	(379.50)	37,650,860	9,366,454	41.00	28,433,112	2,368,539,560	(338.50)
	Natural and Economic Resources:										
13700	Agriculture & Consumer Services	115,409,902	(2,930,390)	-	(10.00)	1,322,040	-	-	(1,608,350)	113,801,552	(10.00)
14600	Commerce	56,733,282	(675,554)	-	(68.00)	2,158,986	1,454,750	-	2,938,182	59,671,464	(68.00)
14601	Commerce - State Aid	15,624,767	-	-	-	-	-	-	-	15,624,767	-
14300	Environment and Natural Resources	157,767,236	(1,963,456)	-	(10.72)	4,287,515	1,096,000	19.00	3,420,059	161,187,295	8.28
14350	Wildlife Resources Commission	14,476,588	(289,532)	-	-	179,500	-	-	(110,032)	14,366,556	-
13800	Labor	16,696,339	(316,970)	-	(2.00)	238,350	-	-	(78,620)	16,617,719	(2.00)
	Total Natural & Economic Resources	376,708,114	(6,175,902)	-	(90.72)	8,186,391	2,550,750	19.00	4,561,239	381,269,353	(71.72)
14222	**Transportation**	-	-	-	-	-	-	-	-	-	-
	Net Agency	19,935,762,050	(424,586,148)	(20,148,319)	(576.27)	348,333,475	22,571,122	102.70	(73,829,870)	19,861,932,180	(473.57)
19600	**Capital Improvements**	8,423,000	-	-	-	7,926,574	7,082,000	-	15,008,574	23,431,574	-

Governor's Recommended General Fund Budget, FY 2014-15

Budget Code	FY 2014-15 Function	FY 2014-15 Approved Certified Budget	Reductions			Continuation/Expansion			Net Change	FY 2014-15 Recommended Appropriation	Net Position Change
			Recurring	Nonrecurring	Appropriation Supported Positions	Recurring	Nonrecurring	Appropriation Supported Positions			
	Debt Service:										
19420	General Debt Service	723,721,279	(9,340,916)	-	-	-	-	-	(9,340,916)	714,380,363	-
19425	Federal Reimbursement	1,616,380	-	-	-	-	-	-	-	1,616,380	-
	Total Debt Service	725,337,659	(9,340,916)	-	-	-	-	-	(9,340,916)	715,996,743	-
	Reserves and Adjustments:										
19001	Contingency & Emergency	5,000,000	-	-	-	-	-	-	-	5,000,000	-
19003	GF- Reserve for Compensation Increase - Retirees	-	-	-	-	70,000,000	-	-	70,000,000	70,000,000	-
19004	GF-Reserve for Salary Adjustment	7,500,000	-	-	-	-	-	-	-	7,500,000	-
19013	Job Development Incentive Grants Reserve	63,045,357	-	(14,000,000)	-	-	-	-	(14,000,000)	49,045,357	-
19042	Severance Expenditure Reserve	-	-	-	-	-	-	-	-	-	-
19043	Reserve for State Employee Comprehensive Major Medical	89,000,000	-	-	-	-	-	-	-	89,000,000	-
19044	Reserve for IT Fund	10,470,657	(179,933)	-	(1.00)	1,129,488	2,005,000	-	2,954,555	13,425,212	(1.00)
19044	Information Technology Reserve Fund	31,582,485	-	(8,612,485)	-	-	-	-	(8,612,485)	22,970,000	-
19047	Retirement Rate Adjustment	37,000,000	-	-	-	7,210,000	-	-	7,210,000	44,210,000	-
19047	Firemen's and Rescue Squad Workers' Pension Fund (13412)	(820,000)	-	-	-	-	-	-	-	(820,000)	-
19063	One North Carolina Fund	9,000,000	-	-	-	-	-	-	-	9,000,000	-
19064	Reserve for Future Benefits	56,400,000	(56,400,000)	-	-	-	-	-	(56,400,000)	-	-
19065	NC Government Efficiency and Reform Project	2,000,000	-	-	-	-	-	-	-	2,000,000	-
19066	Unemployment Insurance (UI) Reserve	13,600,000	-	-	-	-	-	-	-	13,600,000	-
19068	Reserve for Pending Legislation	4,500,000	-	-	-	-	-	-	-	4,500,000	-
19070	Reserve for Voter ID	1,000,000	-	-	-	-	-	-	-	1,000,000	-
19xxx	Litigation Reserve	-	-	-	-	-	550,000	-	550,000	550,000	-
19xxx	Medicaid Risk Reserve	-	-	-	-	-	50,000,000	-	50,000,000	50,000,000	-
19xxx	Savings Reserve	-	-	-	-	7,926,574	-	-	7,926,574	7,926,574	-
	Total Reserves and Adjustments	329,278,499	(56,579,933)	(22,612,485)	(1.00)	86,266,062	52,555,000	-	59,628,644	388,907,143	(1.00)
	Total	$ 20,998,801,208	$ (490,506,997)	$ (42,760,804)	(577.27)	$ 442,526,111	$ 82,208,122	102.70	$ (8,533,568)	$ 20,990,267,640	(474.57)

Table 5

Highway Fund and Highway Trust Fund Budget

2014-15

Function	FY 2014-15 Base Appropriation	Reductions			Other Continuation/Expansion			Net Change	2014-15 Approved Appropriation	Net Position Change
		Recurring	Nonrecurring	Appropriation Supported Positions	Recurring	Nonrecurring	Appropriation Supported Positions			
DOT Administration	94,975,916	(1,705,907)	-	-	-	-	-	(1,705,907)	93,270,009	-
Division of Highways										
Administration	35,139,990	-	-	-	-	-	-	-	35,139,990	-
Construction	46,859,878	(5,000,000)	-	-	-	-	-	(5,000,000)	41,859,878	-
Maintenance	1,022,097,721	(17,387,438)	-	-	43,386,032	-	-	25,998,594	1,048,096,315	-
Planning and Research	4,055,402	-	-	-	-	-	-	-	4,055,402	-
OSHA Program	365,337	(7,307)	-	-	-	-	-	(7,307)	358,030	-
State Aid to Municipalities	136,874,010	-	-	-	9,453,990	-	-	9,453,990	146,328,000	-
Mult-Modal										
Airports	22,244,510	(468,490)	-	(1.00)	-	-	-	(468,490)	21,776,020	(1.00)
Bicycle	751,066	-	-	-	-	-	-	-	751,066	-
Ferry	39,785,538	(794,486)	-	-	-	-	-	(794,486)	38,991,052	-
Public Transportation	85,244,235	(1,704,879)	-	-	-	-	-	(1,704,879)	83,539,356	-
Railroads	24,692,294	(417,420)	-	-	-	-	-	(417,420)	24,274,874	-
Governor's Highway Safety Program	284,932	(5,699)	-	-	-	-	-	(5,699)	279,233	-
Division of Motor Vehicles	119,532,589	(2,383,409)	-	-	7,534,410	13,947,484	44.00	19,098,485	138,631,074	44.00
Other State Agencies	39,967,810	(306,001)	-	-	3,458,927	-	-	3,152,926	43,120,736	-
Transfer to General Fund	215,871,719	-	-	-	-	-	-	-	215,871,719	
Other Reserves	7,629,853	-	-	-	9,839,693	-	-	9,839,693	17,469,546	-
Capital Improvements	19,937,700	-	-	-	-	-	-	-	19,937,700	
Total Highway Fund	1,916,310,500	(30,181,036)	-	(1.00)	73,673,052	13,947,484	44.00	57,439,500	1,973,750,000	43.00
Administration	45,590,880	(911,818)	-	-	-	-	-	-	44,679,062	-
Construction										
Strategic Prioritization Program	950,101,672	-	-	-	57,911,818	-	-	-	1,008,013,490	
State Aid to Municipalities	-	-	-	-					-	-
Bonds										
Bond Redemption	46,676,132	-	-	-	-	-	-	-	46,676,132	-
Bond Interest	13,631,316	-	-	-	-	-	-	-	13,631,316	-
NC Turnpike Authority	49,000,000	-	-	-	-	-	-	-	49,000,000	-
Reserve for Visitor's Centers	400,000	-	-	-	-	-	-	-	400,000	-
Total Highway Trust Fund	1,105,400,000	(911,818)	-	-	57,911,818	-	-	-	1,162,400,000	-

Economic Outlook and Revenue Forecasts

Economic Outlook

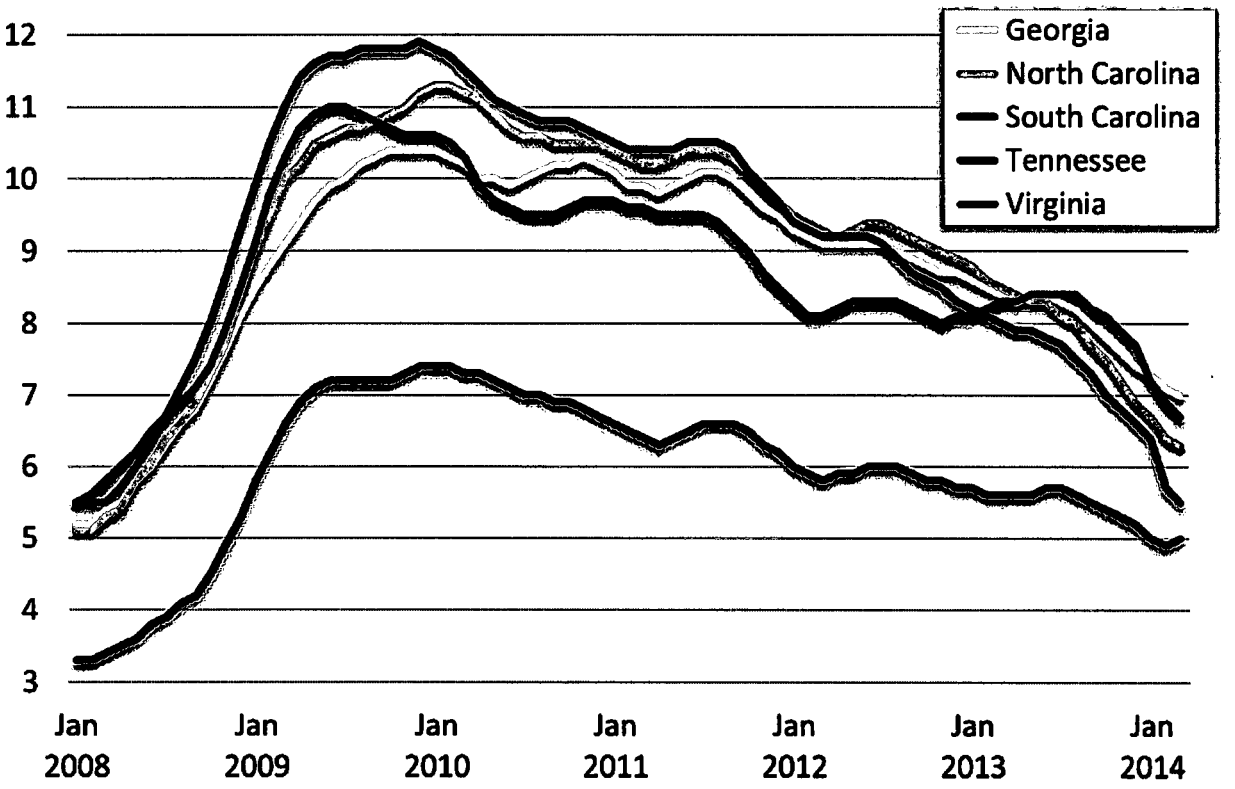
North Carolina's Unemployment Rate Has Rapidly Declined in the Past Year

The unemployment rate[1] in North Carolina rose rapidly in the early stages of the Great Recession, from 5.1% in January of 2008 to 9.0% one year later to a peak of 11.3% in January and February of 2010. Unemployment remained stubbornly high in North Carolina throughout the early years of the national economic recovery, leaving the state with an unemployment rate among the five worst in the country through much of 2011 and 2012. It was not until early 2013 that North Carolina's unemployment rate began to fall faster than in most other states. Between March 2013 and March 2014, North Carolina's unemployment rate fell by 2.2 percentage points to 6.3%, a larger decline than in all other states except South Carolina. In February 2014, North Carolina's unemployment rate fell below the national unemployment rate for the first time since March 2006.

Figure 3

Unemployment Rate Falling Faster in North Carolina Than in Most Neighboring States

State U-3 Unemployment Rate - Seasonally Adjusted



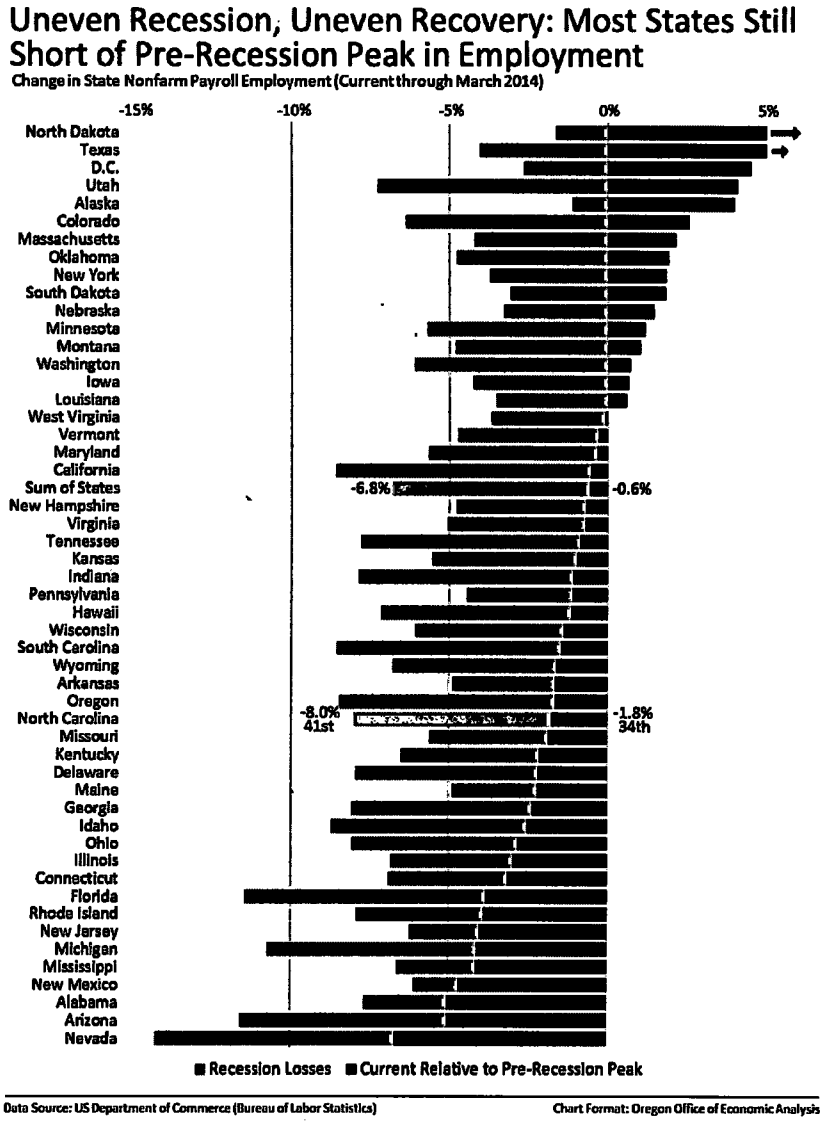
Source: US Department of Commerce, Bureau of Labor Statistics

[1] All data in this section from the Local Area Unemployment Statistics program at the US Department of Commerce's Bureau of Labor Statistics, with the most recent data being for the month of March 2014.

North Carolina, Like Most States, Has Yet to Regain Pre-Recession Employment Peak

Only ten states suffered greater job losses during the Great Recession than North Carolina. After experiencing a net loss of more than 335,000 jobs between February 2008 and February 2010, North Carolina has steadily added jobs at a rate of nearly 64,000 jobs per year. As of March 2014, North Carolina had regained nearly four in five of the net jobs lost during the recession, leaving eighteen states behind North Carolina in progress toward reaching or exceeding pre-recession employment levels. If job growth in the months ahead were to proceed at a similar pace, North Carolina would surpass its pre-recession employment peak in the first half of 2015.

Figure 4

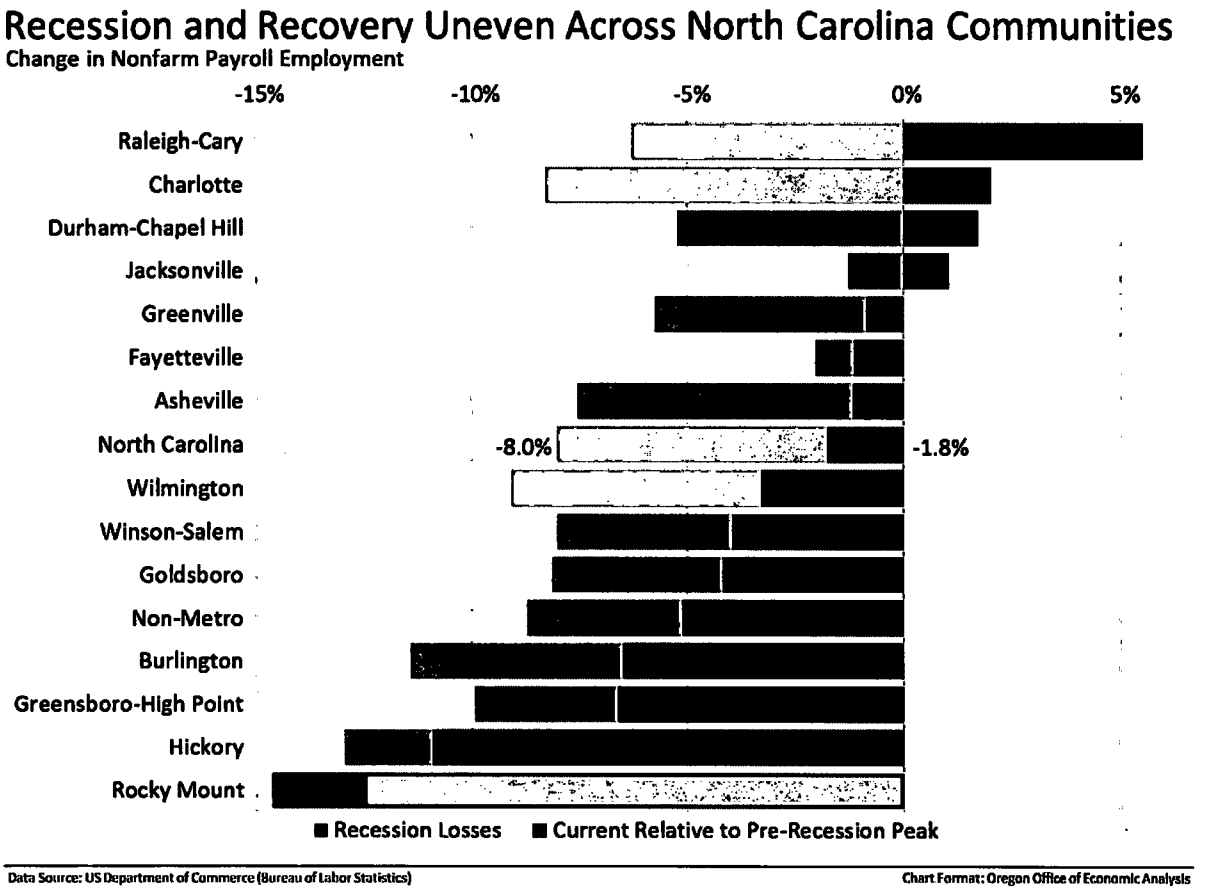


[2] All data in this section from the Current Employment Statistics program at the US Department of Commerce's Bureau of Labor Statistics, with the most recent data being for the month of March 2014.

Labor Market Recovery Has Proceeded Unevenly Across North Carolina Communities

The severity of the recession's impact and the pace of the labor market recovery have each varied substantially across North Carolina's communities. Several areas of the state, including the two largest metropolitan areas, have surpassed pre-recession employment peaks, while employment levels in other metropolitan areas and the state's non-metropolitan areas remain more than 5% below pre-recession levels. The Charlotte metro area and the two Triangle-area metro areas have accounted for roughly two out of every three net new jobs created in the state since the worst point in the labor market recession. At the other end of the labor market spectrum, the Rocky Mount metro area continued to shed jobs even after the labor market began to recover in other areas of the state after February 2010 – only recently stabilizing at employment levels nearly 15% below pre-recession levels. Other metro areas still struggling to regain lost jobs include Greensboro-High Point, Burlington, and, especially, the Hickory-Lenoir-Morganton metro area.

Figure 5

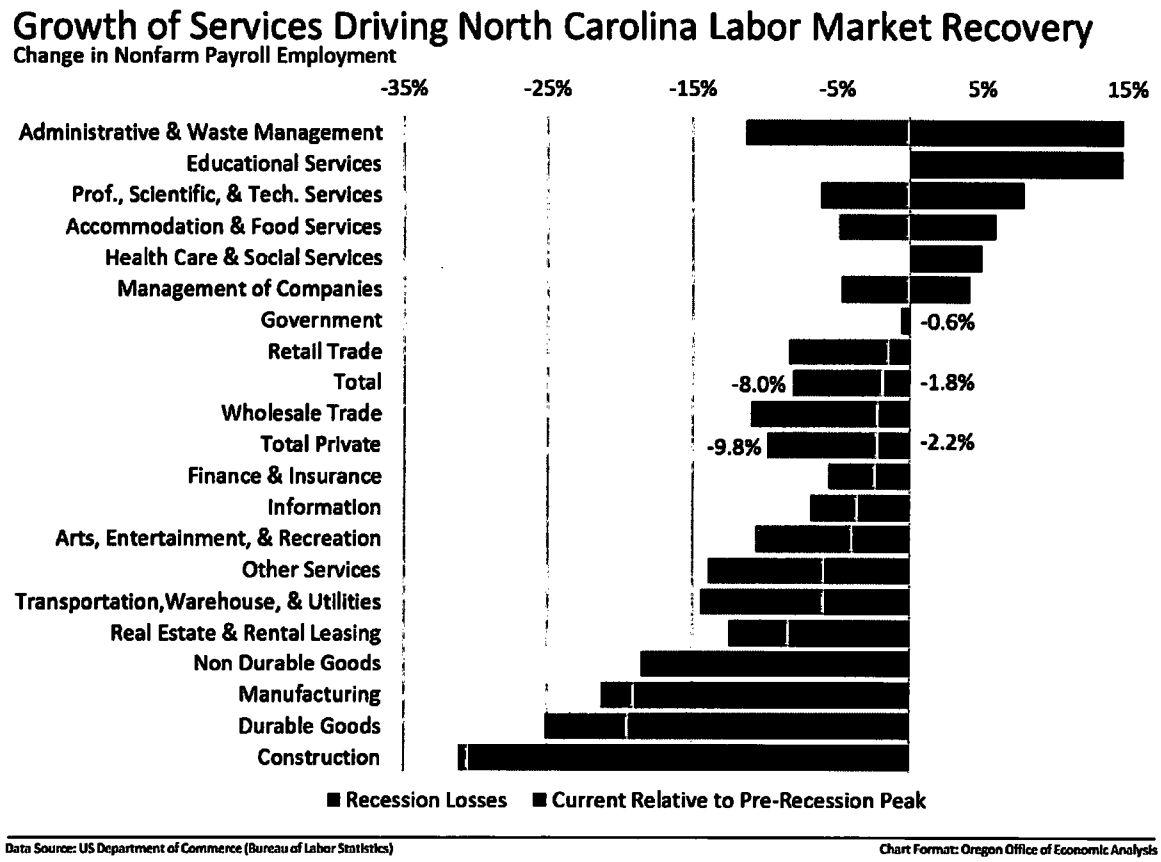


[3] All data in this section from the Current Employment Statistics program at the US Department of Commerce's Bureau of Labor Statistics, with the most recent data being for the month of March 2014.

A Few Service Industries Responsible for the Majority of State's Labor Market Recovery

Private service-providing industries have accounted for 95% of net new jobs created in North Carolina since the depths of the labor market recession in early 2010. Among the major goods-producing industries, durable-goods manufacturing – especially the manufacturing of transportation equipment, fabricated metal products, and machinery – has accounted for nearly all net new job growth. The sector with the largest employment gains since the low point of the recession is administrative and waste management services, which accounts for one in four net new jobs, with particularly strong gains in the employment services industry group. Other sectors with significant job growth since early 2010 include retail and wholesale trade, which together account for one in five net new jobs, and the accommodation and food services sector, which accounts for one in seven net new jobs. The hard-hit construction sector has only just begun to recover, with year-over-year job growth of nearly 4,000 jobs as of March 2014.

Figure 6



[4] All data in this section from the Current Employment Statistics program at the US Department of Commerce's Bureau of Labor Statistics, with the most recent data being for the month of March 2014.

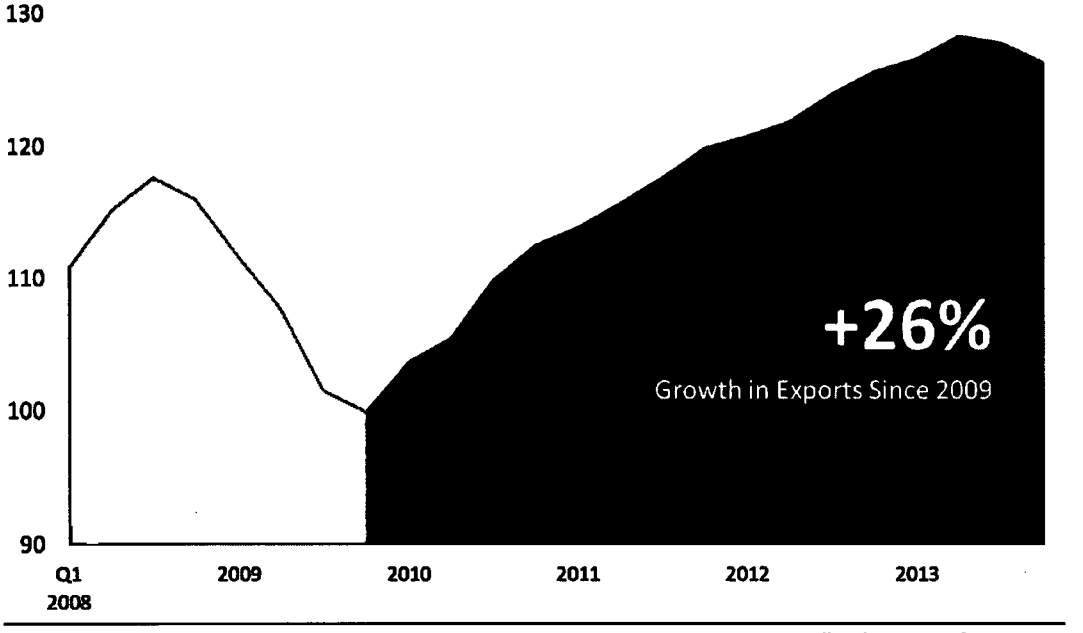
North Carolina's Exports Have Risen to Record Highs Since the End of the Recession

Exports have been a significant source of growth for North Carolina's economy over the course of the state's recovery from the Great Recession. Inflation-adjusted exports were up by more than $6.1 billion (26%) in 2013 compared to 2009. Exports of manufactured goods accounted for more than three-quarters of the total increase in exports, driven to a large extent, since 2010, by a substantial increase of more than $665 million in inflation-adjusted exports of semi-tractors, other large trucks, and truck engines as well as a more than $365 million increase in exports of pharmaceuticals. Canada and Mexico have, together, accounted for more than half of North Carolina's increase in exports since 2010. Other countries accounting for a large share of the state's export growth since 2010 include Saudi Arabia, China, Belgium, and India.

Figure 7

North Carolina's exports have grown substantially from recession-driven lows

4-Quarter Moving Average of Inflation-Adjusted (GDP Price Deflator) Gross Exports from North Carolina, 2009 = 100



Source: US Census Bureau, Foreign Trade Division

NC Office of State Budget & Management

[5] All trade data in this section from the Foreign Trade Division at the US Census Bureau, with the most recent data being for the month of February 2014. All monetary values are adjusted for inflation using the national GDP deflator produced by the US Department of Commerce's Bureau of Economic Analysis.

General Fund Revenue Forecast

About half of North Carolina's total revenue originates from tax collections and other sources comprising the General Fund. The other half consists of funds from the federal government, highway funds, the Education Lottery, and other receipts and fees (e.g., tuition). General Fund revenues are primarily derived from three sources: individual income tax, corporate income tax, and the sales and use tax. Other important sources include franchise, insurance, alcohol and other miscellaneous taxes. In addition, nontax revenue, such as earnings from investment of state funds, supports the General Fund.

The revisions to the consensus revenue forecast for 2014-15 and the remainder of the current fiscal year reflect a cautious outlook. The consensus revenue forecast for FY 2014-15 was revised downward by $191.0 million (0.9%) and the current fiscal year is anticipated to register under-collections of $445.4 million (2.1%).

Specific highlights of the revisions include:

- By the end of 2013-14, General Fund revenue collections are expected to total $20,158.1 million, $445.4 million below the budgeted forecast (see table 6). This downward adjustment is caused by three primary reasons related to individual income tax collections. These reasons are:
  - Slower than anticipated wage and salary withholding growth – Withholding growth slowed in the second half of 2013 and is projected to finish over 1.0% below forecast.
  - Timing of taxpayer adjustments to tax law changes enacted last year – Last year, significant changes to the individual income tax were enacted, including both base-broadening and rate reductions. The rate reduction is having a greater immediate impact on collections than originally anticipated, while most of the base-broadening will not impact collections until taxpayers file their returns next April 2015. This results in a greater drop in collections this year than originally projected, which will in part be offset by lower refunds and higher final payments in April 2015.
  - Impact of the 2012 federal tax law changes - Expectation of higher federal taxes resulting from fiscal cliff negotiations at the end of 2012 likely resulted in the "shifting" of income into 2012 and out of 2013. This "shift" impacts collections in FY 2013-14 since April 2014 payments are based on 2013 tax year income. While original projections anticipated some of the impact, the magnitude of the response to the federal fiscal cliff appears to have exceeded expectations.
- The 2014-15 forecast was revised downward by $191.0 million or 0.9%. Once recommended revenue changes are incorporated, General Fund revenue is expected to total $21,006.8 million (see table 6). The revision is primarily driven by lower than expected tax base growth in personal income. Withholding on wages and salaries was below expectations throughout 2013-14 and economic projections for income growth in 2014-15 are lower than anticipated last year. Despite this downward revision to the original forecast, individual income tax collections are still expected to increase 5.3% in 2014-15 as the base-broadening changes bolster collections.
- Sales and use tax collections, which comprise nearly one-third of General Fund revenue, are estimated to increase 12.6% compared to 2013-14. This increase represents an upward

adjustment of $174.8 million to original revenue projections and is boosted by recently enacted tax changes to broaden the sales and use tax base and out-of-state sales and use tax agreements.

- Reflecting the anticipated revenue loss from a corporate rate reduction, corporate collections are projected to decline 14.6 percent in 2014-15. Compared to original revenue projections, however, corporate collections were adjusted upward by $23.0 million.

- Other revenue sources, including the franchise, estate, and piped natural gas taxes are expected to realize significant revenue changes in 2014-15 due to recently enacted tax changes. Both the estate and piped natural gas taxes were repealed. Franchise taxes are anticipated to decline over 22 percent in 2014-15 as the electricity franchise tax was also repealed.

While the downward revisions to the General Fund forecast reflect a cautious outlook, revenue volatility remains a risk. State revenue volatility and responsiveness to economic changes has increased in recent years. In addition, recently enacted tax law changes are expected to have major impacts on income and sales and use tax collections, adding greater potential short-term forecast volatility for the remainder of 2013-14 and 2014-15 than normally associated with a revenue forecast.

Recommended Revenue Changes

Out-of-State Sales and Use Tax Collections – The Department of Revenue has reached settlement and/or agreement with significant out-of-state taxpayers to remit sales and use taxes to North Carolina. The agreements are expected to add $40.0 million in 2014-15.

FICA Transfer – The Governor recommends a transfer of $4.0 million from the NC Flex FICA fund balance in 2014-15. A similar action was included for 2013-14 in Senate Bill 402, Appropriations Act of 2013.

Table 6

General Fund Revenue by Fiscal Year: Recent History and Forecast

(In Millions)

	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Budget	2013-14 Revised	% Change 13-14 Revised / 2012-13 Actual	2014-15 Budget	2014-15 Revised	% Change 14-15 Revised / 13-14 Revised
Tax Revenue									
Individual Income	9,734.9	10,272.1	10,953.1	10,996.7	10,340.5	-5.6	11,254.5	10,885.4	5.3
Sales and Use	5,871.7	5,257.6	5,294.1	5,444.2	5,580.1	5.4	6,110.7	6,285.5	12.6
Corporate Income	1,013.5	1,132.8	1,191.7	1,249.2	1,282.8	7.6	1,072.2	1,095.2	-14.6
Franchise	607.5	612.5	660.1	660.2	698.2	5.8	510.2	543.1	-22.2
Insurance	480.1	460.4	521.5	506.0	491.6	-5.7	513.1	507.1	3.2
Beverage	275.2	287.4	298.6	309.6	305.7	2.4	318.0	310.9	1.7
Estate	23.8	58.1	111.4	0.0	14.0	-87.4	0.0	0.0	-100.0
Licenses	41.3	48.5	46.1	44.8	47.6	3.2	46.3	48.6	2.1
Tobacco Products	265.3	270.9	255.4	251.8	256.3	0.4	248.5	248.7	-3.0
Real Estate	0.0	0.0	0.0	37.4	43.9	n.a.	37.4	44.5	1.4
White Goods	0.0	0.0	0.0	1.2	1.2	n.a.	1.2	1.2	0.0
Scrap Tire	0.0	0.0	0.0	3.5	3.5	n.a.	3.5	3.5	0.0
Mill Machinery	32.5	36.2	36.9	34.4	34.8	-5.6	34.5	35.0	0.6
Solid Waste	0.0	0.0	0.0	2.3	2.3	n.a.	2.3	2.3	0.0
Piped Natural Gas	31.0	25.9	30.4	28.9	33.4	9.8	0.0	0.0	-100.0
Gift	3.0	0.2	0.8	0.0	0.0	-100.0	0.0	0.0	n.a.
Miscellaneous	0.0	0.6	1.2	1.1	1.1	-8.5	1.1	1.1	0.0
Total Tax Revenue	**18,379.8**	**18,463.1**	**19,401.5**	**19,571.3**	**19,137.0**	**-1.4**	**20,153.5**	**20,012.1**	**4.6**
Nontax Revenue									
Investment Income	26.3	17.8	12.5	13.7	14.8	18.7	14.1	11.3	-23.6
Judicial Fees	225.8	258.8	249.9	250.2	241.8	-3.2	251.4	244.5	1.1
Disproportionate Share Receipts	135.0	115.0	115.0	110.0	110.0	-4.3	109.0	109.0	-0.9
Master Settlement Agreement	n.a.	n.a.	n.a.	162.1	162.1	n.a.	137.5	137.5	-15.2
Miscellaneous	257.3	313.2	441.1	205.5	198.3	-55.0	198.9	199.5	0.6
Insurance Department	67.5	72.3	72.6	72.5	76.0	4.7	73.4	77.0	1.3
Total Nontax Revenue	**711.9**	**777.0**	**891.1**	**814.1**	**803.0**	**-9.9**	**784.3**	**778.8**	**-3.0**
Transfers									
Highway Fund	17.0	217.1	27.6	0.0	0.0	-100.0	0.0	0.0	n.a.
Highway Trust Fund	72.9	76.7	220.3	218.1	218.1	-1.0	215.9	215.9	-1.0
Total Transfers	**89.9**	**293.8**	**247.9**	**218.1**	**218.1**	**-12.0**	**215.9**	**215.9**	**-1.0**
Total General Fund Revenue	**19,181.6**	**19,533.9**	**20,540.5**	**20,603.5**	**20,158.1**	**-1.9**	**21,153.8**	**21,006.8**	**4.2**

Totals may differ from the sum of their parts due to rounding.

Highway Fund Revenue Forecast

The Highway Fund receives support from three revenue sources. The primary source is the excise tax on motor fuels, of which the Highway Fund receives 75%. The second source is licenses and fees collected by the Division of Motor Vehicles. The third source is interest earned on investments of Highway Fund cash balances held by the State Treasurer. Table 7 shows the revised forecast estimates for the Highway Fund revenue collections projected for fiscal years 2013-14 and 2014-15.

Current Fiscal Year Update

Fiscal year 2013-14 revenues are expected to exceed last year's totals by 2.7%. This is mostly due to increases in revenues from some licenses and fees and anticipated NC Railroad Company dividend payments. Both motor fuel consumption and licenses and fees are anticipated to continue increasing from the previous year by 0.5% and 5.1%, respectively. Revenue is anticipated to finish 1.2% over the official forecast as the 3.1% expected gain in motor fuel consumption is partially offset by a 2.8% loss in licenses and fees collections.

Fiscal Year 2014-15 Revenue Projections

Projected total Highway Fund revenue collections are expected to decline in fiscal year 2014-15 (-1.3%). The forecast assumes the current year's rate of increase in motor fuel consumption will not persist. Instead, motor fuel consumption is anticipated to grow a modest 0.2% in fiscal year 2014-15. Despite this modest increase in consumption, total motor fuel tax revenue is anticipated to decline slightly due to lower anticipated fuel prices. The forecasted decline in total revenue is also driven by the expected decrease in investment income (-74.3%) as the NC Railroad Co. dividend payments are scaled back. While staggered registrations fueled by economic improvements are expected to increase (4.7%), statutory changes and historical trends are expected to lead to a 2.2% and 6.6% decrease respectively in drivers licenses and other licenses revenues.

Figure 8

Highway Fund Revenue, Revised 2014-15

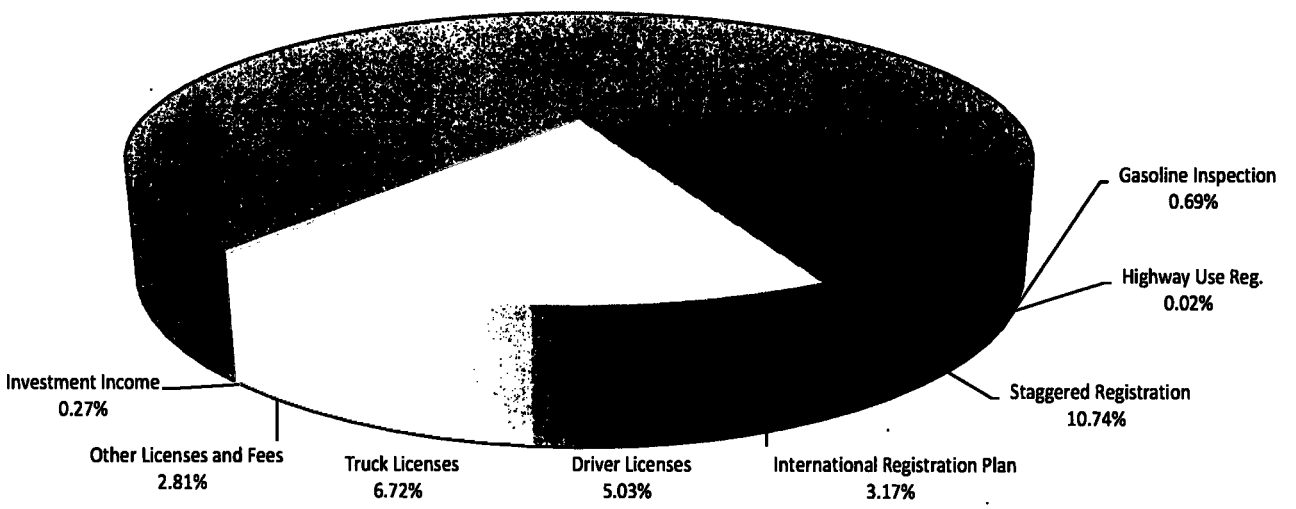


Table 7

Highway Fund Revenue by Fiscal Year: Recent History and Forecast

(In Millions)

Source	2012-13 Actual	2013-14 Budget	2013-14 Revised	% Change 13-14 Revised / 2012-13 Actual	2014-15 Budget	2014-15 Revised	% Change 14-15 Revised / 13-14 Revised
Motor Fuels Tax							
Motor Fuels	1,400.0	1,364.1	1,407.0	0.5%	1,313.9	1,392.3	-1.0%
Gasoline Inspection	13.6	13.8	13.7	0.5%	13.2	13.5	-1.0%
Highway Use Reg.	0.3	0.3	0.4	12.1%	0.3	0.4	0.0%
Total Motor Fuel Taxes	1,413.9	1,378.2	1,421.0	0.5%	1,327.4	1,406.2	-1.0%
Licenses and Fees							
Staggered Registration	198.3	194.6	202.5	2.1%	197.6	212.0	4.7%
International Registration Plan	58.5	65.7	62.9	7.4%	68.0	62.7	-0.4%
Driver Licenses	111.5	122.5	101.6	-8.9%	123.8	99.4	-2.2%
Truck Licenses	132.5	131.6	132.5	0.0%	132.4	132.6	0.1%
Other Licenses and Fees	30.7	60.8	59.4	93.2%	59.3	55.5	-6.6%
Total Licenses and Fees	531.6	575.2	558.8	5.1%	581.2	562.2	0.6%
Investment Income	2.3	23.2	20.8	794.9%	7.8	5.4	-74.3%
Total Highway Fund Availability	1,947.8	1,976.6	2,000.6	2.7%	1,916.3	1,973.7	-1.3%

Totals may differ from the sum of their parts due to rounding.

Highway Trust Fund Revenue

The Highway Trust Fund, established in 1989, receives support from four sources. The primary source is the highway use tax, or sales tax, on vehicle sales. The second source is the excise tax on motor fuels. The Highway Trust Fund receives 25% of this excise tax. The third source is fees on certificates of title and other miscellaneous titles. The final source is the interest earned from investments of the Highway Trust Fund cash balances held by the State Treasurer. Table 8 shows the revised forecast estimates for the Highway Trust Fund revenue collections projected for fiscal years 2013-14 and 2014-15.

Current Fiscal Year Update

Fiscal year 2013-14 revenues are expected to exceed last year's levels by 3.3%, $48.4 million above the budgeted forecast. The modest surplus is primarily fueled by better than anticipated highway use tax. After several years of well below average car sales, sales have improved markedly and highway use tax revenues are expected to finish 5.6% over fiscal year 2012-13. Motor fuel tax revenue is expected to increase slightly by 0.5%, while certificate of title and miscellaneous fees are anticipated to grow 3.8% and 2.5%, respectively, over last year but fall below official forecast by about 1.5% each.

Fiscal Year 2014-15 Revenue Projections

Projected revenue is expected to grow only slightly in fiscal year 2014-15 (0.8%). As the economy and consumer spending continue to improve, the highway use tax is expected to increase by 1.9%. Motor fuel consumption is anticipated to grow a modest 0.2% next fiscal year, however overall motor fuel revenue is expected to slightly decline due to lower anticipated fuel prices. When the highway use tax and motor fuel tax are considered together, the growth in the highway use tax outpaces the decline in motor fuels, leading to modest total revenue growth. Title registrations and miscellaneous fees are expected to increase 2.2% and 3.7%, respectively.

Figure 9

Highway Trust Fund Revenue, Revised 2014-15

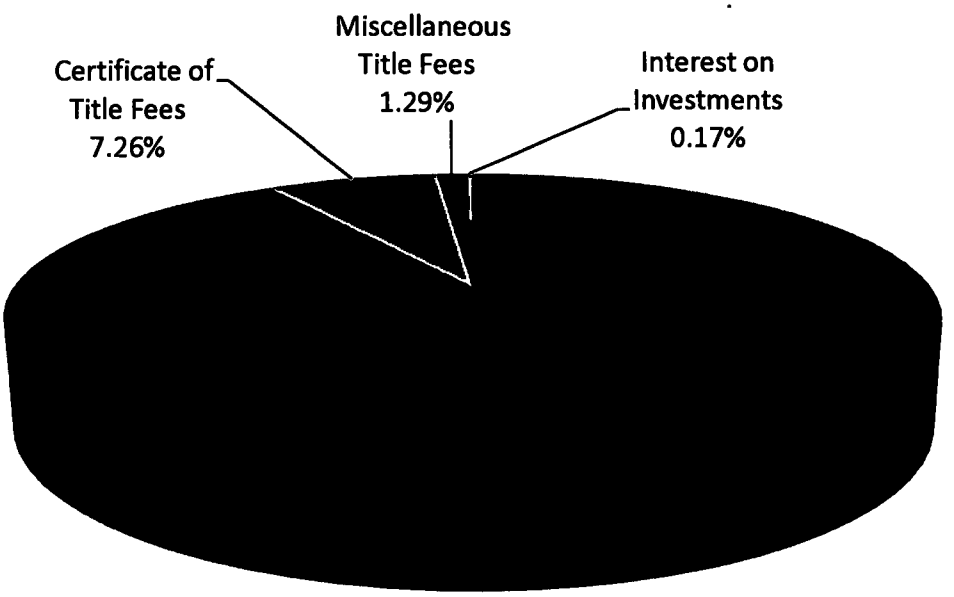


Table 8

Highway Trust Fund Revenue by Fiscal Year: Recent History and Forecast
(In Millions)

Source	2012-13 Actual	2013-14 Budget	2013-14 Revised	% Change 13-14 Revised / 2012-13 Actual	2014-15 Budget	2014-15 Revised	% Change 14-15 Revised / 13-14 Revised
Fuel Taxes and Fees							
Motor Fuel Tax	467.6	455.5	469.8	0.5%	438.7	464.8	-1.0%
Highway Use	553.6	550.2	584.7	5.6%	565.3	596.1	1.9%
Certificate of Title Fees	79.6	83.7	82.6	3.8%	85.3	84.4	2.2%
Miscellaneous Title Fees	14.2	14.7	14.5	2.5%	15.1	15.0	3.7%
Subtotal	1,114.9	1,104.1	1,151.5	3.3%	1,104.4	1,160.4	0.8%
Interest on Investments	2.2	1.0	2.0	-8%	1.0	2.0	0%
Total Highway Trust Fund Availability	1,117.0	1,105.1	1,153.5	3.3%	1,105.4	1,162.4	0.8%

Totals may differ from the sum of their parts due to rounding.

NC Population Dynamics

Rapid population growth has had a strong impact on North Carolina, with the state growing by roughly 1.5 million people between 2000 and 2010. By the end of the biennium, we project that the state will grow by an additional 190,000 people, from more than 9.86 million people on July 1, 2013 to nearly 10.06 million people by July 1, 2015. This is equivalent to adding an entire city approximately the size of Wilmington and Asheville combined to North Carolina over two years. In other words, the State is growing by a net 265 people every day (or about 1,850 people every week).

Migration

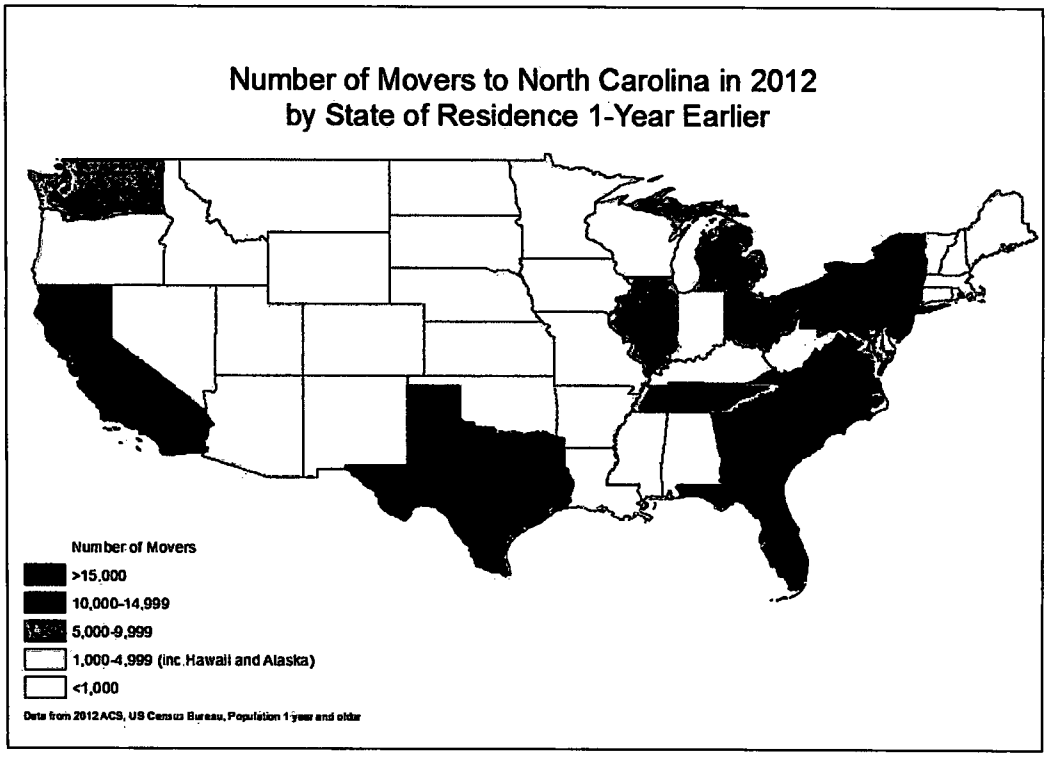
Net-migration is a major component of population growth in North Carolina. Over the current biennium, we expect people moving into the state to account for approximately 65% of total population growth. This means that of the 265 people that are added to North Carolina's population every day, approximately 172 moved into the State from somewhere else. Figure 10 highlights where newcomers to North Carolina are coming from – the majority of movers come from nearby states. The table below shows the major in and out-flows for North Carolina for 2012. The highest estimate both for in and out migration was Virginia. A significant number of people also moved to North Carolina from abroad.

Table 9

Migration Flows for North Carolina, 2012	
Non-movers	8,167,830
Moved within North Carolina	1,149,080
In-flows, residence 1-year earlier	
Foreign Country/Puerto Rico/US Island Areas	50,431
Virginia	26,759
Florida	26,365
South Carolina	25,532
New York	19,891
Georgia	16,823
Out-flows, North Carolina resident 1-year earlier	
Virginia	25,575
South Carolina	24,764
Florida	23,133
Texas	22,660
Georgia	16,009

2012 ACS 1-year data, population 1 year and over

Figure 10



Age

As the State's population has grown, it has also been aging. Table 10 shows the distribution of the State's population in 1994 compared to projections for July 1, 2014 and July 1, 2034. The population 65+ is expected to account for an increasing share of the total population, while the percent of the population under 35 is decreasing. Overall the median age is expected to increase to 38.14 by 2014 and 40.69 by 2034.

Although the fastest growth has been among the 65+ population, every age group has grown significantly. By July 1, 2014 we expect there to be 2.29 million children under 18, an increase of 542,000 from 1994. At the other end of the age distribution, as the baby boomer generation reaches retirement age and life expectancy increases, the population 65 and over is increasing rapidly. By 2014, we expect this group to reach 1.46 million, or nearly 15% of the State's population. This is an increase of nearly 580,000 people or 66% growth since 1994. By 2034, the population 65 and over is expected to reach 2.45 million – more than 20% of the State's total population.

The population aged 85+ is growing even faster, with an expected 97% increase over 1994 totals by 2014. The total population aged 85 and over by July 1, 2014, is likely to exceed 169,000 people (more than 1.7% of the total population). By 2034 we expect the state to have almost 325,000 residents aged 85+, with nearly 6,000 of them being centenarians.

Employment as a Percent of Total Population

As shown in table 11, the number of people employed as a percent of total population decreased from 49.2% in 1992 to 43.7% by 2013, although the rate is on an upward trend after its low of 43.1% in July 2011. The employed-to-total population ratio has been affected by both economic conditions and by demographic trends. The state has seen both a shrinking labor force as a percent of the total population and a lower labor force participation rate over this period.

Table 10

North Carolina's Age Distribution, 1994-2034			
	1994	2014	2034
Less than 5 years	508,879 7.1%	601,694 6.0%	687,240 5.7%
5 to 17 years	1,240,433 17.3%	1,690,179 17.0%	1,763,001 14.7%
18 to 34 years	1,967,632 27.4%	2,286,065 23.0%	2,641,341 22.0%
35 to 64 years	2,590,560 36.1%	3,922,612 39.4%	4,440,821 37.1%
65 and over	877,593 12.2%	1,455,938 14.6%	2,447,364 20.4%

Table 11

Employed as Percent of Total Population, July 1992-2013			
	Employed	Total Population	Employed as % of Total Pop
1992	3,393,247	6,894,973	49.2%
1993	3,447,106	7,040,342	49.0%
1994	3,514,031	7,185,097	48.9%
1995	3,574,006	7,342,026	48.7%
1996	3,714,970	7,497,863	49.5%
1997	3,809,584	7,653,854	49.8%
1998	3,837,534	7,807,095	49.2%
1999	3,911,987	7,948,901	49.2%
2000	3,967,415	8,081,986	49.1%
2001	3,921,896	8,209,775	47.8%
2002	3,942,204	8,324,059	47.4%
2003	3,961,634	8,418,493	47.1%
2004	4,040,429	8,542,420	47.3%
2005	4,118,361	8,685,811	47.4%
2006	4,257,455	8,890,380	47.9%
2007	4,272,516	9,090,572	47.0%
2008	4,283,570	9,278,794	46.2%
2009	4,095,613	9,435,396	43.4%
2010	4,145,654	9,574,477	43.3%
2011	4,170,061	9,666,342	43.1%
2012	4,260,771	9,762,822	43.6%
2013	4,310,134	9,861,952	43.7%

Number employed from the Employment Security Division

Education

Public Education

Increases starting teacher pay by 7.1% to $33,000. Funds the experience step increase: teachers moving to steps 8-12 of the salary schedule will receive an increase ranging from 2.8% to 4.3% and teachers moving to steps 13-26 will receive an average 2% increase.

Appropriates $9.8 million of lottery receipts for an innovative Career Pathways pilot that will support LEAs in their transition to a rigorous, aligned performance-based teacher compensation system that targets and rewards our most effective teachers with additional career opportunities and pay.

Increases the funding for textbooks by $23.2 million, a 100% increase, which allows for activity-oriented classroom kits and/or technology-based program formats in addition to traditional textbooks.

Continues the master's degree salary for teachers who have taken a course towards the master's degree as of July 1, 2013. Also provides the master's degree salary for teachers who are teaching in the field of their graduate academic preparation.

Provides $4 million to provide for school districts and charter schools to have access to instructional content and assessment items as well as professional development tools.

North Carolina Community College System

Reinvests the savings achieved from a reduction in remedial course enrollments by appropriating $16.8 million into programs targeted to close the skills gap.

Invests $1.9 million to establish a community college tuition waiver for military veterans who served at least four years, are within two years of exiting service under honorable conditions, have been stationed in North Carolina, and reside or have their official Home of Record listed within North Carolina at time of enrollment.

Transfers funds to the Department of Commerce to suspend the required $50 fee currently charged to participate in the apprenticeship program.

University of North Carolina

Appropriates $5 million of lottery receipts to establish NC SERV, a financial aid program for military veterans attending UNC institutions who served at least four years, are within two years of exiting service under honorable conditions, have been stationed in North Carolina, and reside or have their official Home of Record listed within North Carolina at time of enrollment. Funds will be awarded for the 2015-16 academic year.

Invests $3 million annually to assist UNC campuses with the transition from laboratory research to the marketplace, providing competitive funding for proof-of-concept work and commercialization costs.

Provides $2 million annually for 5 years for the $10 million required State contribution towards the Next Generation Power Electronics Innovation Institute housed at North Carolina State University.

Public Education (13510)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$ 9,804,398,812	$ 11,168,933,698	$ 11,308,116,403	$ 44,748,191	$ 34,265,843	$ 79,014,034	$ 11,387,130,437	1.95%	0.70%
Less Receipts	$ 2,064,365,645	$ 3,302,973,049	$ 3,262,014,781	$ (319,336)	$ 32,948,342	$ 32,629,006	$ 3,294,643,787	(0.25)%	1.00%
Total Appropriation	$ 7,740,033,167	$ 7,865,960,649	$ 8,046,101,622	$ 45,067,527	$ 1,317,501	$ 46,385,028	$ 8,092,486,650	2.88%	0.58%
Total Positions	-	1,342.192	1,342.192	5.000	(43.250)	(38.250)	1,303.942	(2.85)%	(2.85)%

1. **Salary and Benefit Increases for Teachers**--Effective July 1, 2014 funds are provided to raise starting teacher pay by increasing the salaries for teachers with 0-7 years of experience to $33,000. Teachers who move to steps 8-12 of the salary schedule in the 2014-15 school year will receive an experience-based step increase ranging from 2.8% to 4.3%, and teachers who move to steps 13-36 of the salary schedule in the 2014-15 school year will receive an experience-based step increase averaging 2.0%.

   Nonrecurring funds are provided to support a one-time salary and benefit bonus of $1,000 for any school psychologist paid on years 0-4 on the State Salary Schedule in the 2013-14 school year and employed on July 1, 2014, who will not be receiving a salary increase as a result of the step increase.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 102,166,322	$ 266,730	$ 102,433,052
Less Receipts	$ -	$ -	$ -
Appropriation	$ 102,166,322	$ 266,730	$ 102,433,052
Positions	0.000	0.000	0.000

2. **Salary and Benefit Increase for Assistant Principals and Principals**--Funds are provided to support an average 2% increase for principals, and assistant principals who will move to steps 10-36 on the salary schedule in the 2014-15 school year, which includes an experience-based step increase, effective July 1, 2014.

   Nonrecurring funds are provided to support a one-time salary and benefit bonus of $1,000 for any assistant principal paid on years 0-8 on the State Salary Schedule in the 2013-14 school year and employed on July 1, 2014, who will not be receiving a salary increase as a result of the step increase.

Requirements	$ 5,818,632	$ 133,410	$ 5,952,042
Less Receipts	$ -	$ -	$ -
Appropriation	$ 5,818,632	$ 133,410	$ 5,952,042
Positions	0.000	0.000	0.000

3. **Salary and Benefit Increase for All Other School-Based Personnel**--Funds are provided for a $1,000 salary and benefit increase for all other school-based personnel effective July 1, 2014.

Requirements	$ 52,952,330	$ -	$ 52,952,330
Less Receipts	$ -	$ -	$ -
Appropriation	$ 52,952,330	$ -	$ 52,952,330
Positions	0.000	0.000	0.000

4. Salary and Benefit Increase for Department of Public Instruction Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Public Instruction employees, effective July 1, 2014.	Requirements	$ 891,750	$ -	$ 891,750
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 891,750	$ -	$ 891,750
	Positions	0.000	0.000	0.000
5. Career Pathways--The Career Pathways pilot, funded by lottery receipts, will provide selected LEAs with the resources to offer career paths for professional growth and advancement opportunities to promote retention of the highest quality teachers within the teaching profession, and at the classroom and school level. These pathways are directed at retaining quality teachers who take on increasing responsibility for students and for the development and success of their peers, and impact student achievement in the classroom. Three staff at the Department of Public Instruction will provide necessary teacher qualification data to LEAs, manage the pilot implementation, and oversee the evaluation process and reporting. Each of eight pilot LEAs will receive funding for implementation, including professional guidance in pilot design tailored to the LEA and for salary supplements for eligible teachers.	Requirements	$ -	$ 9,777,150	$ 9,777,150
	Less Receipts	$ -	$ 9,777,150	$ 9,777,150
	Appropriation	$ -	$ -	$ -
	Positions	0.000	3.000	3.000
6. Textbooks--The increased textbook budget is supported with nonrecurring lottery funds in order to bring the per student funding level to $30.48. Textbooks includes textbook formats allowable for adoption, activity-oriented programs, classroom kits, and technology-based programs that require the use of electronic equipment in order to be used in the learning process. This is a 100% increase above the 2013-14 certified budget of $23,169,585.	Requirements	$ -	$ 23,171,192	$ 23,171,192
	Less Receipts	$ -	$ 23,171,192	$ 23,171,192
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
7. Master's Degree Salary Supplements--This adjustment restores the recurring reduction of $18.7 million enacted in the 2013 Session Laws to be effective in 2014-15. The restoration of the appropriation reinstates the ability to pay these salary supplements for 1) personnel who have taken a course toward the master's degree as of July 1, 2013, and 2) for personnel for who have received a master's degree and are teaching in-field (in the subject of their graduate academic preparation) for at least 70% of their work time.	Requirements	$ 18,700,000	$ -	$ 18,700,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 18,700,000	$ -	$ 18,700,000
	Positions	0.000	0.000	0.000
8. Fund Opt-In Portion of Home Base for LEAs and Charter Schools--These funds will be used to pay for LEAs and charter schools to have access to the optional portions of Home Base that previously would have required $4.00 per ADM if an LEA or charter school opted-in. LEAs and charter schools will have access to instructional content and assessment items for Math, ELA, Science, and Social Studies. Funds will also allow LEAs and charter schools to have access to additional professional development management tools, instructional tools and assessments, and a learning management system .	Requirements	$ -	$ 4,000,000	$ 4,000,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 4,000,000	$ 4,000,000
	Positions	0.000	0.000	0.000

9. Cooperative Innovative High Schools--The State Board of Education approved six new Cooperative Innovative High Schools (CIHS) in three LEAs. The associated funding requests are for three schools in Mecklenburg County; one STEM Early College and two Middle Colleges, two in Wake County; A Young Men's and Young Women's Leadership Academy, and one in Buncombe County; Buncombe Discovery Academy. Each school will receive the same dollar amount that has been appropriated to existing CIHS programs of $310,669.	Requirements	$ 1,864,014	$ -	$ 1,864,014
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 1,864,014	$ -	$ 1,864,014
	Positions	0.000	0.000	0.000
10. Increase Months of Employment for Teachers of Visually and Hearing Impaired Preschool Children--Federal Law IDEA Part C requires that teachers providing family support and early intervention services to preschool children who are vision and hearing impaired, provide year-round services. Currently, there are 16 ten-month employees and nine eleven-month employees providing services for visually impaired children, and 19 eleven-month teachers providing services for hearing impaired children. Positions from which staff have retired have had to remain unfilled in order to support this need. Increasing these 44 positions to 12 months equates to an additional 60 months of salary (or five FTE) totaling $326,951. These teachers work and travel from home in the geographic area to which they are assigned. Funds for the additional 60 months of travel are included in this adjustment at $25,200. Additionally, nonrecurring funds are recommended to replace outdated technology that transferred with staff when the residential schools and these functions moved from the Department of Health and Human Services in 2010-11. Nonrecurring funds will support the replacement of laptops, printers, and cartridges for each of 100 existing teachers at a per teacher cost of $1,570.	Requirements	$ 352,151	$ 157,000	$ 509,151
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 352,151	$ 157,000	$ 509,151
	Positions	5.000	0.000	5.000
11. Interstate Commission on Educational Opportunity for Military Children--Forty-six states and the District of Columbia are members of the Military Interstate Children's Compact Commission. The intent of the compact is to provide consistent policies in each member school district and state to resolve key educational transition issues (enrollment, placement, attendance, and graduation) encountered by military children due to frequent relocation. The cost of membership is based on the number of military children living in the state. The cost for any state with 60,000 or more military students is capped at $60,000. The Department of Public Instruction is currently funded at $48,306. This recommended adjustment of $11,694 will bring the current funding to the cap.	Requirements	$ 11,694	$ -	$ 11,694
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 11,694	$ -	$ 11,694
	Positions	0.000	0.000	0.000

12. Average Daily Membership (ADM) Adjustment--This appropriation ensures adequate funding for instructional positions and instructional supplies that are allocated to the LEAs based on ADM. ADM is currently budgeted for 1,509,985 for 2013-14 and 1,526,591 projected for 2014-15. Recent data result in an overall net decrease in ADM of 6,286 from the 2014-15 projected ADM resulting in a budgeted ADM of 1,520,305. Driver Education receipts from the Highway Fund are reduced due to a decrease in 9th grade ADM.	Requirements	$ (37,773,070)	$ -	$ (37,773,070)
	Less Receipts	$ (319,336)	$ -	$ (319,336)
	Appropriation	$ (37,453,734)	$ -	$ (37,453,734)
	Positions	0.000	0.000	0.000
13. Average Salary Adjustment--Budgeted average annual salaries are revised using the 2013-14 sixth pay period salaries as the base. This adjustment is made annually after reviewing the budgeted salary projections for all certified personnel. Typically, because of turnover in these positions, the actual salaries are lower than the budgeted salaries, and savings can be realized without reducing teacher salaries.	Requirements	$ (64,923,926)	$ -	$ (64,923,926)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (64,923,926)	$ -	$ (64,923,926)
	Positions	0.000	0.000	0.000
14. Sunset Funding for the North Carolina Center for the Advancement of Teaching--Appropriations for NCCAT were made nonrecurring for each year of the 2013-15 biennium. This adjustment sunsets the funding for NCCAT. This adjustment is nonrecurring due to the nonrecurring nature of the current appropriation. Funds are included in the severance reserve in the amount of $1 million to support severance costs associated with the elimination of all state-funded positions. Recommended nonrecurring building maintenance budgets for the NCCAT facilities located in Cullowhee and Ocracoke are located in the Western Carolina University and Department of Administration budgets respectively.	Requirements	$ -	$ (3,239,639)	$ (3,239,639)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ (3,239,639)	$ (3,239,639)
	Positions	0.000	(46.250)	(46.250)
15. Workers' Compensation--Local boards of education shall pay all workers' compensation claims arising from events occurring on or after July 1, 2014 for school employees, regardless of the portion of the employee's salary paid from state funds. These claims must be paid from non-state funds.	Requirements	$ (9,000,000)	$ -	$ (9,000,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (9,000,000)	$ -	$ (9,000,000)
	Positions	0.000	0.000	0.000
16. Tort Claims--Local boards of education shall assume liability for all tort claims arising from events occurring on or after July 1, 2014. Claims payments shall be made with non-state funds.	Requirements	$ (1,000,000)	$ -	$ (1,000,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (1,000,000)	$ -	$ (1,000,000)
	Positions	0.000	0.000	0.000
17. Adjust Transportation Average Daily Membership (ADM) to Actual--The transportation allotment supports the maintenance, fuel, maintenance staff, and bus drivers, to operate the buses that transport students to public schools. This adjustment aligns the ADM used in the transportation formula to the actual 2014-15 ADM. This adjustment represents a -0.1% change to the 2013-14 budget of $440,140,142.	Requirements	$ (5,509,816)	$ -	$ (5,509,816)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (5,509,816)	$ -	$ (5,509,816)
	Positions	0.000	0.000	0.000

18. Teacher Assistants--This allotment allocates funding for Teacher Assistants on the basis of student headcount in grades K-3. This adjustment maintains the appropriation for the assistants to teachers allotment at the 2013-14 budgeted level of $453,579,630 and does not require the elimination of any positions.

Requirements	$ (19,801,890)	$ -	$ (19,801,890)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (19,801,890)	$ -	$ (19,801,890)
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 45,067,527	$ 34,265,843	$ 79,333,370
Total Receipts	$ -	$ 32,948,342	$ 32,948,342
Total Appropriation (Requirements minus Receipts)	$ 45,067,527	$ 1,317,501	$ 46,385,028
Total Positions	5.000	(43.250)	(38.250)

NC Community Colleges System (16800)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 1,458,457,154	$ 1,446,956,448	$ 1,442,715,567	$ 6,687,132	$ (851,572)	$ 5,835,560	$ 1,448,551,127	0.11%	0.40%
Less Receipts	$ 422,203,748	$ 425,660,981	$ 426,228,100	$ (11,031,220)	$ -	$ (11,031,220)	$ 415,196,880	(2.46)%	(2.59)%
Total Appropriation	$ 1,036,253,406	$ 1,021,295,467	$ 1,016,487,467	$ 17,718,352	$ (851,572)	$ 16,866,780	$ 1,033,354,247	1.18%	1.66%
Total Positions	-	194.100	194.100	-	-	-	194.100	-%	-%

1. **Salary and Benefit Increase for NC Community College System Employees**--Funds are provided for a $1,000 salary and benefit increase for all NC Community College System employees, effective July 1, 2014. This amount includes $18,393,200 for employees located at local community colleges, and $163,750 for employees located at the Community Colleges System Office.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 18,556,950	$ -	$ 18,556,950
Less Receipts	$ -	$ -	$ -
Appropriation	$ 18,556,950	$ -	$ 18,556,950
Positions	0.000	0.000	0.000

2. **Closing the Skills Gap**--Currently there are jobs in North Carolina that are unfilled due to the lack of qualified workers. The Governor recommends $16.8 million in funding for programs which will develop the needed skills for students to fill these jobs. To allocate these funds to community colleges, the State Board of Community Colleges shall create a fourth tier in their enrollment funding formula. This tier will be funded 15% higher than the current top tier. The new tier will include health care and technical education programs that train North Carolinians for jobs having documented skills gaps and paying higher wages. The $16.8 million shall be funded by reinvesting savings from the enrollment decline experienced by North Carolina community colleges in 2013-14.

North Carolina community colleges saw their actual enrollment decline by 2.5% (or 6,156 FTE) from the budgeted amount in the 2013-14 certified budget. This lower enrollment resulted mostly from a shift in developmental education that permitted students to enroll in instruction for those areas needing remediation, rather than requiring students to enroll in a full-semester course. The enrollment decline produces a savings of $17.2 million.

Requirements	$ (11,646,877)	$ -	$ (11,646,877)
Less Receipts	$ (11,264,696)	$ -	$ (11,264,696)
Appropriation	$ (382,181)	$ -	$ (382,181)
Positions	0.000	0.000	0.000

3. Charge Military Veterans Resident Tuition--The Governor recommends charging military veterans the resident tuition rate at North Carolina community colleges. To qualify, military veterans must have served at least four years, be within two years of exiting service under honorable conditions, been stationed in North Carolina and reside or have their official Home of Record listed within North Carolina at the time of enrollment. These funds shall be appropriated to the NC Community College System to offset the anticipated tuition waived by community colleges.	Requirements	$ -	$ -	$ -
	Less Receipts	$ (1,867,584)	$ -	$ (1,867,584)
	Appropriation	$ 1,867,584	$ -	$ 1,867,584
	Positions	0.000	0.000	0.000
4. Generate Additional Tuition Revenue--It is recommended that NC community colleges shall generate additional tuition and registration fee revenue by increasing tuition by $0.50 per curriculum credit hour (a 0.7% increase). An additional $0.50 would increase resident tuition to $72 per credit hour (from $71.50). Non-resident tuition would increase to $264 per credit hour (from $263.50). A resident student would pay $2,304 a year in 2014-15. The NC Community College System has a total tuition and fees budget of $367,096,183 for 2013-14 and 2014-15. The $2.1 million total generated from additional student tuition will represent a 0.6% increase in the total budget.	Requirements	$ -	$ -	$ -
	Less Receipts	$ 2,101,060	$ -	$ 2,101,060
	Appropriation	$ (2,101,060)	$ -	$ (2,101,060)
	Positions	0.000	0.000	0.000
5. Transfer to Department of Commerce to Offset Apprenticeship Fees--For the 2014-15 fiscal year, fees collected from each apprentice who is covered by an apprenticeship agreement entered into under GS 94 shall be waived. The Community Colleges System Office shall transfer $300,000 to the Department of Commerce for the 2014-15 fiscal year. These funds shall be used by the Department of Commerce to offset the revenue foregone due to the apprenticeship fees being waived. The Department of Commerce will evaluate the success of the fee waivers in increasing participation in apprenticeship programs before requesting a permanent change to the fees. There is a corresponding budget increase in the Department of Commerce section of the budget document.	Requirements	$ -	$ (300,000)	$ (300,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ (300,000)	$ (300,000)
	Positions	0.000	0.000	0.000
6. Community Colleges Workers' Compensation Costs--Local boards of trustees for community colleges shall pay all workers' compensation claims arising from events occurring on or after July 1, 2014 for college employees, regardless of the portion of the employee's salaries paid from state funds. These claims must be paid from local or institutional funds. The total cost of workers' compensation claims for community colleges in 2012-13 was $3,595,270. The $620,460 represents 17.3% of all 2012-13 costs.	Requirements	$ (620,460)	$ -	$ (620,460)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (620,460)	$ -	$ (620,460)
	Positions	0.000	0.000	0.000
7. Fayetteville Technical Community College Botanical Laboratory--It is recommended that the Fayetteville Technical Community College Botanical Laboratory focus its efforts on industry- and community-supported activities. These funds are distributed as a categorical allotment and are not distributed through the state aid formulas. The Fayetteville Technical Community College Botanical Laboratory received $100,000 in 2013-14. This reduction represents 100% of the total budget.	Requirements	$ (100,000)	$ -	$ (100,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (100,000)	$ -	$ (100,000)
	Positions	0.000	0.000	0.000

8. Technical Adjustment - Restore Recurring Funds for Audit Services--This recommendation restores recurring funding for the Audit Services division of the System Office. The Audit Services division conducts compliance, program, and fiscal operations audits of all 58 community colleges. Audit services also reviews and verifies class enrollment. Recurring funding was cut in the 2013 session and replaced with nonrecurring funds. Restoring recurring funding ensures adequate fiscal oversight of the community colleges while the committee's findings are implemented. The 2013-14 budget for the Audit Services Division is $551,572 in nonrecurring funds. This recomendation converts 100% of the budget to recurring appropriation.	Requirements	$ 551,572	$ (551,572)	$ -
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 551,572	$ (551,572)	$ -
	Positions	0.000	0.000	0.000
9. Community Colleges System Office Operating Efficiencies--The Community Colleges System Office is encouraged to realize efficiencies in various operating budgets. The $54,053 represents a -25% change in those accounts from the 2013-14 certified budget of $217,485.	Requirements	$ (54,053)	$ -	$ (54,053)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (54,053)	$ -	$ (54,053)
	Positions	0.000	0.000	0.000

Net Adjustments	**Recurring Changes**	**Non Recurring Changes**	**Total**
Total Requirements	$ 6,687,132	$ (851,572)	$ 5,835,560
Total Receipts	$ (11,031,220)	$ -	$ (11,031,220)
Total Appropriation (Requirements minus Receipts)	$ 17,718,352	$ (851,572)	$ 16,866,780
Total Positions	0.000	0.000	0.000

The University of North Carolina (160xx)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2013 Session Law-Enacted 2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	2014 Legislative Session-Recommended Change Net Non-Recurring	2014 Legislative Session-Recommended Change Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 4,256,834,231	$ 4,150,831,095	$ 4,148,800,495	$ (69,274,628)	$ 1,997,486	$ (67,277,142)	$ 4,081,523,353	(1.67)%	(1.62)%
Less Receipts	$ 1,604,986,881	$ 1,567,782,825	$ 1,548,898,786	$ (22,879,045)	$ 5,000,000	$ (17,879,045)	$ 1,531,019,741	(2.34)%	(1.15)%
Total Appropriation	$ 2,651,847,350	$ 2,583,048,270	$ 2,599,901,709	$ (46,395,583)	$ (3,002,514)	$ (49,398,097)	$ 2,550,503,612	(1.26)%	(1.90)%
Total Positions	-	34,957.220	34,966.020	(2.800)	-	(2.800)	34,963.220	0.02%	(0.01)%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for UNC System Employees-- Funds are provided for a $1,000 salary and benefit increase for all University of North Carolina employees, effective July 1, 2014.	Requirements	$ 33,443,940	$ -	$ 33,443,940
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 33,443,940	$ -	$ 33,443,940
	Positions	0.000	0.000	0.000
2. NC Scholarship for the Education for Returning Veterans (NC SERV) --The Governor recommends using $5 million of lottery funds to establish a pilot scholarship program for nonresident veterans who are working towards their first baccalaureate degree and plan to establish residency in the state. A minimum $7,500 scholarship will be available to veterans who are within two years of exiting service from the Armed Forces of the United States under honorable conditions, have served at least four cumulative years, and were stationed in North Carolina for a portion of their military service. Eligible grant recipients must reside or have official Home of Record within North Carolina at the time of enrollment and must be matriculated and enrolled at least half time. The scholarship is limited to two semesters since recipients are expected to establish residency for tuition purposes after completing one year of coursework. Funds provided in 2014-15 will be used to make scholarship awards for the 2015-16 academic year.	Requirements	$ -	$ 5,000,000	$ 5,000,000
	Less Receipts	$ -	$ 5,000,000	$ 5,000,000
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
3. Convert Discovery into Innovation--Funding is recommended to assist campuses in moving promising ideas, research, and technologies from the laboratory to the marketplace. This item provides competitive funding for proof-of-concept work, commercialization costs, and additional capacity to assess, protect, develop, and commercialize intellectual property.	Requirements	$ 3,000,000	$ -	$ 3,000,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 3,000,000	$ -	$ 3,000,000
	Positions	0.000	0.000	0.000

4. NCSU - Next Generation Power Electronics Innovation Institute--The Governor recommends funding the State contribution for the establishment of a regional and national Wide Bandgap Institute at NCSU. This Institute will be part of the U.S. Department of Energy's National Network for Manufacturing Innovation for Wide Bandgap Semiconductors for Power Electronic Devices. The research and technology development resulting from this public/private consortium will significantly improve energy efficiency, reduce greenhouse gas emissions, and create sustained job growth. This $2 million annual appropriation will continue for five years to meet the total state obligation of $10 million.	Requirements	$ 2,000,000	$ -	$ 2,000,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 2,000,000	$ -	$ 2,000,000
	Positions	0.000	0.000	0.000
5. CFNC Support--Federal loan program changes have resulted in the phasing-out of fees that have been used to fund operations of the College Foundation of North Carolina (CFNC). The Governor recommends temporary funding to partially support operations of CFNC until sufficient non-General Fund revenues are generated. In 2013-14, the operating budget for CFNC totaled $5,850,000.	Requirements	$ -	$ 1,000,000	$ 1,000,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 1,000,000	$ 1,000,000
	Positions	0.000	0.000	0.000
6. Internships and Career-Based Opportunities for HBCU Students--The Governor recommends funding to create a pilot internship program linking 60 students attending Historically Black Colleges and Universities (HBCUs) with North Carolina-based companies. ECSU and three HBCUs selected through a competitive application process will participate in the pilot. Of the three institutions selected, one must be an HBCU constituent institution of the UNC system and two must be private HBCU colleges or universities located in North Carolina. No more than 5% of funds may be used by UNC for the administration of this program.	Requirements	$ -	$ 317,500	$ 317,500
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 317,500	$ 317,500
	Positions	0.000	0.000	0.000
7. WCU - Building Reserve for NCCAT Facilities--This item provides funds for the maintenance of facilities transferred to WCU from the NC Center for the Advancement of Teaching (NCCAT) upon discontinuation of the program.	Requirements	$ -	$ 259,124	$ 259,124
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 259,124	$ 259,124
	Positions	0.000	0.000	0.000
8. NC Need-Based Scholarship--The North Carolina Need Based Scholarship (NCNBS) provides scholarship aid to state residents with financial need to attend a private college or university in the state. In 2011-12, lottery scholarships were no longer provided for students attending private institutions which had totaled approximately $4.5 million annually. Since 2012-13, the General Assembly has appropriated a $4.5 million nonrecurring reduction to need based scholarships. This recommendation continues this on a recurring basis. The 2013-14 and 2014-15 certified budget of $86,351,588 is not changed by this item.	Requirements	$ 4,500,000	$ (4,500,000)	$ -
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 4,500,000	$ (4,500,000)	$ -
	Positions	0.000	0.000	0.000

9. 2% Management Flexibility Reduction--It is recommended that the UNC Board of Governors implement efficiencies to achieve a 2% savings from the UNC System's 2014-15 certified appropriation excluding financial aid, UNCA, UNCSA, NCSSM, ECSU, FSU, and WSSU. Before taking reductions in instructional budgets, the Board of Governors should consider faculty workload adjustments, restructuring research activities, span of control measures, reducing senior and middle management, eliminating redundant and low-enrollment programs, and use of alternative funding sources. This recommendation is a decrease of 1.8% from the UNC System's 2013-14 certified budget of $2.58 billion.	Requirements	$ (44,037,290)	$ -	$ (44,037,290)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (44,037,290)	$ -	$ (44,037,290)
	Positions	0.000	0.000	0.000
10. Assess Same Tuition Rate for All Non-resident Full-Scholarship Students--This item repeals GS 116-143.6, which allows nonresident students who receive full scholarships to be considered in-state students for tuition purposes. In 2014-15, 446 scholarships would receive this waiver. The General Assembly repealed this tuition waiver for athletic scholarships in the 2010 Session Laws, Chapter 31, Section 9.25.	Requirements	$ (9,325,958)	$ -	$ (9,325,958)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (9,325,958)	$ -	$ (9,325,958)
	Positions	0.000	0.000	0.000
11. Optimize University Administrators--The Governor recommends the UNC System examine and implement workload efficiencies for senior administrators and middle management positions (EPA administrators) to curtail the recent growth in university administration. In allocating this reduction the UNC Board of Governors shall consider for each institution: 1) average salary of EPA administrators relative to the UNC System average, 2) number of EPA administrators relative to student enrollment and faculty positions, and 3) rate of growth of EPA administrator positions relative to rate of enrollment growth over the last decade.	Requirements	$ (1,999,312)	$ -	$ (1,999,312)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (1,999,312)	$ -	$ (1,999,312)
	Positions	0.000	0.000	0.000
12. UNC Centers and Institutes--A reduction to centers and institutes across the UNC System is recommended. The UNC Board of Governors shall consider allocating reductions to centers and institutes that are redundant, not involved in degree production, or not central to the educational mission of the constituent institution. This decrease of $13.1 million is a 20% reduction to the 2013-14 appropriation supporting centers and institutes totaling $65.6 million.	Requirements	$ (13,125,000)	$ -	$ (13,125,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (13,125,000)	$ -	$ (13,125,000)
	Positions	0.000	0.000	0.000
13. Revise Enrollment Growth Funding--Enrollment growth funding was provided by the General Assembly in the amount of $29,124,491 in 2013-14 for an additional 503 FTE and $55,838,115 in 2014-15 for an additional 1,952 FTE. Total budgeted student FTE is 200,704 in 2013-14 and 202,656 in 2014-15. UNC estimates that enrollment for 2014-15 will fall short of projections by 2,961 FTE resulting in a total FTE of 199,695. This represents a 0.5% decline in FTE since 2013-14 and is 1.5% lower than projected for 2014-15. The UNC enrollment funding model calculates a reduction for 2014-15 of $1,773,018. Even with this reduction, enrollment growth funding will increase from the 2013-14 certified budget (see related item below).	Requirements	$ (24,652,063)	$ -	$ (24,652,063)
	Less Receipts	$ (22,879,045)	$ -	$ (22,879,045)
	Appropriation	$ (1,773,018)	$ -	$ (1,773,018)
	Positions	0.000	0.000	0.000

14. Reflect Full General Institutional Enrollment Decrease--The UNC enrollment growth formula includes a negative adjustment factor that buffers a campus from reductions to general institutional support. When enrollment declines, the UNC enrollment formula only reduces general institutional support by half. The Governor recommends that the full reduction to general institutional support be implemented. This item represents a 9.5% reduction to the 2014-15 certified budget for enrollment growth which totals $55,838,115. Even with this reduction and updated enrollment growth projections reflecting declining enrollment, enrollment growth funding increases by $19,614,181 from the 2013-14 certified budget.	Requirements	$ (5,326,425)	$ -	$ (5,326,425)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (5,326,425)	$ -	$ (5,326,425)
	Positions	0.000	0.000	0.000
15. Utility Budgets to Reflect Actual Expenditures--Utility budgets that exceed actual expenditures will be reduced at several campuses. Savings generated from energy efficiency measures that are dedicated to pay the debt service on energy performance contracts will be held harmless. In 2012-13, actual utility expenditures were $191.1 million. This $9.1 million decrease brings the 2014-15 utility budget for the UNC system to $193.5 million. This represents a 2.1% decrease to the 2013-14 utility budget which totals $197.8 million.	Requirements	$ (9,128,060)	$ -	$ (9,128,060)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (9,128,060)	$ -	$ (9,128,060)
	Positions	0.000	0.000	0.000
16. End Duplication of Funding for Teacher Prep Distance Education Programs--The Governor recommends that the Teacher Prep Distance Education Reserve no longer be funded since the enrollment growth formula provides campuses with funding for distance education programs. This is a 100% decrease to the 2013-14 and 2014-15 certified budget.	Requirements	$ (1,801,861)	$ -	$ (1,801,861)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (1,801,861)	$ -	$ (1,801,861)
	Positions	0.000	0.000	0.000
17. Adjust Building Reserves for Delayed Completion--The UNC certified budget for 2014-15 includes seven building reserves for facilities with delayed completion dates. This reduction adjusts the budget of those reserves to reflect updated completion dates as reported by the campuses.	Requirements	$ (922,599)	$ (79,138)	$ (1,001,737)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (922,599)	$ (79,138)	$ (1,001,737)
	Positions	(2.800)	0.000	(2.800)
18. Coastal Wave Energy Research--It is recommended that General Fund support for the Coastal Wave Energy Research Program be concluded. This is a 100% reduction to the 2013-14 and 2014-15 certified budget.	Requirements	$ (1,900,000)	$ -	$ (1,900,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (1,900,000)	$ -	$ (1,900,000)
	Positions	0.000	0.000	0.000

Net Adjustments	**Recurring Changes**	**Non Recurring Changes**	**Total**
Total Requirements	$ (69,274,628)	$ 1,997,486	$ (67,277,142)
Total Receipts	$ (22,879,045)	$ 5,000,000	$ (17,879,045)
Total Appropriation (Requirements minus Receipts)	$ (46,395,583)	$ (3,002,514)	$ (49,398,097)
Total Positions	(2.800)	0.000	(2.800)

General Government

Recognizes the hard work and contributions of the State's most valuable resource, its people, with a $1,000 salary and benefit increase for each employee.

Invests $520,000 in maintaining Tryon Palace and preserving North Carolina's historic heritage for our citizens and visitors.

Invests $3,000,000 in a Challenge Grant to enable major hull repairs for the USS North Carolina Battleship, which will help preserve our military heritage.

Agency Secretary initiatives to streamline and reorganize operations, identify management efficiencies and business process improvements resulted in a reduction in 22 full time positions and the redirection of $3.8M into high priority initiatives to improve government.

Upgrades the State's cash management system and business processes in human resources, payroll, budget management, taxation, data storage and accounting, which will allow the State Treasurer, State Controller and Department of Revenue to improve customer service to North Carolina citizens.

Invests in North Carolina youth by increasing funding for the Youth Advocacy and Information Office.

Supports small business development throughout the state by increasing support for the Historically Underutilized Business (HUB) Program.

General Assembly Office of the Governor Office of State Budget and Management North Carolina Housing Finance Authority
Office of the Lieutenant Governor Department of Secretary of State Office of the State Auditor Department of State Treasurer
Department of Insurance Department of Administration Office of the State Controller Department of Revenue
Department of Cultural Resources Roanoke Island Commission State Board of Elections Office of Administrative Hearings

General Assembly (11000)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change	% Change
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	from 2013-14 Certified	from 2014-15 Certified
Total Requirements	$ 57,347,555	$ 53,151,041	$ 52,851,422	$ 529,250	$ -	$ 529,250	$ 53,380,672	0.43%	1.00%
Less Receipts	$ 3,821,404	$ 1,063,055	$ 1,216,655	$ -	$ -	$ -	$ 1,216,655	14.45%	-%
Total Appropriation	$ 53,526,151	$ 52,087,986	$ 51,634,767	$ 529,250	$ -	$ 529,250	$ 52,164,017	0.15%	1.02%
Total Positions	-	315.250	315.250	-	-	-	315.250	-%	-%

1. **Salary and Benefit Increase for General Assembly Employees**--Funds are provided for a $1,000 salary and benefit increase for all General Assembly employees, effective July 1, 2014.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 529,250	$ -	$ 529,250
Less Receipts	$ -	$ -	$ -
Appropriation	$ 529,250	$ -	$ 529,250
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 529,250	$ -	$ 529,250
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 529,250	$ -	$ 529,250
Total Positions	0.000	0.000	0.000

Office of the Governor (13000)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$ 5,866,006	$ 8,030,177	$ 8,032,259	$ (51,742)	$ -	$ (51,742)	$ 7,980,517	(0.62)%	(0.64)%
Less Receipts	$ 790,717	$ 860,127	$ 860,127	$ -	$ -	$ -	$ 860,127	-%	-%
Total Appropriation	$ 5,075,289	$ 7,170,050	$ 7,172,132	$ (51,742)	$ -	$ (51,742)	$ 7,120,390	(0.69)%	(0.72)%
Total Positions	-	52.201	52.201	-	-	-	52.201	-%	-%

1. **Salary and Benefit Increase for Office of Governor Employees**--Funds are provided for a $1,000 salary and benefit increase for all Office of the Governor employees, effective July 1, 2014.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 51,700	$ -	$ 51,700
Less Receipts	$ -	$ -	$ -
Appropriation	$ 51,700	$ -	$ 51,700
Positions	0.000	0.000	0.000

2. **Management Flexibility Reduction**--A management flexibility reduction of two percent (2%) will be identified in FY 2014-15.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ (103,442)	$ -	$ (103,442)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (103,442)	$ -	$ (103,442)
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (51,742)	$ -	$ (51,742)
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ (51,742)	$ -	$ (51,742)
Total Positions	0.000	0.000	0.000

Office of State Budget and Management (13005)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 8,197,591	$ 7,714,620	$ 7,797,131	$ (90,004)	$ 500,000	$ 409,996	$ 8,207,127	6.38%	5.26%
Less Receipts	$ 2,807,623	$ 262,914	$ 262,914	$ -	$ -	$ -	$ 262,914	-%	-%
Total Appropriation	$ 5,389,967	$ 7,451,706	$ 7,534,217	$ (90,004)	$ 500,000	$ 409,996	$ 7,944,213	6.61%	5.44%
Total Positions	-	58.250	59.250	(1.000)	-	(1.000)	58.250	-%	(1.69)%

1. **Salary and Benefit Increase for Office of State Budget and Management Employees**--Funds are provided for a $1,000 salary and benefit increase for all Office of State Budget and Management employees, effective July 1, 2014.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 60,680	$ -	$ 60,680
Less Receipts	$ -	$ -	$ -
Appropriation	$ 60,680	$ -	$ 60,680
Positions	0.000	0.000	0.000

2. **Economic Modeling Tool**--The Governor recommends $500,000 for an economic modeling tool to inform and accurately analyze the state and local economic impacts of policy proposals.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ -	$ 500,000	$ 500,000
Less Receipts	$ -	$ -	$ -
Appropriation	$ -	$ 500,000	$ 500,000
Positions	0.000	0.000	0.000

3. **Reduce Software Licensing Fees and One Grants Assistant Position**--This reduction reduces software licensing fees associated with the former Legacy Budget Revision System which has been replaced by IBIS. A vacant grants assistant position is also eliminated. The licensing fees reduction of $100,000 reflects a change of 15% from the 2013-14 certified budget for operations and maintenance of $644,547. The grants assistant position reduction of $50,584 reflects a change of .82% from the 2013-14 personal services certified budget of $6,212,926.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ (150,684)	$ -	$ (150,684)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (150,684)	$ -	$ (150,684)
Positions	(1.000)	0.000	(1.000)

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (90,004)	$ 500,000	$ 409,996
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ (90,004)	$ 500,000	$ 409,996
Total Positions	(1.000)	0.000	(1.000)

OSBM - Reserve for Special Appropriation (13085)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$ 1,732,346	$ 4,912,000	$ 1,520,000	$ (20,000)	$ 2,500,000	$ 2,480,000	$ 4,000,000	(18.57)%	163.16%
Less Receipts	$ 85,017	$ -	$ -	$ -	$ -	$ -	$ -	-%	-%
Total Appropriation	$ 1,647,329	$ 4,912,000	$ 1,520,000	$ (20,000)	$ 2,500,000	$ 2,480,000	$ 4,000,000	(18.57)%	163.16%
Total Positions	-	-	-	-	-	-	-	-%	-%

1. **Initiate Challenge Grant for the USS North Carolina Battleship**--This proposal initiates a Challenge Grant for the USS North Carolina Battleship to match $5,000,000 in non-State revenue with $3,000,000 in State appropriations. The purpose is to repair the shell plating of the hull of the Battleship. The proposed repair plan would include construction of a permanent bulkhead (coffer dam) around the perimeter of the ship to facilitate in-place repairs. The Challenge Grant requires the Battleship to raise $3,000,000 in non-State revenue which the State would match with $1,000,000 in appropriations. Once an additional $2,000,000 ($5,000,000 total) in non-State revenue had been raised, an additional matching State appropriation of $2,000,000 would be released.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ -	$ 3,000,000	$ 3,000,000
Less Receipts	$ -	$ -	$ -
Appropriation	$ -	$ 3,000,000	$ 3,000,000
Positions	0.000	0.000	0.000

2. **Reduce Funding for NC Humanities Council**--This proposal reduces state support for the NC Humanities Council. This is a 100% and $20,000 change from the 2013-14 certified budget of $20,000.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ (20,000)	$ -	$ (20,000)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (20,000)	$ -	$ (20,000)
Positions	0.000	0.000	0.000

3. **Adjust Funding for the NC Symphony Challenge Grant**--This proposal reduces the NC Symphony Challenge Grant from $1.5 million to $1.0 million. This is a 33% change from the 2013-14 certified budget of $1,500,000.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ -	$ (500,000)	$ (500,000)
Less Receipts	$ -	$ -	$ -
Appropriation	$ -	$ (500,000)	$ (500,000)
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (20,000)	$ 2,500,000	$ 2,480,000
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ (20,000)	$ 2,500,000	$ 2,480,000
Total Positions	0.000	0.000	0.000

North Carolina Housing Finance Agency (13010)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 1,206,312	$ 8,411,632	$ 8,411,632	$ -	$ -	$ -	$ 8,411,632	-%	-%
Less Receipts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-%	-%
Total Appropriation	$ 1,206,312	$ 8,411,632	$ 8,411,632	$ -	$ -	$ -	$ 8,411,632	-%	-%
Total Positions	-	-	-	-	-	-	-	-%	-%

Office of the Lieutenant Governor (13100)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 587,872	$ 681,089	$ 675,089	$ (7,502)	$ -	$ (7,502)	$ 667,587	(1.98)%	(1.11)%
Less Receipts	$ 10,007	$ -	$ -	$ -	$ -	$ -	$ -	-%	-%
Total Appropriation	$ 577,865	$ 681,089	$ 675,089	$ (7,502)	$ -	$ (7,502)	$ 667,587	(1.98)%	(1.11)%
Total Positions	-	6.000	6.000	-	-	-	6.000	-%	-%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for the Office of the Lieutenant Governor Employees--Funds are provided for a $1,000 salary and benefit increase for all Office of the Lieutenant Governor employees, effective July 1, 2014.	Requirements	$6,000	$0	$6,000
	Less Receipts	$0	$0	$0
	Appropriation	$6,000	$0	$6,000
	Positions	0.000	0.000	0.000
2. Adjust Operating Budget--This reduction to the travel, food supplies and telephone accounts represents a two percent (2%) budget reduction made possible through increased efficiencies and more closely matching the budget to actual expenditures.	Requirements	($13,502)	$0	($13,502)
	Less Receipts	$0	$0	$0
	Appropriation	($13,502)	$0	($13,502)
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	($7,502)	$0	($7,502)
Total Receipts	$0	$0	$0
Total Appropriation (Requirements minus Receipts)	($7,502)	$0	($7,502)
Total Positions	0.000	0.000	0.000

Department of Secretary of State (13200)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 11,726,069	$ 11,636,808	$ 11,636,808	$ 73,750	$ -	$ 73,750	$ 11,710,558	0.63%	0.63%
Less Receipts	$ 198,051	$ 61,625	$ 61,625	$ -	$ -	$ -	$ 61,625	-%	-%
Total Appropriation	$ 11,528,018	$ 11,575,183	$ 11,575,183	$ 73,750	$ -	$ 73,750	$ 11,648,933	0.64%	0.64%
Total Positions	-	173.750	173.750	-	-	-	173.750	-%	-%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Secretary of State Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Secretary of State employees, effective July 1, 2014	Requirements	$ 173,750	$ -	$ 173,750
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 173,750	$ -	$ 173,750
	Positions	0.000	0.000	0.000
2. Operating Budget Adjustments--Adjusts operating budgets in the General Administration, Publications, and Corporations divisions.	Requirements	$ (100,000)	$ -	$ (100,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (100,000)	$ -	$ (100,000)
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 73,750	$ -	$ 73,750
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 73,750	$ -	$ 73,750
Total Positions	0.000	0.000	0.000

Office of the State Auditor (13300)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$ 15,441,029	$ 16,699,472	$ 16,699,472	$ (102,348)	$ 400,000	$ 297,652	$ 16,997,124	1.78%	1.78%
Less Receipts	$ 5,439,207	$ 5,482,004	$ 5,482,004	$ -	$ -	$ -	$ 5,482,004	-%	-%
Total Appropriation	$ 10,001,822	$ 11,217,468	$ 11,217,468	$ (102,348)	$ 400,000	$ 297,652	$ 11,515,120	2.65%	2.65%
Total Positions	-	172.000	172.000	(2.000)	-	(2.000)	170.000	(1.16)%	(1.16)%

		Recurring Changes	Non Recurring Changes	Total
1. **Salary and Benefit Increase for Office of State Auditor Employees**--Funds are provided for a $1,000 salary and benefit increase for all Office of State Auditor employees, effective July 1, 2014.	Requirements	$ 122,000	$ -	$ 122,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 122,000	$ -	$ 122,000
	Positions	0.000	0.000	0.000
2. **Contractual Services Funding**--These funds will increase Department's contractual services budget based on their need to conduct multiple upcoming audits that require expert assistance on a contractual basis. These specialized skills do not currently exist on staff. This is a 400% increase from the 2013-14 certified budget of $50,000 for financial services and $50,550 for miscellaneous contractual services.	Requirements	$ -	$ 400,000	$ 400,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 400,000	$ 400,000
	Positions	0.000	0.000	0.000
3. **Personal Services Adjustment**--Eliminates 2 vacant Assistant State Audit Manager positions. This is a 1.4% decrease from the 2013-14 certified personal services budget of $15,632,899.	Requirements	$ (224,348)	$ -	$ (224,348)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (224,348)	$ -	$ (224,348)
	Positions	(2.000)	0.000	(2.000)

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (102,348)	$ 400,000	$ 297,652
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ (102,348)	$ 400,000	$ 297,652
Total Positions	(2.000)	0.000	(2.000)

Department of State Treasurer (13410)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 46,008,906	$ 49,622,617	$ 47,462,832	$ 77,521	$ -	$ 77,521	$ 47,540,353	(4.20)%	0.16%
Less Receipts	$ 39,610,979	$ 41,484,727	$ 40,436,527	$ -	$ -	$ -	$ 40,436,527	(2.53)%	-%
Total Appropriation	$ 6,397,927	$ 8,137,890	$ 7,026,305	$ 77,521	$ -	$ 77,521	$ 7,103,826	(12.71)%	1.10%
Total Positions	-	358.940	358.940	-	-	-	358.940	-%	-%

1. **Salary and Benefit Increase for Department of State Treasurer Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of State Treasurer employees, effective July 1, 2014.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 37,400	$ -	$ 37,400
Less Receipts	$ -	$ -	$ -
Appropriation	$ 37,400	$ -	$ 37,400
Positions	0.000	0.000	0.000

2. **Operations and Maintenance Costs - Cash Management System Upgrade**--The Core Banking and Cash Management System Upgrades are a joint venture between State Controller and State Treasurer, which upgrades both central agency systems. During FY 2012-13, $1,347,397 was appropriated for the Cash Management Upgrade; however, operations and maintenance costs were not included. This funding will provide ongoing maintenance and support costs for the new system. Funds for operations and maintenance of the Cash Management System Upgrade are appropriated to State Treasurer since the Department is the business owner for the combined project.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 180,821	$ -	$ 180,821
Less Receipts	$ -	$ -	$ -
Appropriation	$ 180,821	$ -	$ 180,821
Positions	0.000	0.000	0.000

3. **Operating Budget Adjustment**--Adjusts budgets for other information services and computer data processing services accounts based on prior year actuals. This is a 34% decrease from the 2013-14 purchased services certified budget.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ (140,700)	$ -	$ (140,700)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (140,700)	$ -	$ (140,700)
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 77,521	$ -	$ 77,521
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 77,521	$ -	$ 77,521
Total Positions	0.000	0.000	0.000

State Treasurer - Retirement for Fire and Rescue Workers (13412)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 27,172,084	$ 23,179,042	$ 23,179,042	$ -	$ -	$ -	$ 23,179,042	-%	-%
Less Receipts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-%	-%
Total Appropriation	$ 27,172,084	$ 23,179,042	$ 23,179,042	$ -	$ -	$ -	$ 23,179,042	-%	-%
Total Positions	-	-	-	-	-	-	-	-%	-%

Department of Insurance

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2013 Session Law-Enacted 2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	2014 Legislative Session-Recommended Change Net Non-Recurring	2014 Legislative Session-Recommended Change Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 64,535,342	$ 60,489,411	$ 60,499,031	$ (146,045)	$ -	$ (146,045)	$ 60,352,986	(0.23)%	(0.24)%
Less Receipts	$ 29,057,579	$ 22,495,407	$ 22,495,407	$ 1,000,000	$ -	$ 1,000,000	$ 23,495,407	4.45%	4.45%
Total Appropriation	$ 35,477,764	$ 37,994,004	$ 38,003,624	$ (1,146,045)	$ -	$ (1,146,045)	$ 36,857,579	(2.99)%	(3.02)%
Total Positions	-	408.100	408.100	(7.800)	-	(7.800)	400.300	(1.91)%	(1.91)%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Insurance Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Insurance employees, effective July 1, 2014.	Requirements	$ 367,910	$ -	$ 367,910
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 367,910	$ -	$ 367,910
	Positions	0.000	0.000	0.000
2. Budget increase in departmental receipts --Agent License Fees are paid by collection agencies (insurance agents, motor clubs, public adjusters, collection agencies, bail bondsmen, corporate licenses, premium finance companies, and insurance brokers) that do business in the State. Increasing the budget to account for fee collections would reduce department's budget by $1,000,000 in appropriations.	Requirements	$ -	$ -	$ -
	Less Receipts	$ 1,000,000	$ -	$ 1,000,000
	Appropriation	$ (1,000,000)	$ -	$ (1,000,000)
	Positions	0.000	0.000	0.000
3. Operating Adjustments--Adjusts budgets for contractual services and publication accounts. These are 6.9% and 62% decreases from 2013-14 certified budgets of $861,125 and $32,000, respectively.	Requirements	$ (80,000)	$ -	$ (80,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (80,000)	$ -	$ (80,000)
	Positions	0.000	0.000	0.000
4. Personal Services Adjustment--Eliminates 4.8 vacant and 3 filled positions by restructuring and reorganizing operations. This is a 1.25% decrease from the 2013-14 personal services certified budget of $34,640,008.	Requirements	$ (433,955)	$ -	$ (433,955)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (433,955)	$ -	$ (433,955)
	Positions	(7.800)	0.000	(7.800)

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (146,045)	$ -	$ (146,045)
Total Receipts	$ 1,000,000	$ -	$ 1,000,000
Total Appropriation (Requirements minus Receipts)	$ (1,146,045)	$ -	$ (1,146,045)
Total Positions	(7.800)	0.000	(7.800)

Department of Administration (14100)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2013 Session Law-Enacted 2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	2014 Legislative Session-Recommended Change Net Non-Recurring	2014 Legislative Session-Recommended Change Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 105,773,636	$ 111,452,829	$ 110,206,512	$ 17,824,380	$ 120,154	$ 17,944,534	$ 128,151,046	14.98%	16.28%
Less Receipts	$ 44,604,675	$ 43,885,804	$ 43,159,479	$ 18,268,588	$ -	$ 18,268,588	$ 61,428,067	39.97%	42.33%
Total Appropriation	$ 61,168,961	$ 67,567,025	$ 67,047,033	$ (444,208)	$ 120,154	$ (324,054)	$ 66,722,979	(1.25)%	(0.48)%
Total Positions	-	531.786	529.786	4.500	-	4.500	534.286	0.47%	0.85%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Administration Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Administration employees, effective July 1, 2014.	Requirements	$ 468,920	$ -	$ 468,920
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 468,920	$ -	$ 468,920
	Positions	0.000	0.000	0.000
2. Adjust Operating Budget for the Youth Advocacy and Information Office--This proposal adjusts the operating budget for the Youth Advocacy and Information Office to reflect actual expenditures. This is a 150% change from the 2013-14 certified operating budget of $19,937.	Requirements	$ 30,000	$ -	$ 30,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 30,000	$ -	$ 30,000
	Positions	0.000	0.000	0.000
3. Maintain Staffing Level at FY 2013-14 level for the Office for Historically Underutilized Businesses (HUB)--This proposal maintains the staffing level of HUB at the FY 2013-14 level to accommodate a variety of small business development initiatives throughout the state. Restoration of these two positions will enable the office to implement Executive Order 24 which requires HUB to increase the growth and sustainability of both small businesses and historically underutilized businesses within the State of North Carolina. This reflects no change from the 2013-14 certified budget.	Requirements	$ 119,108	$ -	$ 119,108
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 119,108	$ -	$ 119,108
	Positions	2.000	0.000	2.000
4. Ensure Maintenance of Ocracoke Conference Facility--This proposal provides for maintenance of the Ocracoke Conference Facility with the elimination of the NC Center for the Advancement of Teaching (NCCAT). NCCAT's responsiblity for facility maintenance will be transferred to the Department of Administration.	Requirements	$ -	$ 120,154	$ 120,154
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 120,154	$ 120,154
	Positions	0.000	0.000	0.000
5. Increase Operating Budget for Veterans Nursing Homes --This proposal extends budget adjustments required in FY 2013-14 to FY 2014-15. The expenditure increase, supported by receipts, is needed to accommodate additional operating expenses associated with the recent opening of two new facilities in Black Mountain and Kinston. This is a 77% change from the 2013-14 certified budget of $23,788,342.	Requirements	$ 18,268,588	$ -	$ 18,268,588
	Less Receipts	$ 18,268,588	$ -	$ 18,268,588
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000

6. Transfer State Personnel Appeals Function to the Office of State Human Resources--This proposal transfers the state personnel appeals function from the Office of Administrative Hearings to the State Human Resources Commission within the Office of State Human Resources (OSHR). The transfer includes 2.0 Hearing Officers and .5 Administrative Assistant to manage adjudication of appeals by state employees. The increase of 2.5 FTEs and $280,261 reflected here is matched by a comparable reduction reflected in the budget for the Office of Administrative Hearings. This is a 5% change from the personal services certified budget of $5,471,994.	Requirements	$ 280,261	$ -	$ 280,261
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 280,261	$ -	$ 280,261
	Positions	2.500	0.000	2.500
7. Restructure Operating Budget - Department of Administration--Management restructuring of operations achieves efficiencies and operating savings of two percent (2%) in the following Department of Administration programs: $8,516 (Non-Public Education); $12,727 (Historically Underutilized Businesses); $35,000 (Veterans Affairs); $16,341 (Management & Information Systems); $11,818 (Human Resources); $22,900 (Fiscal Management); $28,823 (Office of the Secretary); $59,212 (Purchasing & Contract); $43,704 (State Construction); $17,749 (State Property); $300,000 (Janitorial Services in Facilities Managment); and $620,000 (Utility Accounts in Facilities Management).	Requirements	$ (1,176,790)	$ -	$ (1,176,790)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (1,176,790)	$ -	$ (1,176,790)
	Positions	0.000	0.000	0.000
8. Management Flexibility Reduction for the Office of State Human Resources (OSHR)--A management flexibility reduction of two percent (2%) of the budget for the Office of State Human Resources (OSHR) will be identified during FY 2014-15.	Requirements	$ (142,368)	$ -	$ (142,368)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (142,368)	$ -	$ (142,368)
	Positions	0.000	0.000	0.000
9. Reduce Operating Budget - State Ethics Commission--This reduction adjusts several operating accounts to achieve savings of two percent (2%).	Requirements	$ (23,339)	$ -	$ (23,339)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (23,339)	$ -	$ (23,339)
	Positions	0.000	0.000	0.000

Net Adjustments	**Recurring Changes**	**Non Recurring Changes**	**Total**
Total Requirements	$ 17,824,380	$ 120,154	$ 17,944,534
Total Receipts	$ 18,268,588	$ -	$ 18,268,588
Total Appropriation (Requirements minus Receipts)	$ (444,208)	$ 120,154	$ (324,054)
Total Positions	4.500	0.000	4.500

Department of Administration - Internal Service (74100)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 96,417,356	$ 70,849,508	$ 70,849,508	$ 32,898,151	$ -	$ 32,898,151	$ 103,747,659	46.43%	46.43%
Less Receipts	$ 99,173,072	$ 76,712,774	$ 76,712,774	$ 32,898,151	$ -	$ 32,898,151	$ 109,610,925	42.88%	42.88%
Change in FB	$ (2,755,717)	$ (5,863,266)	$ (5,863,266)	$ (608,536)	$ -	$ -	$ (5,863,266)	0.00%	0.00%
Total Positions	-	175.500	175.500	-	-	-	175.500	-%	-%

1. **Increase Operating Budget for Motor Fleet Management** --This proposal extends a budget revision completed in FY 2013-14 to FY 2014-15 to more accurately match budget authority with actual receipts and expenditures. The increased expenditures, supported by receipts, are to resume the "best practice" vehicle replacement schedule. An estimated 800-1,000 vehicles will be replaced. This is a 26% change from the 2013-14 certified budget of $40,799,693.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 10,979,483	$ -	$ 10,979,483
Less Receipts	$ 10,979,483	$ -	$ 10,979,483
Change in FB	$ -	$ -	$ -
Positions	0.000	0.000	0.000

2. **Increase Operating Budget for Temporary Solutions**--This proposal extends a budget revision completed in FY 2013-14 to FY 2014-15 to more accurately match budget authority with actual receipts and expenditures. The increased expenditures, supported by receipts, accommodate increased use of Temporary Solutions by state agencies with implementation of Executive Order No. 4 which requires all state agencies to employ temporary employees through Temporary Solutions. This is a 97% change from the 2013-14 certified budget of $22,434,149.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 21,918,668	$ -	$ 21,918,668
Less Receipts	$ 21,918,668	$ -	$ 21,918,668
Change in FB	$ -	$ -	$ -
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 32,898,151	$ -	$ 32,898,151
Total Receipts	$ 32,898,151	$ -	$ 32,898,151
Total Change in Fund Balance (Change in FB)	$ -	$ -	$ -
Total Positions	0.000	0.000	0.000

Department of Administration - Internal Service - Special (74103)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2013 Session Law-Enacted 2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	2014 Legislative Session-Recommended Change Net Non-Recurring	2014 Legislative Session-Recommended Change Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 1,455,011	$ 1,835,325	$ 1,835,325	$ 800,000	$ -	$ 800,000	$ 2,635,325	43.59%	43.59%
Less Receipts	$ 2,409,393	$ 1,835,722	$ 1,835,722	$ 800,000	$ -	$ 800,000	$ 2,635,722	43.58%	43.58%
Change in FB	$ (954,382)	$ (397)	$ (397)	$ (608,536)	$ -	$ -	$ (397)	0.00%	0.00%
Total Positions	-	14.750	14.750	-	-	-	14.750	-%	-%

1. **Increase Operating Budget for State Parking**--This proposal increases operating expenditures for State Parking to complete several critical repair and maintenance projects and install security upgrades. This proposal increases budget authority to match actual expenditures and receipts. This represents a 43% change from the 2013-14 certified budget of $1,835,722.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 800,000	$ -	$ 800,000
Less Receipts	$ 800,000	$ -	$ 800,000
Change in FB	$ -	$ -	$ -
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 800,000	$ -	$ 800,000
Total Receipts	$ 800,000	$ -	$ 800,000
Total Change in Fund Balance (Change in FB)	$ -	$ -	$ -
Total Positions	0.000	0.000	0.000

Office of the State Controller (14160)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 30,740,736	$ 30,225,169	$ 30,225,169	$ (731,395)	$ -	$ (731,395)	$ 29,493,774	(2.42)%	(2.42)%
Less Receipts	$ 1,031,280	$ 1,514,478	$ 1,514,478	$ (608,536)	$ -	$ (608,536)	$ 905,942	(40.18)%	(40.18)%
Total Appropriation	$ 29,709,456	$ 28,710,691	$ 28,710,691	$ (122,859)	$ -	$ (122,859)	$ 28,587,832	(0.43)%	(0.43)%
Total Positions	-	173.759	173.759	(4.750)	-	(4.750)	169.009	(2.73)%	(2.73)%

		Recurring Changes	Non Recurring Changes	Total
1. **Salary and Benefit Increase for Office of State Controller Employees**--Funds are provided for a $1,000 salary and benefit increase for all Office of State Controller employees, effective July 1, 2014.	Requirements	$ 183,710	$ -	$ 183,710
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 183,710	$ -	$ 183,710
	Positions	0.000	0.000	0.000
2. **Lease Increases**--State Controller renewed lease on Bush Street building for next 3 years. Lease contained 2.5% annual inflationary rate increase; therefore, additional funds are needed to pay rent in upcoming years. This is a 1.5% increase from the 2013-14 certified rental budget of $1,010,087.	Requirements	$ 15,764	$ -	$ 15,764
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 15,764	$ -	$ 15,764
	Positions	0.000	0.000	0.000
3. **Operating Budget Restoration**--This item eliminates the transfer between State Controller's special and general fund budget codes by appropriating funds on a recurring basis to adequately support operating costs within the Department, which were previously funded by one-time special revenue transfers.	Requirements	$ -	$ -	$ -
	Less Receipts	$ (608,536)	$ -	$ (608,536)
	Appropriation	$ 608,536	$ -	$ 608,536
	Positions	0.000	0.000	0.000
4. **Oracle DSS Contract Increase**--Decision Support System (DSS) is a statewide, web-based data warehouse that provides daily updates of financial transactions for the North Carolina Accounting System (NCAS). Oracle software is used for the database component of the application. ITS contracts with IBM, on behalf of state agencies, for various software licensing agreements. Additional funding is required due to an increase of $21,000 in Oracle license fees for FY 2014-15. This is a 0.94% increase from the 2013-14 software maintenance agreements budget of $2,214,807.	Requirements	$ 21,000	$ -	$ 21,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 21,000	$ -	$ 21,000
	Positions	0.000	0.000	0.000

5. IBM Cognos DSS Contract Increase--Decision Support System (DSS) is a statewide, web-based data warehouse that provides daily updates of financial transactions for the North Carolina Accounting System (NCAS). Cognos software is used for presentation layer component of the application. ITS contracts with IBM, on behalf of state agencies, for various software licensing agreements. Additional funding supports a 40% increase in Cognos license fees for FY 2014-15. This is a 4.5% increase from the 2013-14 software maintenance agreements budget of $2,214,807.	Requirements	$ 100,000	$ -	$ 100,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 100,000	$ -	$ 100,000
	Positions	0.000	0.000	0.000
6. Personal Services Adjustment--Agency efforts to streamline and reorganize operations eliminates 3 filled and 1.75 vacant positions.	Requirements	$ (531,783)	$ -	$ (531,783)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (531,783)	$ -	$ (531,783)
	Positions	(4.750)	0.000	(4.750)
7. Operating Budget Adjustments--Adjusts budgets for communication and data processing accounts based on prior year actuals.	Requirements	$ (520,086)	$ -	$ (520,086)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (520,086)	$ -	$ (520,086)
	Positions	0.000	0.000	0.000

Net Adjustments	**Recurring Changes**	**Non Recurring Changes**	**Total**
Total Requirements	$ (731,395)	$ -	$ (731,395)
Total Receipts	$ (608,536)	$ -	$ (608,536)
Total Appropriation (Requirements minus Receipts)	$ (122,859)	$ -	$ (122,859)
Total Positions	(4.750)	0.000	(4.750)

Office of the State Controller - Special (24160)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 43,771,847	$ 24,475,381	$ 15,262,056	$ (608,536)	$ -	$ (608,536)	$ 14,653,520	(40.13)%	(3.99)%
Less Receipts	$ 56,486,136	$ 8,419,536	$ 8,419,536	$ -	$ -	$ -	$ 8,419,536	-%	-%
Change in FB	$ (12,714,289)	$ 16,055,845	$ 6,842,520	$ (608,536)	$ -	$ (608,536)	$ 6,233,984	-61.17%	-8.89%
Total Positions	-	19.000	19.000	-	-	-	19.000	-%	-%

1. **Operating Budget Adjustment - Special Fund**--This item eliminates the transfer between State Controller's special and general fund budget codes. Appropriated funding on a recurring basis, to support operating costs within the Department, is reflected in State Controller's General Fund budget code, 14160.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ (608,536)	$ -	$ (608,536)
Less Receipts	$ -	$ -	$ -
Change in FB	$ 608,536	$ -	$ 608,536
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (608,536)	$ -	$ (608,536)
Total Receipts	$ -	$ -	$ -
Total Change in Fund Balance (Change in FB)	$ (608,536)	$ -	$ (608,536)
Total Positions	0.000	0.000	0.000

Department of Revenue (14700)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$ 108,057,386	$ 117,771,888	$ 117,469,428	$ 18,087,110	$ 1,559,805	$ 19,646,915	$ 137,116,343	16.43%	16.73%
Less Receipts	$ 31,610,081	$ 36,772,970	$ 36,572,970	$ 18,776,229	$ 1,559,805	$ 20,336,034	$ 56,909,004	54.76%	55.60%
Total Appropriation	$ 76,447,305	$ 80,998,918	$ 80,896,458	$ (689,119)	$ -	$ (689,119)	$ 80,207,339	(0.98)%	(0.85)%
Total Positions	-	1,427.250	1,427.250	116.000	-	116.000	1,543.250	8.13%	8.13%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Revenue Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Revenue employees, effective July 1, 2014.	Requirements	$ 930,250	$ -	$ 930,250
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 930,250	$ -	$ 930,250
	Positions	0.000	0.000	0.000
2. Golden LEAF Positions--In 2003, Golden LEAF provided up to $90,000 to fund Department of Revenue staff focused on enforcing terms of the Master Settlement Agreement (MSA). S.L. 2013-360 diverted all future MSA proceeds from the Foundation; therefore, funding for 2 positions were eliminated. Department of Revenue has continued operations supporting administration of the MSA. This appropriation restores funding for the 2 FTEs that were previously eliminated. This is a 1% increase from the 2013-14 personal services certified budget of $11,523,208.	Requirements	$ 96,870	$ -	$ 96,870
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 96,870	$ -	$ 96,870
	Positions	2.000	0.000	2.000
3. Outbound Mail Services--Department plans to implement a new tax system that offers multi-paged tax notices to taxpayers. Existing equipment is aging and has limited capabilities that only allow for single page notices. These funds will enable Revenue to contract with a third-party vendor to cover costs of outbound mail services that can produce multi-page notices in a customer-friendly format for taxpayers.	Requirements	$ 541,125	$ -	$ 541,125
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 541,125	$ -	$ 541,125
	Positions	0.000	0.000	0.000
4. Asheville Office Lease Increase--The Asheville Office lease costs increased based on expansion requirements to meet IRS 1075 security mandates. To meet these safety standards, the Asheville Office was expanded so LAN room would be self-contained, with locking doors for limited access. This is a 7% increase from the 2013-14 rental budget of $1,468,331.	Requirements	$ 103,061	$ -	$ 103,061
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 103,061	$ -	$ 103,061
	Positions	0.000	0.000	0.000

5. Guilford Call Center--Currently, the State's only Call Center is located in Rocky Mount. The Call Center's major function is to receive calls from taxpayers wishing to discuss, dispute, or settle assessments. The Department plans a secondary Center, in Guilford County, as a supplemental, redundant facility within the State. Funding for the Guilford County Call Center will come from the 20% Collection Assistance Fee. G.S. 105-243.1 requires Department of Revenue to assess a 20% fee against a final collections bill that is more than 90 days overdue. Fees collected are used by the Department to cover personnel and other costs associated with delinquent tax collections.	Requirements	$ 7,027,359	$ 1,477,585	$ 8,504,944
	Less Receipts	$ 7,027,359	$ 1,477,585	$ 8,504,944
	Appropriation	$ -	$ -	$ -
	Positions	107.000	0.000	107.000
6. Criminal Investigation Division (CID) Special Agents--When civil methods do not achieve compliance with State tax laws, cases are turned over to Department's Criminal Investigations Division. Additional staffing will increase Revenue's ability to criminally pursue individuals and business owners in order to prohibit them from operating and to collect on monies owed the State. Funding for additional personnel will come from the 20% Collection Assistance Fee. G.S. 105-243.1 requires Department of Revenue to assess a 20% fee against a final collections bill that is more than 90 days overdue. Fees collected are used by the Department to cover personnel and other costs associated with delinquent tax collections.	Requirements	$ 342,634	$ 15,645	$ 358,279
	Less Receipts	$ 342,634	$ 15,645	$ 358,279
	Appropriation	$ -	$ -	$ -
	Positions	3.000	0.000	3.000
7. Local Government Division - Additional Positions--The Local Government Division only has one auditor who goes out into the field to conduct audits and educate taxpayers on correcting filing problems related to refunds. Entities claiming refunds must properly claim county refunds where taxes were originally paid, otherwise monthly sales and use tax distributions to local governments will be allocated incorrectly. Therefore, 4 Auditors and a Tax Research Analyst are recommended to the Local Government Division to audit refund requests from nonprofits and governmental units to determine if refunds were filed correctly. Funding for additional personnel will come from local sales and use tax receipts. This is a 25% increase from the 2013-14 personal services certified budget of $1,587,597, and a 3% increase from the 2013-14 operating certified budget of $1,200.	Requirements	$ 400,575	$ 36,575	$ 437,150
	Less Receipts	$ 400,575	$ 36,575	$ 437,150
	Appropriation	$ -	$ -	$ -
	Positions	5.000	0.000	5.000
8. Increase Budget for MotoTax Project--The MotoTax Project is a program, authorized by the 2005 General Assembly, that collects vehicle property taxes and registration renewals, and allows payment of both at the same time. This project is jointly supported by Department of Revenue and Department of Transportation. The system went live In fall 2013, and Department of Transportation requested that Department of Revenue take over expenditures for software, hardware, general maintenance and support since the Vehicle Tax System is hosted by Revenue. This budget increase will enable Revenue to pay for expenditures associated with the program. Funding for project support comes from property tax collections on motor vehicles collected by the Division of Motor Vehicles, on behalf of counties.	Requirements	$ 795,236	$ -	$ 795,236
	Less Receipts	$ 795,236	$ -	$ 795,236
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000

9. Locator Services--This item budgets an increase of the locator services cap so the Department of Revenue can gather more information on delinquent taxpayers. Locator services allow the Department to acquire addresses, phone numbers, and asset information for taxpayers who owe tax debts. Funding for the increase will come from the 20% Collection Assistance Fee. G.S. 105-243.1 requires Department of Revenue to assess a 20% fee against a final collections bill that is more than 90 days overdue. Fees collected are used by the Department to cover personnel and other costs associated with delinquent tax collections. G.S. 105-243.1(e)(3) is recommended to be revised to raise cap on locator services from no more than $150,000 per year to $500,000 annually.	Requirements	$ 350,000	$ -	$ 350,000
	Less Receipts	$ 350,000	$ -	$ 350,000
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
10. ABC Permit/Tax Compliance Program--Department of Revenue will utilize Collection Assistance Fee receipts to implement software applications that will match applicants for ABC retail permits against compliance with all State tax statutes prior to receiving permits.	Requirements	$ -	$ 30,000	$ 30,000
	Less Receipts	$ -	$ 30,000	$ 30,000
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
11. Collection Agency Service--Department of Revenue will utilize Collection Assistance Fee receipts to cover contingency fees charged for cases turned over to a third party collection agency. Funds will only be spent once collections occur. Percentage of collection on receivables is unknown at this time; however, the $7.5 million is an upper limit authorization for use of receipts.	Requirements	$ 7,500,000	$ -	$ 7,500,000
	Less Receipts	$ 7,500,000	$ -	$ 7,500,000
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
12. Fund source transfer to Collection Assistance Fee--Personal services and operating budget adjustments convert 1 additional FTE from appropriations to Collection Assistance Fee support. This brings the total agency position count supported by the Fee to 356. Operating costs associated with fee-supported personnel were also proportionately assigned to the Collection Assistance Fee.	Requirements	$ -	$ -	$ -
	Less Receipts	$ 2,360,425	$ -	$ 2,360,425
	Appropriation	$ (2,360,425)	$ -	$ (2,360,425)
	Positions	(1.000)	0.000	(1.000)

Net Adjustments	**Recurring Changes**	**Non Recurring Changes**	**Total**
Total Requirements	$ 18,087,110	$ 1,559,805	$ 19,646,915
Total Receipts	$ 18,776,229	$ 1,559,805	$ 20,336,034
Total Appropriation (Requirements minus Receipts)	$ (689,119)	$ -	$ (689,119)
Total Positions	116.000	0.000	116.000

Department of Revenue - IT Projects (24708)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$ 11,415,501	$ 62,946,520	$ 51,072,201	$ -	$ 17,754,942	$ 17,754,942	$ 68,827,143	9.34%	34.76%
Less Receipts	$ 16,275,600	$ 27,921,919	$ 27,921,919	$ -	$ 17,754,942	$ 17,754,942	$ 45,676,861	63.59%	63.59%
Change in FB	$ (4,860,099)	$ 35,024,601	$ 23,150,282	$ -	$ -	$ -	$ 23,150,282	-33.90%	0.00%
Total Positions	-	7.000	7.000	-	-	-	7.000	-%	-%

1. **Tax Information Management System (TIMS) Additional Funding**--Tax Information Management System (TIMS) is a tax management project that will modernize the State's processing and management of tax information. This project is a private-public partnership that generates benefits and tax revenue for the State's General Fund. $10.2 million of those collected receipts will be used to support the System's release 3, which is used for several tax schedules including: alcoholic beverages, tobacco products, estate and gift tax, etc. Costs will also cover software purchases, contractors for upgrades, and establishing a TIMS redundancy site at the Western Data Center, which is an Information Technology Services requirement.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ -	$ 10,205,942	$ 10,205,942
Less Receipts	$ -	$ 10,205,942	$ 10,205,942
Change in FB	$ -	$ -	$ -
Positions	0.000	0.000	0.000

2. **Collection E-Service**--Collection Assistance Fee receipts will be used to implement an e-garnishment project that will automate management of the garnishment process, verification of NC-3s and W-2s, web portal for installment payments, and a decision analytics framework.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ -	$ 7,549,000	$ 7,549,000
Less Receipts	$ -	$ 7,549,000	$ 7,549,000
Change in FB	$ -	$ -	$ -
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ -	$ 17,754,942	$ 17,754,942
Total Receipts	$ -	$ 17,754,942	$ 17,754,942
Total Change in Fund Balance (Change in FB)	$ -	$ -	$ -
Total Positions	0.000	0.000	0.000

Department of Cultural Resources (14800)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 73,032,155	$ 71,986,418	$ 71,324,373	$ 757,664	$ -	$ 757,664	$ 72,082,037	0.13%	1.06%
Less Receipts	$ 9,434,028	$ 8,316,273	$ 8,316,273	$ -	$ -	$ -	$ 8,316,273	-%	-%
Total Appropriation	$ 63,598,127	$ 63,670,145	$ 63,008,100	$ 757,664	$ -	$ 757,664	$ 63,765,764	0.15%	1.20%
Total Positions	-	673.924	673.924	(6.000)	-	(6.000)	667.924	(0.89)%	(0.89)%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Cultural Resources Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Cultural Resources employees, effective July 1, 2014.	Requirements	$ 629,380	$ -	$ 629,380
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 629,380	$ -	$ 629,380
	Positions	0.000	0.000	0.000
2. Maintain Funding to Tryon Palace at the FY 2013-14 Level--This proposal supports continuation of the FY 2013-14 level of funding by restoring $400,000 for staffing and $120,000 for utilities. This funding level will enable Tryon Palace to maintain basic operations, particularly with the recent addition of the History Education Center in FY 2010-2011. Retaining these nine positions will help ensure continued innovative programs and events to increase visitation by first-time and repeat guests and grow revenues. The staffing budget represents no change from the 2013-14 personal services certified budget of $2,498,471 as reductions were planned for implementation in 2014-15.	Requirements	$ 520,000	$ -	$ 520,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 520,000	$ -	$ 520,000
	Positions	0.000	0.000	0.000
3. Restore Agency-wide Budget Integrity--This proposal restores various underfunded accounts during 2014-15 in Archives and Records and Historic Preservation in the amount of $95,419. Basic operational support is also provided for recurring worker's compensation and disability claims in the amount of $104,273.	Requirements	$ 199,692	$ -	$ 199,692
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 199,692	$ -	$ 199,692
	Positions	0.000	0.000	0.000
4. Continue Strategic Marketing Program--This proposal continues the strategic marketing program which supports an on-line calendar/social media contract to advertise attractions and special events at all 27 historic sites and 7 museums. This digital calendar is used by the Department of Public Instruction for curriculum support as well as by the Department of Commerce for visitor outreach programs. The amount is an 18% change from the 2013-14 certified budget amount of $53,000.	Requirements	$ 43,000	$ -	$ 43,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 43,000	$ -	$ 43,000
	Positions	0.000	0.000	0.000

5. Reorganize Staff Agency-wide--Management efficiencies and reorganization eliminate one Regional Manager for Historic Sites and one Box Office Employee at the Museum of Art. The reduction of one position in Historic Sites is a 1.1% change from the personal services certified budget of $6,186,915. The reduction of one position at the Museum of Art is a .5% change from the personal services certified budget of $6,370,373.	Requirements	$ (102,959)	$ -	$ (102,959)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (102,959)	$ -	$ (102,959)
	Positions	(2.000)	0.000	(2.000)
6. Reduce Aid to Libraries--This proposal establishes a cap of $400,000 on the amount of Library State Aid provided to local jurisdictions. The impact is a change of $142,000 each to Wake and Mecklenburg counties. This is a 2% change from the 2013-14 certified budget of $13,491,033. A total amount of $13,207,033 will be available to support local libraries.	Requirements	$ (284,000)	$ -	$ (284,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (284,000)	$ -	$ (284,000)
	Positions	0.000	0.000	0.000
7. Modernize and Streamline Historical Publications Program--This proposal eliminates four positions and streamlines program operations to continue to meet statutory program delivery requirements. Continued publication of The North Carolina Historical Review, one of the best known scholarly journals of state history, is assured. This is a 58% change from the 2013-14 certified budget of $420,933.	Requirements	$ (247,449)	$ -	$ (247,449)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (247,449)	$ -	$ (247,449)
	Positions	(4.000)	0.000	(4.000)

Net Adjustments		**Recurring Changes**	**Non Recurring Changes**	**Total**
Total Requirements	$	757,664	$ -	$ 757,664
Total Receipts	$	-	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$	757,664	$ -	$ 757,664
Total Positions		(6.000)	0.000	(6.000)

Roanoke Island Commission (14802)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$1,058,757	$750,000	$750,000	($9,000)	-	($9,000)	$741,000	(1.20)%	(1.20)%
Less Receipts	-	$300,000	$300,000	-	-	-	$300,000	-%	-%
Total Appropriation	$1,058,757	$450,000	$450,000	($9,000)	-	($9,000)	$441,000	(2.00)%	(2.00)%
Total Positions	-	-	-	-	-	-	-	-%	-%

		Recurring Changes	Non Recurring Changes	Total
1. **Reduce Appropriation to Roanoke Island Commission by Two Percent (2%)**--This proposal reduces the appropriation to the Roanoke Island Commission by two percent (2%) from the 2013-14 certified budget of $450,000.	Requirements	$ (9,000)	$ -	$ (9,000)
	Receipts	$ -	$ -	$ -
	Appropriation	$ (9,000)	$ -	$ (9,000)
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (9,000)	$ -	$ (9,000)
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ (9,000)	$ -	$ (9,000)
Total Positions	0.000	0.000	0.000

State Board of Elections (18025)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 5,061,863	$ 5,464,249	$ 5,855,120	$ (66,415)	$ -	$ (66,415)	$ 5,788,705	5.94%	(1.13)%
Less Receipts	$ 403,973	$ 161,876	$ 161,876	$ -	$ -	$ -	$ 161,876	-%	-%
Total Appropriation	$ 4,657,890	$ 5,302,373	$ 5,693,244	$ (66,415)	$ -	$ (66,415)	$ 5,626,829	6.12%	(1.17)%
Total Positions	-	52.520	54.520	-	-	-	54.520	3.81%	-%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for State Board of Elections Employees--Funds are provided for a $1,000 salary and benefit increase for all State Board of Elections employees, effective July 1, 2014.	Requirements	$ 51,000	$ -	$ 51,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 51,000	$ -	$ 51,000
	Positions	0.000	0.000	0.000
2. Adjusts contractual services--Adjust contractual services budget to more acurately reflect projected expenditures.	Requirements	$ (117,415)	$ -	$ (117,415)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (117,415)	$ -	$ (117,415)
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (66,415)	$ -	$ (66,415)
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ (66,415)	$ -	$ (66,415)
Total Positions	0.000	0.000	0.000

Office of Administrative Hearings (18210)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 7,339,418	$ 7,024,135	$ 6,809,622	$ (267,169)	$ -	$ (267,169)	$ 6,542,453	(6.86)%	(3.92)%
Less Receipts	$ 3,305,004	$ 1,782,492	$ 1,782,492	$ -	$ -	$ -	$ 1,782,492	-%	-%
Total Appropriation	$ 4,034,413	$ 5,241,643	$ 5,027,130	$ (267,169)	$ -	$ (267,169)	$ 4,759,961	(9.19)%	(5.31)%
Total Positions	-	45.000	45.000	(2.500)	-	(2.500)	42.500	(5.56)%	(5.56)%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Office of Administrative Hearings Employees--Funds are provided for a $1,000 salary and benefit increase for all Office of Administrative Hearings employees, effective July 1, 2014.	Requirements	$ 45,000	$ -	$ 45,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 45,000	$ -	$ 45,000
	Positions	0.000	0.000	0.000
2. Realign Personnel to Achieve Savings--This adjustment represents the net savings achieved through personnel realignment to meet revised workload and tasks. This is a 0.80% change from the 2013-14 certified personal services budget of $3,992,780.	Requirements	$ (31,908)	$ -	$ (31,908)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (31,908)	$ -	$ (31,908)
	Positions	0.000	0.000	0.000
3. Transfer State Personnel Appeals Function to State Human Resources Commission--This proposal transfers the state employee appeals process from the Office of Administrative Hearings to the State Human Resources Commission in the Office of State Human Resources (OSHR). Authority for 2.5 FTEs and a total of $280,261 will be transferred to OSHR. The move is intended to streamline the appeals process. Appeal to the Superior Court remains an option for state employees.	Requirements	$ (280,261)	$ -	$ (280,261)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (280,261)	$ -	$ (280,261)
	Positions	(2.500)	0.000	(2.500)

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (267,169)	$ -	$ (267,169)
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ (267,169)	$ -	$ (267,169)
Total Positions	(2.500)	0.000	(2.500)

Health and Human Services

Salary Increase

Invests $6 million in new state funding to provide the State share for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014.

Child Protection, Foster Care and NC Pre K

Strengthens the state's oversight of child welfare services to vulnerable children by adding $2.7 million and 30 positions to create and deploy teams to monitor child welfare programs in county social service agencies. These teams will review child protective services functions, foster care services, and adoption services.

Adds $5 million to ensure the state meets its obligation to fully support the growing caseload and state expenses associated with Foster Care assistance payments. These payments are made to foster parents for a foster child's room, board and other living expenses.

Invests an additional $3.6 million in the NC Pre-K program. This program serves more than 26,000 at-risk four-year-old children to enhance school readiness.

Medicaid

Maintains the current level of funding in the Medicaid budget for 2014-15. Over the course of the 2013-15 biennium, the State's investment in Medicaid has grown from $3.1 billion in the enacted 2012-13 budget to $3.6 billion in the 2014-15 enacted budget, just over $506 million. Funding in the second year of the biennium, when compared to 2013-14, allows for Medicaid rebase growth of $123 million and a net overall increase in Medicaid funding of $146 million (net of all savings and increases enacted) in fiscal year 2014-15.

Invests $50 million in a new statewide Medicaid Risk Reserve to allow for variance in budget estimating due to data limitations and the potential for greater than anticipated Medicaid spending. Funds in the reserve would be used only if required for Medicaid obligations and only with approval of the Director of the Budget,

and funds remaining at fiscal year-end will be transferred to the State's Savings Reserve Fund. At $50 million, the risk reserve allows for approximately 1.4% variance in the total $3.6 billion Medicaid State budget.

Provides $1 million in one-time startup costs to begin Medicaid reform.

Mental Health, Developmental Disabilities and Substance Abuse

Redirects $10.7 million in administrative savings within the Division of Mental Health, Developmental Disabilities and Substance Abuse Services to shore up the financial footing of State-operated facilities providing critical in-patient care.

Includes $6.1 million in federal block grant funded expansion of the community based crisis services system. System enhancements include Emergency Department diversion services (group home training and paramedic mobile crisis), expanded alternative treatment settings (walk-in crisis and peer run centers) and transition care. Funding is also included for the Governor's Substance Abuse Prevention and Treatment Initiative, which includes a five campus UNC System pilot to curb underage drinking and provide treatment and recovery services.

Core Public Health Functions

Bolsters the Office of Chief Medical Examiner with $1 million in new funding to support three regional centers that are essential partners in the medical examiner system in North Carolina and increase compensation to medical examiners for performing medicolegal exams.

Provides $350,000 in new funding to help improve the processing time for birth certificates and other records and improve customer service provided to the public by the Vital Records agency.

Efficiencies and General Fund Savings

Identifies operational efficiencies and maximizes federal block grants and other receipts throughout the Department of Health and Human Services to maintain existing service levels and continue development of major information technology projects while reducing the demands on the State's General Fund revenues.

Health and Human Services (144xx)

		2013 Session Law-Enacted		2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$17,896,294,301	$18,381,623,666	$18,749,066,470	$59,014,852	$11,361,977	$70,376,829	$18,819,443,299	2.38%	0.38%
Less Receipts	$12,891,308,763	$13,387,835,343	$13,611,391,895	$171,629,742	$21,339,947	$192,969,689	$13,804,361,584	3.11%	1.42%
Total Appropriation	$5,004,985,538	$4,993,788,323	$5,137,674,575	-$112,614,890	-$9,977,970	-$122,592,860	$5,015,081,715	0.43%	(2.39)%
Total Positions	-	17,498.687	17,416.487	(5.750)	16.000	10.250	17,426.737	(0.41)%	0.06%

Division of Central Management and Support (14410)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 125,908,514	$ 143,382,031	$ 145,897,230	$ (2,522,150)	$ 9,361,977	$ 6,839,827	$ 152,737,057	6.52%	4.69%
Less Receipts	$ 65,974,192	$ 69,595,902	$ 69,595,902	$ 120,000	$ 9,361,977	$ 9,481,977	$ 79,077,879	13.62%	13.62%
Total Appropriation	$ 59,934,322	$ 73,786,129	$ 76,301,328	$ (2,642,150)	$ -	$ (2,642,150)	$ 73,659,178	%	(3.46)%
Total Positions	-	630.250	630.250	-	16.000	16.000	646.250	2.54%	2.54%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 477,850	$ -	$ 477,850
Less Receipts	$ -	$ -	$ -
Appropriation	$ 477,850	$ -	$ 477,850
Positions	0.000	0.000	0.000

2. **NC TRACKS**--NC TRACKS was implemented July 1, 2013. In order to "go-live" on that date, system development freezes were set in place in the spring of 2013 that created a backlog of change service requests (CSRs) that need to be completed. In order to address the CSR backlog and to continue the development of the new International Statistic Classification of Disease (ICD-10) for a possible October 1, 2015 implementation date, DHHS is directed to continue funding system development and implementation using prior year earned revenue in the non-recurring amount of $5,223,975 in 2014-15.This is in addition to the amount previously identified in SL 2013-360.

In 2012-13, project expenditures totaled $84.9 million. Now that the project has been implemented, the overall budget is reduced and split between remaining development work and the ongoing operations and maintenance of the system. The 2014-15 budget for development costs is $10.7 million and the operations and maintenance work associated with completion of the CSRs is an additional $10.7 million.

Requirements	$ -	$ 5,223,975	$ 5,223,975
Less Receipts	$ -	$ 5,223,975	$ 5,223,975
Appropriation	$0	$0	$0
Positions	0.000	0.000	0.000

3. **NC FAST** --In order to continue development and implementation of the NC FAST project, DHHS is directed to use prior year earned revenue in the non-recurring amount of $4,138,002 in 2014-15. This is in addition to the amount previously identified in SL 2013-360. This funding will support the development and implementation of the Eligibility Information System, the Child Care, Low Income Energy Assistance and Crisis Intervention Programs, and Federally-Facilitated Exchange (FFE) Interoperability. These projects are funded with 90% federal funds until December 31, 2015.

   In 2012-13, the NC FAST project expenditures totaled $76.4 million. The 2013-14 budget is $60.5 million. The 2014-15 budget is anticipated to be $55.6 million. The project's year-to-year budget and expenditures vary due to project deliverables and scope.

Requirements	$ -	$ 4,138,002	$ 4,138,002
Less Receipts	$ -	$ 4,138,002	$ 4,138,002
Appropriation	$ -	$ -	$ -
Positions	0.000	16.000	16.000

4. **Achieve Savings in Non-Profit and University Contracts**--In 2013-14, DHHS has budgeted approximately $615M to contract with non-profit organizations and universities to deliver services, perform program evaluations, and conduct outreach, training and education. Of the total, $315 million is funded through state General Fund appropriation. This recommendation is for DHHS to achieve a 1% savings in state General Fund appropriation while minimizing the impact on direct services. Savings are to be achieved by maximizing federal funds and other receipts to fund contracted activities, reducing administrative overhead, and eliminating redundant or ineffective contracts to the furthest extent possible. In achieving the reductions required by this section, the Department will not reduce programmatic funding to either the NC Pre-Kindergarten program or funds used to provide subsidized child care services to children.

Requirements	$ (3,000,000)	$ -	$ (3,000,000)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (3,000,000)	$ -	$ (3,000,000)
Positions	0.000	0.000	0.000

5. **Cost Allocate Central Regional Maintenance**--The Division of Child Development and Early Education relocated to the Dorothea Dix campus during 2013-14. Due to DCDEE's relocation, Central Regional Maintenance (CRM), which provides custodial services on the Dix campus, will be cost-allocated to include the use of Child Care and Development Fund block grant funds to replace state appropriation.

   In 2012-13, total expenditures for CRM were $9.7M. Total requirements for 2013-14 were $9.1M and this level will continue in 2014-15 as cost-allocating CRM will have no overall impact to total requirements.

Requirements	$ -	$ -	$ -
Less Receipts	$ 120,000	$ -	$ 120,000
Appropriation	$ (120,000)	$ -	$ (120,000)
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (2,522,150.0)	$ 9,361,977.0	$ 6,839,827.0
Total Receipts	$ 120,000.0	$ 9,361,977.0	$ 9,481,977.0
Total Appropriation (Requirements minus Receipts)	$ (2,642,150.0)	$ -	$ (2,642,150.0)
Total Positions	0.000	16.000	16.000

Division of Aging and Adult Services (14411)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 106,927,441	$ 114,140,206	$ 113,355,418	$ 28,890	$ -	$ 28,890	$ 113,384,308	(0.66)%	0.03%
Less Receipts	$ 63,151,812	$ 59,997,865	$ 59,013,077	$ -	$ -	$ -	$ 59,013,077	(1.64)%	0.00%
Total Appropriation	$ 43,775,629	$ 54,142,341	$ 54,342,341	$ 28,890	$ -	$ 28,890	$ 54,371,231	%	0.05%
Total Positions	-	73.500	73.500	-	-	-	73.500	-%	0.00%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 28,890	$ -	$ 28,890
Less Receipts	$ -	$ -	$ -
Appropriation	$ 28,890	$ -	$ 28,890
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 28,890	$ -	$ 28,890
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 28,890	$ -	$ 28,890
Total Positions	0.000	0.000	0.000

Division of Child Development and Early Education (14420)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2013 Session Law-Enacted 2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	2014 Legislative Session-Recommended Change Net Non-Recurring	2014 Legislative Session-Recommended Change Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 669,099,259	$ 669,932,356	$ 668,169,954	$ 3,470,571	$ -	$ 3,470,571	$ 671,640,525	0.25%	0.52%
Less Receipts	$ 411,106,467	$ 415,617,747	$ 413,855,345	$ 33,762,977	$ 7,195,807	$ 40,958,784	$ 454,814,129	9.43%	9.90%
Total Appropriation	$ 257,992,791	$ 254,314,609	$ 254,314,609	$ (30,292,406)	$ (7,195,807)	$ (37,488,213)	$ 216,826,396	%	(14.74)%
Total Positions	-	303.750	303.750	(1.000)	-	(1.000)	302.750	(0.33)%	(0.33)%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Health and Human Services Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.	Requirements	$ 91,090	$ -	$ 91,090
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 91,090	$ -	$ 91,090
	Positions	0.000	0.000	0.000
2. Expand the NC Pre-Kindergarten Program--North Carolina currently invests over $140 million in the NC Pre-Kindergarten program through a combination of state General Fund appropriation and proceeds from the Education Lottery. The Governor's budget expands NC Pre-K by $3.6 million in Education Lottery proceeds to ensure the program's quality and sustainability as well as increase access to high-quality educational experiences for eligible four-year-old children. In 2012-13, program expenditures totaled $140.5 million. The total budget for Pre-K in 2013-14 is $140.5 million and the 2014-15 budget will be increased by $3.6 million to serve more than 26,000 at-risk four-year-old children.	Requirements	$ 3,600,000	$ -	$ 3,600,000
	Less Receipts	$ 3,600,000	$ -	$ 3,600,000
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
3. Change Funding of NC Pre-Kindergarten Program--In addition to the Governor's $3.6 million expansion of the Pre-K program, the sources of funding will change in 2014-15. The program will use increased Temporary Assistance for Needy Family block grant funds on a one-time basis and increased lottery receipts on a permanent basis in lieu of an equal amount of state appropriation. This will result in a non-recurring savings to the General Fund of $7.1 million due to the use of block grants funds and a permanent savings of $14.75 million due to increased lottery funding. The overall level of the budget is not reduced with this refinancing of the program and the changes have no impact on the services provided.	Requirements	$ -	$ -	$ -
	Less Receipts	$ 14,750,000	$ 7,195,807	$ 21,945,807
	Appropriation	$ (14,750,000)	$ (7,195,807)	$ (21,945,807)
	Positions	0.000	0.000	0.000

4. **Maximize Block Grant Funding for Subsidized Child Care Services**--Currently, subsidized child care for children in Child Protective Services is supported with 100% state appropriation; however, it is estimated that 60% of these expenditures are Temporary Assistance for Needy Families (TANF) block grant eligible costs. Therefore, it is recommended that state appropriation be replaced with TANF block grant funding for this population. There will be no overall change to program funding or services and this will not adversely affect this vulnerable population.

   In 2012-13, subsidized child care expenditures totaled $326 million. The total budget for subsidized child care in 2013-14 is $325 million which includes $40 million in state appropriation. This change will have no impact to the overall budget in 2014-15 for the program since state appropriation will be fully replaced with federal block grant funds.

Requirements	$ -	$ -	$ -
Less Receipts	$ 13,800,000	$ -	$ 13,800,000
Appropriation	$ (13,800,000)	$ -	$ (13,800,000)
Positions	0.000	0.000	0.000

5. **Achieve Savings Due to Service Efficiencies**--The Division of Child Development and Early Education (DCDEE) relocated to the Dorothea Dix campus during 2013-14. This move resulted in savings because the division will no longer pay rent for office space and can streamline administrative staff, thereby reducing one position. Additionally, the Child Care and Development Fund (CCDF) block grant will be used to replace an equivalent amount of state funding for all positions in the Regulatory Services section.

   In 2012-13, DCDEE administrative expenditures totaled $31.3 million from state and federal funds. The total budget for the division's administration in 2013-14 is $26.5 million. Overall, the total requirements for administration will be reduced by approximately 1% while achieving a 28% savings in the amount of state General Fund appropriation required to support administration within DCDEE.

Requirements	$ (220,519)	$ -	$ (220,519)
Less Receipts	$ 1,579,977	$ -	$ 1,579,977
Appropriation	$ (1,800,496)	$ -	$ (1,800,496)
Positions	(1.000)	0.000	(1.000)

6. **Fully Cost Allocate the Division**--It is recommended that the Division of Child Development and Early Education is fully cost-allocated. This will increase federal receipts by $33,000 per year and reduce the need for state appropriation. There would be no overall change to the administrative funding within the division with this change.

Requirements	$ -	$ -	$ -
Less Receipts	$ 33,000	$ -	$ 33,000
Appropriation	$ (33,000)	$ -	$ (33,000)
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 3,470,571	$ -	$ 3,470,571
Total Receipts	$ 33,762,977	$ 7,195,807	$ 40,958,784
Total Appropriation (Requirements minus Receipts)	$ (30,292,406)	$ (7,195,807)	$ (37,488,213)
Total Positions	(1.000)	0.000	(1.000)

Division of Public Health (14430)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2013 Session Law-Enacted 2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	2014 Legislative Session-Recommended Change Net Non-Recurring	2014 Legislative Session-Recommended Change Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 770,028,806	$ 828,517,538	$ 826,227,355	$ 1,032,364	$ -	$ 1,032,364	$ 827,259,719	(0.15)%	0.12%
Less Receipts	$ 628,755,403	$ 684,363,451	$ 684,285,768	$ 204,184	$ 3,782,163	$ 3,986,347	$ 688,272,115	0.57%	0.58%
Total Appropriation	$ 141,273,403	$ 144,154,087	$ 141,941,587	$ 828,180	$ (3,782,163)	$ (2,953,983)	$ 138,987,604	%	(2.08)%
Total Positions	-	2,020.990	1,938.790	(7.000)	-	(7.000)	1,931.790	(4.41)%	(0.36)%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 651,560	$ -	$ 651,560
Less Receipts	$ -	$ -	$ -
Appropriation	$ 651,560	$ -	$ 651,560
Positions	0.000	0.000	0.000

2. **Bolster Core State Infrastructure in the Office of Chief Medical Examiner**--The Office of Chief Medical Examiner (OCME) provides a critical service for the state and is being bolstered with $1 million in new funding. This expansion will increase the funding to three regional centers that are essential partners in the medical examiner system in North Carolina, provide additional funding for supplies and transportation, and support training of individual medical examiners and increase the fee paid to these individuals for each medicolegal exam deemed to be a medical examiner case in North Carolina.

   In 2012-13, the Office of Chief Medical Examiner expenditures totaled $6.1 million. The total budget for the OCME in 2013-14 is $6.9 million. With this expansion, the 2014-15 budget will grow roughly 15% to over $8.1 million.

Requirements	$ 1,000,000	$ -	$ 1,000,000
Less Receipts	$ -	$ -	$ -
Appropriation	$ 1,000,000	$ -	$ 1,000,000
Positions	0.000	0.000	0.000

3. **Bolster Core State Infrastructure in Vital Records**--Funding is provided to the Vital Records office in order to ensure quality customer service, address safety issues, and preserve vital events documents. The Vital Records Automation Fund will support modification and enhancement of the Electronic Birth Records System and updating of Vital Records system equipment, software, and hardware, as well as continuing ITS maintenance.

   In 2012-13, Vital Records expenditures totaled $3.3 million. The total budget for the service in 2013-14 is $3.1 million. With this expansion, the 2014-15 budget will grow approximately 11% to $3.4 million.

Requirements	$ 350,000	$ -	$ 350,000
Less Receipts	$ -	$ -	$ -
Appropriation	$ 350,000	$ -	$ 350,000
Positions	0.000	0.000	0.000

4. **Well Water Testing Fee**--It is recommended that authority be granted to the North Carolina State Laboratory of Public Health (NCSLPH) to charge a fee for the voluntary testing of drinking water from existing wells comparable to that fee now charged for the testing of water from newly constructed wells. As with the newly constructed well water sample testing fee per GS130A-5(16), the fee for existing wells will be embedded in the sale cost of the well water sample collection kit.

   In 2012-13, total expenditures for the State Laboratory of Public Health totaled $18.9 million. The total budget for the NCSLPH in 2013-14 is $24.8 million. With this expansion, the 2014-15 budget will increase about 1.0%.

Requirements	$ 221,548	$ -	$ 221,548
Less Receipts	$ 221,548	$ -	$ 221,548
Appropriation	$ -	$ -	$ -
Positions	0.000	0.000	0.000

5. **Fund ADAP at Full Service Level**--The AIDS Drug Assistance Program (ADAP) currently services all eligible individuals up to 300% of the Federal Poverty Level (FPL) and there is no waiting list to receive services. The program collects voluntary drug rebates from pharmaceutical companies and the collection of these receipts has grown over the past couple of years. This increased collection of the rebates will continue into 2014-15 and with additional funding from the federal government, the program can reduce its state appropriation on a one-time basis. This change in funding source will not reduce the program's overall budget and there will be no changes to eligibility, population served, or the drug regimen. The program will continue to serve all eligible individuals up to 300% of the FPL.

   In 2012-13, ADAP expended $38.4 million on pharmaceuticals. The 2013-14 budget for the program's pharmaceuticals is $46.6 million. With this change in funding source, the 2014-15 budget will remain unchanged from its current level.

Requirements	$ -	$ -	$ -
Less Receipts	$ -	$ 3,782,163	$ 3,782,163
Appropriation	$ -	$ (3,782,163)	$ (3,782,163)
Positions	0.000	0.000	0.000

6. **Sunset the Vector Control Program**--The Vector Control program that provided small grants to a limited number of counties for mosquito control will be sunsetted. This program has no direct program staffing which challenges its sustainability as an effective program.

   In 2012-13, total aid-to-county expenditures within the Environmental Health service were $1.6 million. The total budget for this aid-to-county funding in 2013-14 is $1.6 million. This $185,992 reduction represents a 11.5% decrease in Environmental Health aid-to-county funding.

Requirements	$ (185,992)	$ -	$ (185,992)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (185,992)	$ -	$ (185,992)
Positions	0.000	0.000	0.000

7. Achieve Operational Efficiencies--The Division of Public Health will achieve operational efficiencies through consolidating business practices and responding to changes in federal grant awards. The following areas will be affected: 1) Purchase of Medical Care Unit: A position is being abolished after a retirement and existing staff will absorb the position's responsibilities; 2) State Center for Health Statistics: A position performing business functions will be eliminated and the DPH Business Branch will assume the position's responsibilities; 3) Early Intervention: A business officer position is being abolished due to consolidation of regional offices; 4) Physical Activity and Nutrition: A position is being abolished due to consolidated federal grant funding from the CDC; and 5) Chronic Disease and Injury: A position is being abolished due to consolidated federal grant funding from the CDC. There is no impact to services due to these position eliminations and the overall change to the division's personnel budget is minimal.

Requirements	$ (315,639)	$ -	$ (315,639)
Less Receipts	$ (17,364)	$ -	$ (17,364)
Appropriation	$ (298,275)	$ -	$ (298,275)
Positions	(5.000)	0.000	(5.000)

8. Adjust Budgets to Reflect Program Requirements--The following budgets are being modified to reflect actual and/or anticipated expenditure levels, with no reduction in services to the public:
1) Funding for multiple Purchase of Medical Care activities was eliminated in previous session law; however, the entire budget was not removed at that time. The remaining funds are now being removed. The budget for these programs is $142,325 and no expenditures were made in 2012-13.
2) The budget for Early Hearing Detection and Intervention is being adjusted to fund the number of clients accessing the program. The program has served no more than 35 clients per year since 2008-09 and funding will be set at $41,000 to cover expenses for the anticipated clients.
3) The budget for tobacco prevention and control is being discontinued due to the level of expenditure over the past five years. The budget is $64,000 and no expenditures were made since 2008-09.

Requirements	$ (337,325)	$ -	$ (337,325)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (337,325)	$ -	$ (337,325)
Positions	0.000	0.000	0.000

9. End Incubation Contract--Funding for the Incubation Project, a contract with the Institute of Public Health at the University of North Carolina at Chapel Hill, will be discontinued. Regional organizations comprised of local health departments will continue the development and dissemination of best practices. Existing division staff will facilitate and monitor these activities and provide technical assistance to the regional meetings and participants.

In 2012-13, total Incubation Project contract expenditures were $99,669. The total budget for this contract in 2013-14 is $100,000.

Requirements	$ (100,000)	$ -	$ (100,000)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (100,000)	$ -	$ (100,000)
Positions	0.000	0.000	0.000

10. Child and Family Support Team--The Child and Family Support Team (CFST) program identifies and coordinates appropriate community services and supports for children at risk of school failure or out-of-home placement and creates an infrastructure within schools for improving academic and well-being outcomes of students. The primary purpose of the two CFST positions in the Division of Public Health was to offer start-up support to schools that were chosen to participate in the Child and Family Support Team program. Since the school-based teams have been in operation for several years and have solidified their existence within schools, these start-up resources are no longer needed. An evaluation contract with Duke University will also be eliminated.

In 2012-13, total CFST expenditures were $245,694. The total budget for this contract in 2013-14 is $251,788 and this reduction will discontinue all funding.

Requirements	$ (251,788)	$ -	$ (251,788)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (251,788)	$ -	$ (251,788)
Positions	(2.000)	0.000	(2.000)

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 1,032,364	$ -	$ 1,032,364
Total Receipts	$ 204,184	$ 3,782,163	$ 3,986,347
Total Appropriation (Requirements minus Receipts)	$ 828,180	$ (3,782,163)	$ (2,953,983)
Total Positions	(7.000)	0.000	(7.000)

Division of Social Services (14440)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 1,661,798,665	$ 1,651,064,551	$ 1,653,014,551	$ 6,069,047	$ -	$ 6,069,047	$ 1,659,083,598	0.49%	0.37%
Less Receipts	$ 1,495,907,995	$ 1,476,456,119	$ 1,476,456,119	$ 4,964,873	$ -	$ 4,964,873	$ 1,481,420,992	0.34%	0.34%
Total Appropriation	$ 165,890,670	$ 174,608,432	$ 176,558,432	$ 1,104,174	$ -	$ 1,104,174	$ 177,662,606	%	0.63%
Total Positions	-	415.000	415.000	30.000	-	30.000	445.000	7.23%	7.23%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 179,330	$ -	$ 179,330
Less Receipts	$ -	$ -	$ -
Appropriation	$ 179,330	$ -	$ 179,330
Positions	0.000	0.000	0.000

2. **Enhance Oversight of County Operations in Child Welfare**--As the state oversight agency, DHHS has the responsibility to make certain all county child welfare agencies are operated in a manner to ensure children and families are provided services to address safety, permanency, and the well-being of children. To that end, 30 positions will be established to build an effective monitoring system within North Carolina for county child welfare agencies. These positions will be deployed in approximately 10 teams across the state to review records of services in the areas of child protective services, foster care, adoptions and foster home licensure. These positions shall be charged with case monitoring, reviewing county staffing levels and workloads, and providing supervisory support. In addition, two positions within the Division of Social Services will be repurposed to meet a Continuous Quality Improvement model requirement from the federal government.

   In 2012-13, total expenditures for state-level administration for Child Protective Services (CPS) were $1.3 million. The total budget for state-level CPS administration in 2013-14 is $1.5 million and this expansion will increase that budget to $4.7 million, which is an increase of over 200%.

Requirements	$ 3,217,970	$ -	$ 3,217,970
Less Receipts	$ 538,720	$ -	$ 538,720
Appropriation	$ 2,679,250	$ -	$ 2,679,250
Positions	30.000	0.000	30.000

3. **Foster Care Assistance Payments**--The Foster Care caseload in North Carolina increased by 9% from March 2013 to March 2014 and that trend is projected to continue into the next fiscal year. As such, state General Fund appropriation is being increased to support the growing caseload and the state expense associated with Foster Care assistance payments. The payments are made to foster parents for a foster child's room, board and other living expenses.

   In 2012-13, expenditures from state General Fund appropriation for Foster Care assistance payments were $28.5 million. The General Fund appropriated budget for the program in 2013-14 is $25.3 million. This expansion, in addition to increased funds for the Permanency Innovation Initiative Fund passed in Session Law 2013-360, will bring the 2014-15 budget to $32.2 million.

Requirements	$ 17,909,426	$ -	$ 17,909,426
Less Receipts	$ 12,909,426	$ -	$ 12,909,426
Appropriation	$ 5,000,000	$ -	$ 5,000,000
Positions	0.000	0.000	0.000

4. **Fund State and County Special Assistance at Full Service Level**--The State and County Special Assistance Program has served fewer clients over the past three years and the average monthly payment has decreased, which has reduced the need for state appropriation. The budget is being adjusted to maintain full service levels but to better reflect anticipated program expenditures in 2014-15.

   The cost for this program is shared equally between state and county funds. In 2012-13, total expenditures for the State and County Special Assistance program were $140.6 million. The total budget for the program in 2013-14 is $146.0 million and this change represents an approximate 6% reduction to the program's funding without impact to clients.

Requirements	$ (8,431,084)	$ -	$ (8,431,084)
Less Receipts	$ (4,215,542)	$ -	$ (4,215,542)
Appropriation	$ (4,215,542)	$ -	$ (4,215,542)
Positions	0.000	0.000	0.000

5. **Adjust Budget Due to Implementation of New Personal Care Service Program**--A new consolidated Personal Care Service (PCS) program became effective January 1, 2013. Under the previous system, licensed adult care homes and licensed family care homes received funds for personal care services and were also eligible to receive an additional enhanced PSC rate for heavy needs residents (eating, ambulation, and toileting). County DSS workers performed the assessment and case management of the need for enhanced personal care services for residents of licensed adult residential facilities. Starting on January 1, 2013 the two-tiered approach was no longer in effect. The new consolidated PCS Program uses an independent assessment to determine eligibility for PCS and the Adult Care Home Case Management service is no longer needed.

   In 2012-13, total expenditures for Adult Care Home Case Management were $2.2 million. The overall budget for this service for 2013-14 is $3.4 million with $856,058 in state appropriations, all of which will be removed from the budget.

Requirements	$ (3,440,982)	$ -	$ (3,440,982)
Less Receipts	$ (2,584,924)	$ -	$ (2,584,924)
Appropriation	$ (856,058)	$ -	$ (856,058)
Positions	0.000	0.000	0.000

6. **Achieve Savings through Increased Federal Receipts**--State funds in the amount of $1.68 million are distributed to counties to offset the counties' costs for Medicaid enrollment activities. Because the Centers for Medicare & Medicaid Services (CMS) will allow an increase from 50% to 75% federal match on eligibility work, the state is withdrawing its funding for this administrative activity. This administration expense is primarily funded by federal and county governments. With the implementation of NC FAST, which will meet the condition and standards prescribed by CMS, counties will be able to claim the 75% Federal Financial Participation (FFP) rate when performing case management activites in the new system.

   In 2012-13, total expenditures for the state-supported Medical Assistance expansion were $3.4 million, while all Medicaid eligibility activities exceeded $250 million.

Requirements	$ (3,365,613)	$ -	$ (3,365,613)
Less Receipts	$ (1,682,807)	$ -	$ (1,682,807)
Appropriation	$ (1,682,806)	$ -	$ (1,682,806)
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 6,069,047	$ -	$ 6,069,047
Total Receipts	$ 4,964,873	$ -	$ 4,964,873
Total Appropriation (Requirements minus Receipts)	$ 1,104,174	$ -	$ 1,104,174
Total Positions	30.000	0.000	30.000

Division of Medical Assistance (14445)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 12,643,008,323	$ 13,071,194,944	$ 13,476,344,404	$ 87,897,559	$ 2,000,000	$ 89,897,559	$ 13,566,241,963	3.79%	0.67%
Less Receipts	$ 9,125,314,086	$ 9,609,244,825	$ 9,868,225,313	$ 163,339,501	$ 1,000,000	$ 164,339,501	$ 10,032,564,814	4.41%	1.67%
Total Appropriation	$ 3,517,694,237	$ 3,461,950,119	$ 3,608,119,091	$ (75,441,942)	$ 1,000,000	$ (74,441,942)	$ 3,533,677,149	%	(2.06)%
Total Positions	-	428.250	428.250	-	-	-	428.250	-%	0.00%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 167,240	$ -	$ 167,240
Less Receipts	$ -	$ -	$ -
Appropriation	$ 167,240	$ -	$ 167,240
Positions	0.000	0.000	0.000

2. **Shared Savings Plan**--SL 2013-363 enacted a shared savings plan that included a rate reduction and savings to fund incentive payments to providers. Due to the difficulty of achieving the estimated savings as enacted, a portion of the funding is being restored.

Requirements	$ 18,239,503	$ -	$ 18,239,503
Less Receipts	$ 12,039,896	$ -	$ 12,039,896
Appropriation	$ 6,199,607	$ -	$ 6,199,607
Positions	0.000	0.000	0.000

3. **Medicaid Reform**--The amount reflects year one startup cost around Medicaid Reform. Costs may include actuarial and consulting services, information system modifications, and the creation of quality measurements.

Requirements	$ -	$ 2,000,000	$ 2,000,000
Less Receipts	$ -	$ 1,000,000	$ 1,000,000
Appropriation	$0	$1,000,000	$1,000,000
Positions	0.000	0.000	0.000

4. **Private Duty Nursing Rates**--Currently providers are paid the same rate for private duty services regardless of who performs the service. This item would establish differentiated payment rates for when registered nurses (RNs) or licensed practicing nurses (LPNs) provide private duty nursing services effective January 1, 2015.

Requirements	$ (3,362,665)	$ -	$ (3,362,665)
Less Receipts	$ (2,212,665)	$ -	$ (2,212,665)
Appropriation	$ (1,150,000)	$ -	$ (1,150,000)
Positions	0.000	0.000	0.000

Total private duty expenditures in 2012-13 was $72.8 million. The total budget for 2013-14 is $66 million. This initiative will reduce the budget in 2014-15 by $3.3 million of which $1.1 million is state appropriations.

5. Mental Health Drug Management--This item provides for prior authorization of mental health drugs, effective January 1, 2015. This adjustment brings mental health drug policy in line with other drug classes that require prior authorization in the Medicaid program.	Requirements	$ (17,574,692)	$ -	$ (17,574,692)
	Less Receipts	$ (11,574,692)	$ -	$ (11,574,692)
	Appropriation	$ (6,000,000)	$ -	$ (6,000,000)
	Positions	0.000	0.000	0.000
6. LME/MCO Assessment --Currently DMA receives assessments from hospitals, Intermediate Care Facilities, and Nursing Facilities. Federal law allows LME/MCOs non-Medicare revenue to be assessed and allows states to retain a portion of the assessment. This recommendation implements a 3.5% assessment on the LME/MCOs. The state retention of the assessment would be 65.86% and is used to fund Medicaid services. The assessment is proposed to be effective July 1, 2014. In 2012-13, Medicaid payments totaled $1.4 billion to LME/MCOs. The 2013-14 budget is $2.5 billion and is the first year where all LME/MCOs have been on board for the full year.	Requirements	$ 90,428,173	$ -	$ 90,428,173
	Less Receipts	$ 149,984,168	$ -	$ 149,984,168
	Appropriation	$ (59,555,995)	$ -	$ (59,555,995)
	Positions	0.000	0.000	0.000
7. Hospital Provider Assessment--Hospitals receive enhanced Medicaid payments through the assessment program. This recommendation changes the amount of the state's retention from 25.9% to 28.85%, effective July 1, 2014. The state's retention of the assessment is used to fund Medicaid Services. The total expenditure for hospital services in 2012-13 was $2.9 billion. The budget for 2013-14 is $3.2 billion. This reduction would not increase or decrease expenditures in the 2014-15 budget, but it would allow the state to retain a higher percentage of the assessment.	Requirements	$ -	$ -	$ -
	Less Receipts	$ 15,102,794	$ -	$ 15,102,794
	Appropriation	$ (15,102,794)	$ -	$ (15,102,794)
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 87,897,559	$ 2,000,000	$ 89,897,559
Total Receipts	$ 163,339,501	$ 1,000,000	$ 164,339,501
Total Appropriation (Requirements minus Receipts)	$ (75,441,942)	$ 1,000,000	$ (74,441,942)
Total Positions	0.000	0.000	0.000

NC Health Choice (14446)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 325,597,032	$ 283,700,664	$ 241,177,836	$ (40,253,541)	$ -	$ (40,253,541)	$ 200,924,295	(29.18)%	(16.69)%
Less Receipts	$ 246,263,500	$ 215,751,504	$ 183,429,903	$ (30,504,541)	$ -	$ (30,504,541)	$ 152,925,362	(29.12)%	(16.63)%
Total Appropriation	$ 79,333,533	$ 67,949,160	$ 57,747,933	$ (9,749,000)	$ -	$ (9,749,000)	$ 47,998,933	%	(16.88)%
Total Positions	-	5.000	5.000	-	-	-	5.000	-%	0.00%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 1,000	$ -	$ 1,000
Less Receipts	$ -	$ -	$ -
Appropriation	$ 1,000	$ -	$ 1,000
Positions	0.000	0.000	0.000

2. **Health Choice Adjustment**--Adjustments to the Health Choice budget are recommended based on analysis of current year expenditures and anticipated costs in FY 2014-15.

   This recommendation is to reduce state appropriations by $8.5 million for the Health Choice program. The majority of the reduction is due to an additional 20,000 children moving from Health Choice to Medicaid.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ (34,285,087)	$ -	$ (34,285,087)
Less Receipts	$ (25,785,087)	$ -	$ (25,785,087)
Appropriation	$ (8,500,000)	$ -	$ (8,500,000)
Positions	0.000	0.000	0.000

3. **Health Choice Administrative Budget Adjustment**--This recommendation is to adjust the Health Choice administrative budget to more accurately reflect actual and anticipated costs in FY 2014-15.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ (5,969,454)	$ -	$ (5,969,454)
Less Receipts	$ (4,719,454)	$ -	$ (4,719,454)
Appropriation	$ (1,250,000)	$ -	$ (1,250,000)
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (40,253,541)	$ -	$ (40,253,541)
Total Receipts	$ (30,504,541)	$ -	$ (30,504,541)
Total Appropriation (Requirements minus Receipts)	$ (9,749,000)	$ -	$ (9,749,000)
Total Positions	0.000	0.000	0.000

Division of Services for the Blind, Deaf, and Hard of Hearing (14450)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2013 Session Law-Enacted 2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	2014 Legislative Session-Recommended Change Net Non-Recurring	2014 Legislative Session-Recommended Change Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 29,874,512	$ 32,639,127	$ 32,639,127	$ 59,830	$ -	$ 59,830	$ 32,698,957	0.18%	0.18%
Less Receipts	$ 21,695,680	$ 24,460,509	$ 24,460,509	$ -	$ -	$ -	$ 24,460,509	-%	0.00%
Total Appropriation	$ 8,178,832	$ 8,178,618	$ 8,178,618	$ 59,830	$ -	$ 59,830	$ 8,238,448	%	0.73%
Total Positions	-	313.750	313.750	-	-	-	313.750	-%	0.00%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 59,830	$ -	$ 59,830
Less Receipts	$ -	$ -	$ -
Appropriation	$ 59,830	$ -	$ 59,830
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 59,830	$ -	$ 59,830
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 59,830	$ -	$ 59,830
Total Positions	0.000	0.000	0.000

Division of Mental Health/Developmental Disabilities/Substance Abuse Services (14460)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 1,368,260,023	$ 1,382,183,524	$ 1,387,217,646	$ 3,828,910	$ -	$ 3,828,910	$ 1,391,046,556	0.64%	0.28%
Less Receipts	$ 683,863,564	$ 682,647,922	$ 682,231,658	$ -	$ -	$ -	$ 682,231,658	(0.06)%	0.00%
Total Appropriation	$ 684,396,459	$ 699,535,602	$ 704,985,988	$ 3,828,910	$ -	$ 3,828,910	$ 708,814,898	%	0.54%
Total Positions	-	11,712.202	11,712.202	(7.000)	-	(7.000)	11,705.202	(0.06)%	(0.06)%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 3,828,910	$ -	$ 3,828,910
Less Receipts	$ -	$ -	$ -
Appropriation	$ 3,828,910	$ -	$ 3,828,910
Positions	0.000	0.000	0.000

2. **Re-Direct Administrative Dollars to Better Finance Facility Based In-Patient Care and Fund Crisis Services via Block Grants**--State-operated in-patient care facilities continue to experience chronic budget shortfalls. The proposal addresses the shortfalls by maximizing the use of existing resources through administrative savings while preserving the state's investment in facility and community based services. The administrative savings would be realized through (1) elimination of 7 vacant positions and operating funds in the division's central administration office ($0.45 million), (2) lower claims processing costs associated with the new claims processing technology ($2.4 million), (3) lower LME/MCO administrative costs achieved through consolidation ($1.83 million), and (4) elimination of the LME/MCO Risk Reserve ($6.09 million), which based on the department's risk management efforts pursuant to S.L. 2013-85, is no longer viewed as necessary. The total of the administrative savings is $10.7 million. These resources would be re-directed to the Division's facilities to make more financially sound, facility provided in-patient care. For 2012-13 actual expenditure totaled $1.37 billion. The 2015 Certified Budget of $ 1.39 billion is unchanged by these actions.

The recommended budget does include new funding for crisis services and the North Carolina Governor's Substance Abuse Prevention and Treatment Initiative, financed by federal block grants.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ -	$ -	$ -
Less Receipts	$ -	$ -	$ -
Appropriation	$ -	$ -	$ -
Positions	(7.000)	0.000	(7.000)

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 3,828,910	$ -	$ 3,828,910
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 3,828,910	$ -	$ 3,828,910
Positions	(7.000)	0.000	(7

Division of Health Service Regulation (14470)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 56,213,053	$ 65,245,051	$ 65,399,275	$ 227,000	$ -	$ 227,000	$ 65,626,275	0.58%	0.35%
Less Receipts	$ 42,344,340	$ 48,848,994	$ 48,987,796	$ 288,000	$ -	$ 288,000	$ 49,275,796	0.87%	0.59%
Total Appropriation	$ 13,868,713	$ 16,396,057	$ 16,411,479	$ (61,000)	$ -	$ (61,000)	$ 16,350,479	%	(0.37)%
Total Positions	-	565.500	565.500	-	-	-	565.500	-%	0.00%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 227,000	$ -	$ 227,000
Less Receipts	$ -	$ -	$ -
Appropriation	$ 227,000	$ -	$ 227,000
Positions	0.000	0.000	0.000

2. **Cost Allocate Construction Teams Inspections**--The division's Construction Teams inspect family and adult care homes, and mental health facilities for compliance with federal licensure standards. The inspection consists of external and internal evaluations, including living quarters, fire safety, electrical, and plumbing equipment, to ensure homes and facilities are maintained in a safe living condition. The proposal would cost allocate inspection expenses based on the Medicaid census at the time of inspection. The cost sharing methodology is consistent with Centers for Medicare and Medicaid (CMS) guidance. For 2012-13, actual expenditures totaled $5.3 million. While the budgeting of receipts ($263,000) will result in a corresponding decrease in appropriation, the 2014-15 Certified Budget (requirements) of $5.2 million is unchanged.

Requirements	$ -	$ -	$ -
Less Receipts	$ 263,000	$ -	$ 263,000
Appropriation	$ (263,000)	$ -	$ (263,000)
Positions	0.000	0.000	0.000

3. **Budget Over-Realized Health Care Personnel Registry Receipts**--The Health Care Personnel Registry is a tool for monitoring unlicensed health care personnel. The registry lists nurse and medication aides who have met federal and state educational and competency requirements. Further, it lists unlicensed health care personnel who are being investigated for or have been found to have caused harm to a resident or facility. The cost of maintaining the registry is cost shared with Medicare. For 2012-13, actual expenditure totaled $4.1 million. While the budgeting of over-realized receipts ($25,000) will result in a corresponding decrease in appropriation, the 2014-15 Certified Budget (requirements) of $4.4 million is unchanged.

Requirements	$ -	$ -	$ -
Less Receipts	$ 25,000	$ -	$ 25,000
Appropriation	$ (25,000)	$ -	$ (25,000)
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 227,000.0	$ -	$ 227,000.0
Total Receipts	$ 288,000.0	$ -	$ 288,000.0
Total Appropriation (Requirements minus Receipts)	$ (61,000.0)	$ -	$ (61,000.0)
Total Positions	0.000	0.000	0.000

Division of Vocational Rehabilitation Services (14480)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 139,578,673	$ 139,623,674	$ 139,623,674	$ (823,628)	$ -	$ (823,628)	$ 138,800,046	(0.59)%	(0.59)%
Less Receipts	$ 106,931,724	$ 100,850,505	$ 100,850,505	$ (545,252)	$ -	$ (545,252)	$ 100,305,253	(0.54)%	(0.54)%
Total Appropriation	$ 32,646,949	$ 38,773,169	$ 38,773,169	$ (278,376)	$ -	$ (278,376)	$ 38,494,793	%	(0.72)%
Total Positions	-	1,030.495	1,030.495	(20.750)	-	(20.750)	1,009.745	(2.01)%	(2.01)%

1. **Salary and Benefit Increase for Department of Health and Human Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Health and Human Services employees, effective July 1, 2014. The amount listed is the share attributable to this division.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 296,960	$ -	$ 296,960
Less Receipts	$ -	$ -	$ -
Appropriation	$ 296,960	$ -	$ 296,960
Positions	0.000	0.000	0.000

2. **Operational Efficiencies**--The proposal reduces the Division's administrative budget by streamlining the business functions, eliminating a no longer needed engineering position due to a change in vehicle modification policy, and eliminating other vacant positions. For 2012-13, actual expenditures totaled $5.85 million. The proposal reduces the 2014-15 Certified Budget of $6.5 million by $417,271, or 6.5 percent.

Requirements	$ (1,120,588)	$ -	$ (1,120,588)
Less Receipts	$ (545,252)	$ -	$ (545,252)
Appropriation	$ (575,336)	$ -	$ (575,336)
Positions	(20.750)	0.000	(20.750)

The Division's Independent Living Program provides home and vehicle modifications, personal care, and other services to disabled individuals to avoid institutionalization and enable them to live independently in their communities. The proposal eliminates 9.5 positions, of which 8.5 FTEs are long term vacancies. There will be no adverse impact to independent living services. For 2012-13, actual expenditures totaled $4.2 million. The proposal reduces the 2014-15 Certified Budget of $4.8 million by $422,767, or 8.8 percent.

The Division's Vocational Rehabilitation Program provides an array of services to assist individuals with achieving successful employment outcomes. Clients receiving Social Security benefits receive counseling from Benefits Specialists who guide them through the employment process. The Benefits Specialists were funded by a expiring grant and a corresponding state match. The proposal eliminates the positions (5.5 FTEs) and funding. However, benefits counseling will continue to be provided by Rehabilitation Counselors, who will be supported by a statewide specialist. There will be no adverse impact to vocational rehabilitation services. For 2012-13, actual expenditures totaled $41.5 million The proposal reduces the 2014-15 Certified Budget of $45.1 million by $275,500, or 0.06 percent.

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (823,628)	$ -	$ (823,628)
Total Receipts	$ (545,252)	$ -	$ (545,252)
Total Appropriation (Requirements minus Receipts)	$ (278,376)	$ -	$ (278,376)
Total Positions	(20.750)	0.000	(20.750)

Justice and Public Safety

Justice
Expand the State Crime Lab's DNA testing capability to the Western Lab resulting in improved response and turnaround time to the Criminal Justice System and improved efficiency of staff time resulting from reduced travel time of scientists who are required to testify in court throughout the state.

Enhance the State Crime Lab's Toxicology resources required for timely analysis of evidence by providing additional funding to address and eliminate the backlog of pending cases through increased utilization of private labs on a temporary contractual basis.

Judicial
Provide funding for an average of one step compensation increase for the Clerks and Magistrate Pay Plan..

Indigent Defense Services
Provide additional resources to address a shortfall in the funding required for payment of private assigned counsel contracted to represent indigent clients throughout the state as required by the Indigent Defense Services Act.

Public Safety
Restore partial step increases for the State Highway Patrol that have been frozen for several years. This investment in law enforcement will help support recruitment and retention of quality applicants interested in a criminal justice career.

Continue to build on the reforms enacted by the Justice Reinvestment Act by housing an estimated increase of 1,000 misdemeanors with sentences of more than 180 days and misdemeanant DWI offenders in county jails through a program administered by the North Carolina Sheriffs' Association instead of the state prison system. Funding will be provided through the Statewide Misdemeanant Confinement Program.

Continue to invest the funds required to implement the Justice Reinvestment Act by supporting additional vehicles for Probation/Parole Officers to facilitate effective supervision of the increased number of offenders requiring mandatory community supervision.

Promote continued efficiency of Prisons management by consolidating adult correction regional offices due to the closure of a number of prison facilities since FY 2009-10.

Continue to modify prison staffing and operational budgets for a number of facilities to more appropriate levels based on current operational needs of the prisons. This will include management consolidation, closure of facilities, and conversion of facilities to meet other existing needs where appropriate.

Consolidate Alcohol Law Enforcement (ALE) district offices, restore partial funding for operations and personnel that was eliminated in 2013, and conduct a comprehensive assessment of the operations of the ALE Division to identify recommendations for long term effectiveness and efficiency improvements.

Implement a recommendation from the NC Government Efficiency and Reform (NC GEAR) project to transfer the Animal Welfare section from the Department of Agriculture and Consumer Services to the Law Enforcement Division of the Department of Safety. This will allow a greater emphasis on enforcement activities and enhance coordination with local law enforcement. Also, transfers the Spay and Neuter Program to maintain collaboration between animal cruelty prevention and enforcement efforts.

Judicial Branch (12000)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 460,903,817	$ 458,379,551	$ 457,879,551	$ 9,506,665	$ 2,064,960	$ 11,571,625	$ 469,451,176	2.42%	2.53%
Less Receipts	$ 1,579,646	$ 1,453,299	$ 1,453,299	$ -	$ -	$ -	$ 1,453,299	-%	-%
Total Appropriation	$ 459,324,171	$ 456,926,252	$ 456,426,252	$ 9,506,665	$ 2,064,960	$ 11,571,625	$ 467,997,877	2.42%	2.54%
Total Positions	-	5,831.338	5,831.338	1.000	-	1.000	5,832.338	0.02%	0.02%

		Recurring Changes	Non Recurring Changes	Total
1. **Salary and Benefit Increase for Administrative Office of the Courts Employees**--Funds are provided for a $1,000 salary and benefit increase for Administrative Office of the Courts employees not receiving an increase based on a statutory pay plan, effective July 1, 2014.	Requirements	$ 2,681,967	$ -	$ 2,681,967
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 2,681,967	$ -	$ 2,681,967
	Positions	0.000	0.000	0.000
2. **Salary and Benefit Increase for Magistrates, Deputy Clerks, and Assistant Clerks**--Funds are provided for one salary-step increase based on the current statutory pay plan for eligible Magistrates, Deputy Clerks and Assistant Clerks, effective July 1, 2014. For Magistrates, Deputy Clerks and Assistant Clerks not eligible to receive one salary-step increase, funds for a $1,000 salary and benefit increase are provided, effective July 1, 2014.	Requirements	$ 6,475,252	$ -	$ 6,475,252
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 6,475,252	$ -	$ 6,475,252
	Positions	0.000	0.000	0.000
3. **Adjust Assistant District Attorney Funding**--Funding is recommended for three (3) Assistant District Attorney positions in Orange/Chatham (District 15B), Union (District 20B), and Person/Caswell (District 9A) counties authorized by GS 7A-60 but not funded in the biennium budget. This is a $214,963 or 0.22% increase from the FY 2013-14 enacted certified salary and benefit account line items.	Requirements	$ 214,963	$ -	$ 214,963
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 214,963	$ -	$ 214,963
	Positions	0.000	0.000	0.000
4. **Modernize Court Technology - Criminal Court Information System**--Provide funding to support eCourts initiatives. Development and deployment of the next step of functionality for the Automated Criminal/Infractions System (ACIS) to the Criminal Court Information System - Clerk Component (CCIS-CC) conversion. Funds will enable AOC to secure dedicated resources that will help to accelerate the conversion of ACIS to a more modern technical platform. This is a $1,180,800 or 7.84% increase from the FY 2013-14 enacted certified Statewide Technology Infrastructure cost center.	Requirements	$ -	$ 1,180,800	$ 1,180,800
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 1,180,800	$ 1,180,800
	Positions	0.000	0.000	0.000

5. **Modernize Court Technology - Micrographics eStorage**--Funding is recommended to support electronic content management. This content management solution will address understaffing and increase speed in fulfilling public requests for certified court records, by converting a portion of pre-2007 microfilm records, which are manually imaged and transferred, to digital storage and retrieval. This is an $881,000 or 5.85% increase from the FY 2013-14 enacted certified Statewide Technology Infrastructure cost center.

Requirements	$ -	$ 881,000	$ 881,000
Less Receipts	$ -	$ -	$ -
Appropriation	$ -	$ 881,000	$ 881,000
Positions	0.000	0.000	0.000

6. **Legal Investigator and DNA Testing**--Provide funding for a legal investigator and costs of DNA testing due to the volume of cases to review and the time-intensive nature of investigations handled by the Innocence Inquiry Commission. This position was previously funded by a federal grant from the National Institute of Justice. This is a $137,643 or 33.10% increase from the FY 2013-14 enacted certified Innocence Commission cost center. $3,160 of this request is nonrecurring.

Requirements	$ 134,483	$ 3,160	$ 137,643
Less Receipts	$ -	$ -	$ -
Appropriation	$ 134,483	$ 3,160	$ 137,643
Positions	1.000	0.000	1.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 9,506,665	$ 2,064,960	$ 11,571,625
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 9,506,665	$ 2,064,960	$ 11,571,625
Total Positions	1.000	0.000	1.000

Judicial Branch - Indigent Defense (12001)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 127,741,305	$ 128,158,783	$ 124,386,624	$ 603,250	$ 3,850,000	$ 4,453,250	$ 128,839,874	0.53%	3.58%
Less Receipts	$ 13,349,221	$ 13,029,360	$ 13,029,360	$ -	$ -	$ -	$ 13,029,360	-%	-%
Total Appropriation	$ 114,392,085	$ 115,129,423	$ 111,357,264	$ 603,250	$ 3,850,000	$ 4,453,250	$ 115,810,514	0.59%	4.00%
Total Positions	-	507.850	507.850	-	-	-	507.850	-%	-%

		Recurring Changes	Non Recurring Changes	Total
1. **Salary and Benefit Increase for Indigent Defense Services Employees**--Funds are provided for a $1,000 salary and benefit increase for all Indigent Defense Services employees, effective July 1, 2014.	Requirements	$ 524,750	$ -	$ 524,750
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 524,750	$ -	$ 524,750
	Positions	0.000	0.000	0.000
2. **Private Assigned Counsel Funds**--Provide $3,500,000 in nonrecurring funds to address the continued shortfall and facilitate more timely payments to vendors. The fund for private assigned counsel has experienced extreme shortfalls for several years; $10 Million in FY 2011 and FY 2012, and $8 Million in FY 2013. This is a $3,500,000 or 4.39% increase from the FY 2013-14 enacted certified fund.	Requirements	$ -	$ 3,500,000	$ 3,500,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 3,500,000	$ 3,500,000
	Positions	0.000	0.000	0.000
3. **Public Defender Case Management System**--Provide funds to replace an outdated Public Defender (PD) case management system used extensively in local PD offices. The 2013 legislature directed Indigent Defense Services (IDS) and the Administrative Office of the Courts to use available funds (up to $350,000 each in current biennium) to jointly fund a replacement. IDS does not have available resources within their budget, therefore, a recommendation for nonrecurring funds to replace the system is being made. This is a $350,000 or 0.76% increase from the FY 2013-14 enacted certified fund. $115,000 in recurring funds will be needed beginning in FY 2015-16 to maintain the system.	Requirements	$ -	$ 350,000	$ 350,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 350,000	$ 350,000
	Positions	0.000	0.000	0.000

4. Equipment Replacement--Funding is recommended to increase the equipment replacement and repair budget. Recurring funding will allow the office to phase in new equipment and implement a 4-5 year replacement schedule. This is a $78,500 or 0.17% increase from the FY 2013-14 enacted certified fund.	Requirements	$ 78,500	$ -	$ 78,500
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 78,500	$ -	$ 78,500
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 603,250	$ 3,850,000	$ 4,453,250
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 603,250	$ 3,850,000	$ 4,453,250
Total Positions	0.000	0.000	0.000

Department of Justice (13600)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 122,056,750	$ 124,817,576	$ 123,400,379	$ (689,849)	$ 1,832,954	$ 1,143,105	$ 124,543,484	(0.22)%	0.93%
Less Receipts	$ 46,175,734	$ 45,091,453	$ 41,091,453	$ -	$ 1,262,054	$ 1,262,054	$ 42,353,507	(6.07)%	3.07%
Total Appropriation	$ 75,881,016	$ 79,726,123	$ 82,308,926	$ (689,849)	$ 570,900	$ (118,949)	$ 82,189,977	3.09%	(0.14)%
Total Positions	-	1,261.401	1,261.401	13.000	-	13.000	1,274.401	1.03%	1.03%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Justice Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Justice employees, effective July 1, 2014.	Requirements	$ 956,330	$ -	$ 956,330
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 956,330	$ -	$ 956,330
	Positions	0.000	0.000	0.000
2. Increase State Crime Lab DNA Testing Capability--This item expands DNA testing capability to the Western lab by adding 10 positions and equipment. This will result in improved response and turnaround time to the criminal justice system, and will promote greater efficiency by reducing travel time for scientists who must testify in court throughout the state. The Department of Justice intends to utilize federal receipt funds for DNA backlog reduction to cover non-recurring requirements for lab and computer equipment, furniture, and uniforms. The State Crime Lab and the State Bureau of Investigation were separated into different fund codes effective January 1, 2014. This item reflects a 4.5% recurring increase over the FY 2014-15 State Crime Lab certified budget appropriation of $15,231,562.	Requirements	$ 689,219	$ 1,172,390	$ 1,861,609
	Less Receipts	$ -	$ 1,172,390	$ 1,172,390
	Appropriation	$ 689,219	$ -	$ 689,219
	Positions	10.000	0.000	10.000
3. Enhance State Crime Lab Toxicology Resources--Timely analysis of evidence is an essential service objective of the North Carolina criminal justice system. Utilization of private labs on a temporary contractual basis is critical to address and eliminate the inventory of pending cases. This one-time funding, coupled with new positions and recurring contractual funds approved in 2013, will provide the Crime Lab with sufficient resources to eliminate the backlog of pending cases. This item provides $545,900 in non-recurring funds, a 72.8% increase over the FY 2014-15 certified enacted budget of $750,000 recurring.	Requirements	$ -	$ 545,900	$ 545,900
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 545,900	$ 545,900
	Positions	0.000	0.000	0.000
4. Increase Investigators to Combat Internet Crimes Against Children--Criminals pose a substantial risk to our youth through the use of technology. This item adds three new SBI agents to investigate reports of child sexual abuse and child sexual exploitation. The agency intends to utilize federal receipts for non-recurring expenses such as vehicles and computer equipment.	Requirements	$ 228,929	$ 89,664	$ 318,593
	Less Receipts	$ -	$ 89,664	$ 89,664
	Appropriation	$ 228,929	$ -	$ 228,929
	Positions	3.000	0.000	3.000

5. Enhance Security for Criminal Justice Data--The Department of Justice will begin a phase-in of enhanced security features for criminal justice data accessed by 27,000 state and local law enforcement users in order to comply with a federal mandate. Funds for software licenses and maintenance expenses total $135,000 recurring and one-time funding of $25,000 is provided for server equipment.	Requirements	$ 135,000	$ 25,000	$ 160,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 135,000	$ 25,000	$ 160,000
	Positions	0.000	0.000	0.000
6. Achieve Agency Efficiencies--This item establishes a management flexibility reserve, allowing Department of Justice management to identify where efficiencies can be achieved in personnel and operating accounts. This $2,699,327 decrease, coupled with recommended expansion amounts excluding the increase for salaries and benefits, represents a 2% reduction from the FY 13-14 enacted certified budget.	Requirements	$ (2,699,327)	$ -	$ (2,699,327)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (2,699,327)	$ -	$ (2,699,327)
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (689,849)	$ 1,832,954	$ 1,143,105
Total Receipts	$ -	$ 1,262,054	$ 1,262,054
Total Appropriation (Requirements minus Receipts)	$ (689,849)	$ 570,900	$ (118,949)
Total Positions	13.000	0.000	13.000

Department of Public Safety (14550)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$ 1,898,361,711	$ 1,955,966,707	$ 1,916,387,318	$ 10,023,586	$ 2,883,754	$ 12,907,340	$ 1,929,294,658	(1.36)%	0.67%
Less Receipts	$ 243,240,415	$ 239,073,312	$ 226,373,312	$ 380,154	$ -	$ 380,154	$ 226,753,466	(5.15)%	0.17%
Total Appropriation	$ 1,655,121,297	$ 1,716,893,395	$ 1,690,014,006	$ 9,643,432	$ 2,883,754	$ 12,527,186	$ 1,702,541,192	(0.84)%	0.74%
Total Positions	-	24,388.710	24,488.710	(369.500)	13.000	(356.500)	24,132.210	(1.05)%	(1.46)%

		Recurring Changes	Non Recurring Changes	Total
1. **Salary and Benefit Increase for Most Department of Public Safety Employees**--Funds are provided for a $1,000 salary and benefit increase for Department of Public Safety employees not receiving an increase based on a statutory pay plan, effective July 1, 2014.	Requirements	$ 23,320,085	$ -	$ 23,320,085
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 23,320,085	$ -	$ 23,320,085
	Positions	0.000	0.000	0.000
2. **Salary and Benefit Increase for State Highway Patrol** --Funds are provided for a partial salary step increase for State Highway Patrol troopers who are not at the top of their pay range. The increase will be effective July 1, 2014. All other troopers will receive the same salary and benefit increase as other state employees.	Requirements	$ 1,486,030	$ -	$ 1,486,030
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 1,486,030	$ -	$ 1,486,030
	Positions	0.000	0.000	0.000
3. **Restore Funds for Alcohol Law Enforcement**--A portion of funds and 13 positions for Alcohol Law Enforcement that were reduced during the 2013 legislative session are restored on a non-recurring basis. ALE is also directed to conduct a comprehensive assessment of its operations and make recommendations for long-term effectiveness and efficiency improvements to the 2015 Legislature. This is a $724,454, or 10.3%, non-recurring increase over the FY 2013-14 certified appropriation.	Requirements	$ -	$ 724,454	$ 724,454
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 724,454	$ 724,454
	Positions	0.000	13.000	13.000
4. **Vehicles for Probation/Parole Officers**--Additional vehicles are needed for 100 Probation/Parole Officer positions that were funded during the 2013 legislative session and are effective July 1, 2014. Funds will be transferred to the Department of Administration Motor Fleet Management Division to purchase the vehicles which will be leased to the Department of Public Safety. Funds to cover the annual lease costs were also approved in the 2013 legislative session. This General Fund appropriation is needed to support an increase in the state's managed fleet as the Department of Administration's internal service fund (Budget Code 74100) supports the maintenance, insurance, and replacement of the existing fleet.	Requirements	$ -	$ 1,829,300	$ 1,829,300
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 1,829,300	$ 1,829,300
	Positions	0.000	0.000	0.000

5. Transfer Animal Welfare--A recommendation from the NC Government Efficiency and Reform (NC GEAR) project, this item transfers the Animal Welfare Section from the Department of Agriculture and Consumer Services to the Department of Public Safety Law Enforcement Division. The transfer, which includes 10 FTEs, will allow greater focus on enforcement and promote greater coordination with local law enforcement. In addition, the Spay and Neuter Program, which currently operates from receipts and has one FTE, will also transfer to Public Safety and receive a $100,000 recurring appropriation in order to strengthen the connection between animal cruelty prevention and enforcement efforts.	Requirements	$ 755,707	$ -	$ 755,707
	Less Receipts	$ 33,515	$ -	$ 33,515
	Appropriation	$ 722,192	$ -	$ 722,192
	Positions	10.000	0.000	10.000
6. Revise Governor's Crime Commission Operational Funds--This budget adjustment modifies the grant reserve funds by $7,543 and the funding for computer software by $8,237 at the Governor's Crime Commission. This reduction will not impact the amount of funds available for award to criminal justice grantees. This represents a 2% reduction from the FY 2013-14 certified appropriation of $788,998.	Requirements	$ (15,780)	$ -	$ (15,780)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (15,780)	$ -	$ (15,780)
	Positions	0.000	0.000	0.000
7. Modify Victim Services Lease and Equipment Budget--Victim Services will modify funding for rent/lease of an office building ($8,990), and office equipment ($1,661). This is a $10,151, or 0.16%, decrease from the FY 2013-14 certified budget.	Requirements	$ (10,151)	$ -	$ (10,151)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (10,151)	$ -	$ (10,151)
	Positions	0.000	0.000	0.000
8. Alter Funding for Administrative Sections--This item adjusts the number of positions by 3.5 FTE, and modifies budgets for supplies ($2,000), equipment ($69,500), server software ($19,000) employee meals ($9,400) and other operating costs in agency administration. This is a $438,089, or 0.76%, decrease from the FY 2013-14 certified budget for these sections.	Requirements	$ (438,089)	$ -	$ (438,089)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (438,089)	$ -	$ (438,089)
	Positions	(3.500)	0.000	(3.500)
9. Shift Emergency Management Positions to Receipts--Emergency Management will shift funding of 1.25 engineering technician positions to federal receipts. This is an $89,489, or 9.5%, decrease from the FY 2013-14 certified budget for the Geodetic Survey fund.	Requirements	$ -	$ -	$ -
	Less Receipts	$ 89,489	$ -	$ 89,489
	Appropriation	$ (89,489)	$ -	$ (89,489)
	Positions	0.000	0.000	0.000
10. Adjust Adjutant General's Office Administrative Costs --This item adjusts the North Carolina National Guard's Adjutant General's budget in the administrative services account by $6,000, and by $5,000 in the employee travel meal account. This is an $11,000, or 0.23%, decrease from the FY 2013-14 certified budget.	Requirements	$ (11,000)	$ -	$ (11,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (11,000)	$ -	$ (11,000)
	Positions	0.000	0.000	0.000
11. Consolidate Alcohol Law Enforcement (ALE) District Offices --This item promotes more efficient use of state resources by consolidating from nine district offices to six. Staff currently assigned to Charlotte and Fayetteville offices will report to other offices and the Elizabeth City and New Bern offices will combine to a single location to be determined. Specific accounts to be reduced are electrical service ($6,881) and lease of office space ($131,950). This is a $138,831, or 2.0%, decrease from the FY 2013-14 certified budget.	Requirements	$ (138,831)	$ -	$ (138,831)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (138,831)	$ -	$ (138,831)
	Positions	0.000	0.000	0.000

12. Adjust Budget for Adult Correction/Juvenile Justice Staff Training--Reduce training budget for certified training of correctional officers, probation officers, and juvenile court counselors. Specific accounts include rent/lease motor vehicles ($5,051), printing ($9,900), registration fees ($4,500), security supplies ($4,815), food supplies ($7,229) and educational supplies ($6,804).	Requirements	$ (38,299)	$ -	$ (38,299)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (38,299)	$ -	$ (38,299)
	Positions	0.000	0.000	0.000
13. Consolidate Adult Correction Region Offices--This item improves efficiency of Prisons management by consolidating the female command and one region office for male prisons with the four remaining region locations. Sixteen prison facilities have closed since September 2009, and the remaining four region offices can support both the male and female facilities. In order to allow time to restructure the remaining offices and reassign duties, the female command will cease operations effective November 1, 2014, and a region office for male prisons will close March 1, 2015. Annualized savings in FY 2015-16 are $1,017,778.	Requirements	$ (477,134)	$ -	$ (477,134)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (477,134)	$ -	$ (477,134)
	Positions	(11.000)	0.000	(11.000)
14. Modify Prison Staffing and Operational Budgets--This item consolidates the management of Tillery and Caledonia adult male correctional facilities and adjusts the staffing pattern by 32 FTE at those facilities, and reduces staffing levels by 11 FTE at other prisons to more appropriate levels based on current operation of the prisons. Also, budgets for computer software ($200,000), contractual medical staff ($152,031), equipment ($100,000), and educational supplies ($28,000) will be modified.	Requirements	$ (2,577,565)	$ -	$ (2,577,565)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (2,577,565)	$ -	$ (2,577,565)
	Positions	(43.000)	0.000	(43.000)
15. House Misdemeanant Offenders in County Jails--Under this item, an estimated 1,034 misdemeanants with sentences of more than 180 days and misdemeanant DWI offenders would be housed in county jails instead of the state prison system, with funding provided through the Statewide Misdemeanant Confinement Program. The program, which is managed by the North Carolina Sheriffs' Association, allows counties to volunteer to house offenders for $40 per day, plus transportation, treatment, and medical costs. The misdemeanants will shift to county jails for convictions on or after October 1, 2014, with DWI offenders to shift for convictions on or after January 1, 2015. Annualized savings for FY 2015-16 are $4,374,854. This item will result in additional expenditures from the Statewide Misdemeanant Confinement Fund. In the short-term, cash balance and current receipts are sufficient to cover costs associated with the additional offenders serving their sentences in the county jails. Transferring responsibility for housing misdemeanants to counties creates additional capacity within the state prison system to allow for the conversion and closure of facilities included in other recommended items.	Requirements	$ (2,662,357)	$ -	$ (2,662,357)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (2,662,357)	$ -	$ (2,662,357)
	Positions	0.000	0.000	0.000

16. Adjust Prison Capacity for Female Offenders--In order to adjust prison capacity for females to more closely reflect projected need, this items closes North Piedmont Correctional Center for Women, effective August 1, 2014. This action will reduce female minimum custody beds by 136 and adjust staffing levels by 44 positions. Annualized savings in FY 2015-16 are $2,143,740.	Requirements	$ (1,965,095)	$ -	$ (1,965,095)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (1,965,095)	$ -	$ (1,965,095)
	Positions	(44.000)	0.000	(44.000)
17. Convert Eastern Correctional Institution to Female Facility--Convert Eastern Correctional Institution to a female facility effective November 1, 2014. Female inmates from Fountain Correctional Center will be transferred to Eastern Correctional Institution. Savings are generated from staffing levels associated with a medium security male versus minimum security female facility. FY 2015-16 annualized savings are $4,336,433.	Requirements	$ (2,890,955)	$ 330,000	$ (2,560,955)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (2,890,955)	$ 330,000	$ (2,560,955)
	Positions	(102.000)	0.000	(102.000)
18. Shift Female Inmate Population to Different Location--Fountain Correctional Center for Women will close, effective January 1, 2015. A new female facility will open at the site of Eastern Correctional Institution which will be converted from a male to a female facility. FY 2015-16 annualized savings are $8,794,623.	Requirements	$ (4,397,312)	$ -	$ (4,397,312)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (4,397,312)	$ -	$ (4,397,312)
	Positions	(176.000)	0.000	(176.000)
19. Collect Receipts for Hazardous Chemical Reports--Establishes a fee structure for businesses that store or process hazardous chemicals, like 26 other states. The fees will help offset the cost associated with local and state emergency response, planning,and mitigation. FY 2015-16 annualized General Fund savings are $691,277. A reduced amount of $172,818 will be realized in FY 2014-15 due to the fee's effective date.	Requirements	$ 84,332	$ -	$ 84,332
	Less Receipts	$ 257,150	$ -	$ 257,150
	Appropriation	$ (172,818)	$ -	$ (172,818)
	Positions	0.000	0.000	0.000

Net Adjustments	**Recurring Changes**	**Non Recurring Changes**	**Total**
Total Requirements	$ 10,023,586	$ 2,883,754	$ 12,907,340
Total Receipts	$ 380,154	$ -	$ 380,154
Total Appropriation (Requirements minus Receipts)	$ 9,643,432	$ 2,883,754	$ 12,527,186
Total Positions	(369.500)	13.000	(356.500)

Natural and Economic Resources

Agriculture

Implements a recommendation from the NC Government Efficiency and Reform (NC GEAR) project to transfer the Animal Welfare section from the Department of Agriculture and Consumer Services to the Department of Public Safety, Law Enforcement Division. This will allow a greater emphasis on enforcement activities and enhance coordination with local law enforcement. Also, transfers the Spay and Neuter Program to maintain collaboration between animal cruelty prevention and enforcement efforts.

Commerce

Reorganize the Department of Commerce effective July 1, to establish a Public Private Partnership (PPP) for Economic Development to perform several core functions including economic development activities that are currently provided by the department with anticipated recurring savings of 5% to the state.

Provides $500,000 to recapitalize the Main Street Solutions Program, a matching grant program that focuses on downtown economic development through the rehabilitation of buildings in smaller towns.

Recommends $2.5 million for the One North Carolina Small Business Program to provide early-stage funding for small, high-growth, high-tech businesses across the state.

Provides the necessary state match funding required for continued receipt of federal funds for the Commmunity Development Block Grant Program (CDBG) that facilitates economic development at the local level by providing funds for grants or loans for creating and retaining jobs; and funding for infrastructure improvements for public water and sewer systems.

Waives the fee for FY 2014-15 required to participate in the Apprenticeship Program through a transfer of funds from the Community College System to facilitate increased participation in the program.

Department of Agriculture and Consumer Services

Department of Labor | Department of Commerce | Commerce - General State Aid

Department of Environmental and Natural Resources | Wildlife Resources Commission

Environment and Natural Resources

Provide funding for additional resources, equipment, and operating expenses associated with the increased regulatory efforts required to effectively monitor coal ash ponds throughout the state.

Recommends $1.3 million in funding required to support statewide aquatic weed control measures aimed at protecting the state's natural resources.

Recommends $3.46 million in recurring funds to continue the clean-up of residential Leaking Underground Storage Tanks throughout the state.

Department of Agriculture and Consumer Services (13700)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2013 Session Law-Enacted 2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	2014 Legislative Session-Recommended Change Net Non-Recurring	2014 Legislative Session-Recommended Change Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 160,245,868	$ 171,298,827	$ 171,623,027	$ (1,641,865)	$ -	$ (1,641,865)	$ 169,981,162	(0.77)%	(0.96)%
Less Receipts	$ 58,250,459	$ 56,213,125	$ 56,213,125	$ (33,515)	$ -	$ (33,515)	$ 56,179,610	(0.06)%	(0.06)%
Total Appropriation	$ 101,995,409	$ 115,085,702	$ 115,409,902	$ (1,608,350)	$ -	$ (1,608,350)	$ 113,801,552	(1.12)%	(1.39)%
Total Positions	-	1,838.900	1,838.900	(10.000)	-	(10.000)	1,828.900	(0.54)%	(0.54)%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Agriculture and Consumer Services Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Agriculture and Consumer Services employees, effective July 1, 2014.	Requirements	$ 1,322,040	$ -	$ 1,322,040
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 1,322,040	$ -	$ 1,322,040
	Positions	0.000	0.000	0.000
2. Management Flexibility Reduction--A management flexibility reduction of $2,308,198 is recommended to provide a 2.0% savings of the agency's FY 2014-15 certified appropriation of $115,409,902. This will allow the Department to determine where efficiencies can be achieved to meet the requirement. This is a $2,308,198 or 2.0% decrease from the FY 2013-14 enacted certified budget.	Requirements	$ (2,308,198)	$ -	$ (2,308,198)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (2,308,198)	$ -	$ (2,308,198)
	Positions	0.000	0.000	0.000
3. Transfer Animal Welfare --A recommendation from the NC Government Efficiency and Reform (NC GEAR) project, this item transfers the Animal Welfare section from the Department of Agriculture and Consumer Services to the Department of Public Safety Law Enforcement Division. The transfer, which includes 10 FTEs, will allow greater focus on enforcement and promote greater coordination with local law enforcement. In addition, the Spay and Neuter Program, which operates from receipts and has one FTE, will also transfer to Public Safety in order to strengthen the connection between animal cruelty prevention and enforcement efforts.	Requirements	$ (655,707)	$ -	$ (655,707)
	Less Receipts	$ (33,515)	$ -	$ (33,515)
	Appropriation	$ (622,192)	$ -	$ (622,192)
	Positions	(10.000)	0.000	(10.000)

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (1,641,865)	$ -	$ (1,641,865)
Total Receipts	$ (33,515)	$ -	$ (33,515)
Total Appropriation (Requirements minus Receipts)	$ (1,608,350)	$ -	$ (1,608,350)
Total Positions	(10.000)	0.000	(10.000)

Department of Labor (13800)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 32,698,896	$ 33,806,087	$ 33,806,087	$ (78,620)	$ -	$ (78,620)	$ 33,727,467	(0.23)%	(0.23)%
Less Receipts	$ 17,524,786	$ 17,109,748	$ 17,109,748	$ -	$ -	$ -	$ 17,109,748	-%	-%
Total Appropriation	$ 15,174,110	$ 16,696,339	$ 16,696,339	$ (78,620)	$ -	$ (78,620)	$ 16,617,719	(0.47)%	(0.47)%
Total Positions	-	405.242	405.242	(2.000)	-	(2.000)	403.242	(0.49)%	(0.49)%

1. **Salary and Benefit Increase for Department of Labor Employees**--Funds are provided for a $1,000 salary and benefit increase for all Department of Labor employees, effective July 1, 2014.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 238,350	$ -	$ 238,350
Less Receipts	$ -	$ -	$ -
Appropriation	$ 238,350	$ -	$ 238,350
Positions	0.000	0.000	0.000

2. **Modify Positions and Adjust Operating Budget**--Shifts 1.07 FTE positions from state funding to 100% Federal Mine and Quarry Grant receipts. Funds available within the operating budget of the grant will be adjusted to provide funding for the positions. The department will also streamline responsibilities for two OSHA Industrial Hygiene Inspector positions. This is a $316,970 or 2.0% decrease from the FY 2013-14 enacted certified budget.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ (316,970)	$ -	$ (316,970)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (316,970)	$ -	$ (316,970)
Positions	(2.000)	0.000	(2.000)

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (78,620)	$ -	$ (78,620)
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ (78,620)	$ -	$ (78,620)
Total Positions	(2.000)	0.000	(2.000)

Department of Environment and Natural Resources (14300)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 202,023,490	$ 252,729,027	$ 256,508,952	$ 6,215,994	$ 1,096,000	$ 7,311,994	$ 263,820,946	4.39%	2.85%
Less Receipts	$ 93,609,933	$ 98,691,716	$ 98,741,716	$ 3,891,935	$ -	$ 3,891,935	$ 102,633,651	3.99%	3.94%
Total Appropriation	$ 108,413,557	$ 154,037,311	$ 157,767,236	$ 2,324,059	$ 1,096,000	$ 3,420,059	$ 161,187,295	4.64%	2.17%
Total Positions	-	2,375.720	2,369.720	8.280	-	8.280	2,378.000	0.10%	0.35%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Environment and Natural Resources Employees--Funds are provided for a $1,000 salary and benefit increase for all Environment and Natural Resources employees, effective July 1, 2014.	Requirements	$ 1,596,540	$ -	$ 1,596,540
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 1,596,540	$ -	$ 1,596,540
	Positions	0.000	0.000	0.000
2. Water Resources: Laboratory and Field Equipment to Monitor Coal Ash Ponds--Provides $596,000 in non-recurring funding for equipment to support the Division's efforts related to ongoing surveys of the current status of coal ash ponds and regulatory activities throughout North Carolina.	Requirements	$ -	$ 596,000	$ 596,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 596,000	$ 596,000
	Positions	0.000	0.000	0.000
3. Coal Ash Positions and Operating Funds--Provides $1,214,186 in recurring approriations for nineteen (19) full-time equivalent positions ($1,105,394) and operating funds ($108,792). This will allow the Department to increase regulatory efforts and respond to public concerns with regard to the disposal of combustion products in the Division of Water Resources, the Division of Energy, Mineral and Land Resources, and the Division of Waste Management. Two of the nineteen positions in the Division of Waste Management have an effective date of January 1, 2015, thus, the recurring appropriation for future fiscal years is $1,311,058. Receipts are provided from Federal EPA funds and Water Permit fees for two of the positions in the Division of Water Resources.	Requirements	$ 1,383,384	$ -	$ 1,383,384
	Less Receipts	$ 169,198	$ -	$ 169,198
	Appropriation	$ 1,214,186	$ -	$ 1,214,186
	Positions	19.000	0.000	19.000
4. Division of Energy, Minerals and Land Resources - Operating Funds for Shale Gas Program--Provides recurring appropriations for operating funds for the Division's Energy Section's Oil and Gas Regulatory Program and the Mining and Energy Commission. This is a $176,789 or 35.36% increase from the FY 2013-14 certified enacted.	Requirements	$ 176,789	$ -	$ 176,789
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 176,789	$ -	$ 176,789
	Positions	0.000	0.000	0.000

5. Waste Management: Non-Commercial Leaking Underground Tanks--Provides $3,458,927 in recurring receipts to be redirected from the Gasoline Inspection Tax proceeds to the Non-Commercial Leaking Underground Storage Tank Fund. There were no funds provided from this source for FY 2013-14.	Requirements	$ 3,458,927	$ -	$ 3,458,927
	Less Receipts	$ 3,458,927	$ -	$ 3,458,927
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
6. Division of Energy, Minerals and Land Resources: Exploration of Natural Gas Resources--Provides $500,000 in non-recurring funding for the state's share of an industry consortium to drill three vertical core holes and conduct drilling exploration activities including seismic and other geophysical, stratigraphic surveys and testing and conducting on land owned by the state in the Sanford sub-basin. New samples and data from the reservoir, shared with the state-industry consortium, will accelerate the technical and economic evaluation of the reservoir, and serve as a mechanism to attract qualified companies interested in safely and responsibly exploring for natural gas in North Carolina's Triassic basins.	Requirements	$ -	$ 500,000	$ 500,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 500,000	$ 500,000
	Positions	0.000	0.000	0.000
7. Aquatic Weed Control Funding--Recurring funding of $1.3 million provides support for aquatic weed control measures to be implemented statewide to protect the state's investment in its natural resources. Currently, the Department has been utilizing up to $250,000 from Park and Recreation funds, local assistance from counties and cities, and resources from the Aquatic Weed Control Program in the Division of Water Resources to deal with a hydrilla outbreak at Lake Waccamaw State Park. Hydrilla is recognized as one of the worst aquatic weeds introduced in the United States and is listed as both a US Federal Noxious Weed and a state Noxious Weed in numerous states.	Requirements	$ 1,300,000	$ -	$ 1,300,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 1,300,000	$ -	$ 1,300,000
	Positions	0.000	0.000	0.000
8. Aquariums Budget Adjustment--Budgets admission receipts generated through the Aquariums to offset the recommended reduction to the utilities account for electrical in appropriation. This is a $143,390 or 1.98% decrease from the FY 2013-14 enacted certified budget for the fund.	Requirements	$ -	$ -	$ -
	Less Receipts	$ 143,390	$ -	$ 143,390
	Appropriation	$ (143,390)	$ -	$ (143,390)
	Positions	0.000	0.000	0.000
9. Office of Land and Water Stewardship Budget Adjustment--Adjusts the staffing level for 1.00 FTE and associated fringe benefits in the Office of Land and Water Stewardship. The duties assigned to this position will be redistributed. This item is in conjunction with the administrative realignment of this program to adhere to the administrative caps established by the General Assembly. This is a $59,274 or 18.24% decrease from the FY 2013-14 enacted certified budget for this fund.	Requirements	$ (59,274)	$ -	$ (59,274)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (59,274)	$ -	$ (59,274)
	Positions	(1.000)	0.000	(1.000)

10. Division of Coastal Management Fund Shift Position to .50--Shifts one half FTE to receipt support. This is a $42,601 or 2.7 % decrease from the FY 2013-14 enacted certified budget for this fund.	Requirements	$ (42,601)	$ -	$ (42,601)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (42,601)	$ -	$ (42,601)
	Positions	(0.500)	0.000	(0.500)
11. Division of Water Infrastructure Budget Adjustment--Adjusts the operating line item for other materials in the Division of Water Infrastructure. This is a $10,000 or 66.67% decrease from the FY 2013-14 enacted certified budget for this account.	Requirements	$ (10,000)	$ -	$ (10,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (10,000)	$ -	$ (10,000)
	Positions	0.000	0.000	0.000
12. State Parks Division Budget Adjustment--Adjusts the staffing level, associated fringe benefits, and operating account line items in the Division of State Parks. This is a $623,360 or 1.5% decrease from the FY 2013-14 enacted certified budget for this fund.	Requirements	$ (623,360)	$ -	$ (623,360)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (623,360)	$ -	$ (623,360)
	Positions	(1.000)	0.000	(1.000)
13. Division of Marine Fisheries Budget Adjustment--Shifts 2.5 positions to receipt support and adjusts staffing levels by three FTEs. This item adjusts associated fringe benefits and other operating account line items by re-evaluating shellfish growing area samples and shoreline surveys in the Division of Water Infrastructure. This is a $292,000 or 3.72% decrease from the FY 2013-14 enacted certified budget for the fund.	Requirements	$ (171,580)	$ -	$ (171,580)
	Less Receipts	$ 120,420	$ -	$ 120,420
	Appropriation	$ (292,000)	$ -	$ (292,000)
	Positions	(3.000)	0.000	(3.000)
14. Division of Waste Management Budget Adjustment--Adjusts the operating line items for legal services and motor vehicle insurance in the Division of Water Management. This is a $18,606 or 2.82% decrease from the FY 2013-14 enacted certified budget for the legal services account, and a $5,000 or 72.41% decrease for the motor vehicle insurance account.	Requirements	$ (23,606)	$ -	$ (23,606)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (23,606)	$ -	$ (23,606)
	Positions	0.000	0.000	0.000
15. NC Zoo Budget Adjustment--Adjusts the operating line item for other motorized vehicles. This is a $208,624 or 32.89% decrease from the FY 2013-14 enacted certified budget for this account.	Requirements	$ (208,624)	$ -	$ (208,624)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (208,624)	$ -	$ (208,624)
	Positions	0.000	0.000	0.000
16. Division of Environmental Assistance and Customer Service Budget Adjustment--Adjusts the staffing level by 1.22 FTEs. Included are salaries, associated fringes, and general office supplies. This is a $113,011 or 4.81% decrease from the FY 2013-14 certified enacted budget for this fund.	Requirements	$ (113,011)	$ -	$ (113,011)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (113,011)	$ -	$ (113,011)
	Positions	(1.220)	0.000	(1.220)

17. Division of Water Resources Budget Adjustment--Adjusts the staffing level by two FTEs included are salaries and associated fringes. This is a $155,976 or 4.01% decrease from the FY 2013-14 certified enacted budget for this fund.	Requirements	$ (155,976)	$ -	$ (155,976)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (155,976)	$ -	$ (155,976)
	Positions	(2.000)	0.000	(2.000)
18. NC Museum of Natural Science Budget Adjustment--Amends one position to include salary and associated fringe benefits; salaries and associated fringes for temporary funded positions; salary reserves; and carpentry supplies. This is a $195,616 or 1.63% decrease from the FY 2013-14 certified enacted budget for this fund.	Requirements	$ (195,616)	$ -	$ (195,616)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (195,616)	$ -	$ (195,616)
	Positions	(1.000)	0.000	(1.000)
19. Division of Energy, Minerals and Land Resources--Adjusts one position in the Stormwater Permitting Program. This is a $61,049 or 0.96% decrease from the FY 2013-14 certified enacted budget for this fund.	Requirements	$ (61,049)	$ -	$ (61,049)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (61,049)	$ -	$ (61,049)
	Positions	(1.000)	0.000	(1.000)
20. Administrative Services Budget Adjustment--Adjusts salary and associated fringes in Administrative Services. This is a $34,919 or 0.55% decrease from the FY 2013-14 certified enacted budget in this fund.	Requirements	$ (34,949)	$ -	$ (34,949)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (34,949)	$ -	$ (34,949)
	Positions	0.000	0.000	0.000

Net Adjustments	**Recurring Changes**	**Non Recurring Changes**	**Total**
Total Requirements	$ 6,215,994	$ 1,096,000	$ 7,311,994
Total Receipts	$ 3,891,935	$ -	$ 3,891,935
Total Appropriation (Requirements minus Receipts)	$ 2,324,059	$ 1,096,000	$ 3,420,059
Total Positions	8.280	0.000	8.280

Wildlife Resources Commission (14350)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2013 Session Law-Enacted 2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	2014 Legislative Session-Recommended Change Net Non-Recurring	2014 Legislative Session-Recommended Change Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 18,476,588	$ 61,851,417	$ 61,851,417	$ 54,253	$ -	$ 54,253	$ 61,905,670	0.09%	0.09%
Less Receipts	$ -	$ 49,374,829	$ 47,374,829	$ 164,285	$ -	$ 164,285	$ 47,539,114	(3.72)%	0.35%
Total Appropriation	$ 18,476,588	$ 12,476,588	$ 14,476,588	$ (110,032)	$ -	$ (110,032)	$ 14,366,556	15.15%	(0.76)%
Total Positions	-	649.000	649.000	-	-	-	649.000	-%	-%

		Recurring Changes	Non Recurring Changes	Total
1. **Salary and Benefit Increase for Wildlife Resources Commission Employees**--Funds are provided for a $1,000 salary and benefit increase for all Wildlife Resources Commission employees, effective July 1, 2014.	Requirements	$ 179,500	$ -	$ 179,500
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 179,500	$ -	$ 179,500
	Positions	0.000	0.000	0.000
2. **Budget Adjustment**--Adjust appropriation for salary, associated fringes, and various operating account line items as well as budget additional receipts. This is a $289,532 or 2.32% decrease from the FY 2013-14 enacted certified budget.	Requirements	$ (125,247)	$ -	$ (125,247)
	Less Receipts	$ 164,285	$ -	$ 164,285
	Appropriation	$ (289,532)	$ -	$ (289,532)
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 54,253	$ -	$ 54,253
Total Receipts	$ 164,285	$ -	$ 164,285
Total Appropriation (Requirements minus Receipts)	$ (110,032)	$ -	$ (110,032)
Total Positions	0.000	0.000	0.000

Department of Commerce (14600)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 146,518,588	$ 112,366,170	$ 117,678,202	$ 983,432	$ 2,254,750	$ 3,238,182	$ 120,916,384	7.61%	2.75%
Less Receipts	$ 105,917,175	$ 61,137,366	$ 60,944,920	$ -	$ 300,000	$ 300,000	$ 61,244,920	0.18%	0.49%
Total Appropriation	$ 40,601,414	$ 51,228,804	$ 56,733,282	$ 983,432	$ 1,954,750	$ 2,938,182	$ 59,671,464	16.48%	5.18%
Total Positions	-	513.261	513.261	(68.000)	-	(68.000)	445.261	(13.25)%	(13.25)%

		Recurring Changes	Non Recurring Changes	Total
1. Salary and Benefit Increase for Department of Commerce Employees--Funds are provided for a $1,000 salary and benefit increase for all Commerce employees, effective July 1, 2014.	Requirements	$ 272,810	$ -	$ 272,810
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 272,810	$ -	$ 272,810
	Positions	0.000	0.000	0.000
2. Reorganize the Department of Commerce to Establish Public Private Partnership--Reorganizes the Department of Commerce to establish a Public Private Partnership (PPP) for Economic Development functions effective July 1, 2014. Total state appropriations of $18,423,003 (67 FTE's) are currently budgeted for fiscal year 2014-15 for the programs in the Department of Commerce slated for transition to the PPP. In order to achieve savings to the state, a 5.0% reduction in budgeted funds or $921,015 is recommended ($500,000 is reflected in the management flexibility reduction reserve for fiscal year 2014-15 for the department). A total of $17,501,988 (67 FTE's) in recurring funds and $155,000 in non-recurring funds for startup costs is recommended for the PPP for fiscal year 2014-15. It is also recommended that the Department of Commerce be allowed to retain $266,015 in non-recurring funding for fiscal year 2014-15 to assist with termination of employment related costs.	Requirements	$ -	$ -	$ -
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ -	$ -
	Positions	(67.000)	0.000	(67.000)
3. Community Development Block Grant Funds--Provides recurring funding for the required match of $1,275,000 for the Community Development Block Grant (CDBG). Included in this request are funds to purchase and install a new grants management software program for the CDBG program. The Department of Commerce will coordinate with the Department of Transportation to utilize their existing grant management module. Currently, no match funds are provided and federal funding for the program could be in jeopardy if match funds are not provided.	Requirements	$ 1,275,000	$ -	$ 1,275,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 1,275,000	$ -	$ 1,275,000
	Positions	0.000	0.000	0.000

4. Access NC and Demand Driven Data Delivery System Merger--Provides $715,926 in funding for FY 2014-15 and $111,176 in recurring appropriations for FY 2015-16 to merge Access NC and the Demand Driven Data Delivery System to eliminate the duplication of effort with maintaining multiple systems. Funding supports one existing FTE and contractual services.	Requirements	$ 111,176	$ 604,750	$ 715,926
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 111,176	$ 604,750	$ 715,926
	Positions	0.000	0.000	0.000
5. Common Follow-up System Funding--Restores $500,000 in recurring funding to be appropriated from the Employment Security Reserve Fund upon successful completion of a continuation review directed by the 2013 Session of the General Assembly. The funds are requested for the following purposes: 1) $200,000 to operate the system that tracks former participants in State education and training programs and 2) $300,000 to maintain compliance with Chapter 96 of the General Statutes to evaluate the effectiveness of the State's job training, education, and placement programs.	Requirements	$ -	$ -	$ -
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
6. NC Broadband Operational Funding--Provides $350,000 in non-recurring funding for services contracted through ITS to continue the NC Broadband program. NC Broadband facilitates continued growth of scalable broadband infrastructure and utilization of broadband to increase competitiveness of NC businesses and residents with a particular focus on use related to economic development, education and government efficiency. Currently, no state funds are provided for program operations and federal funding terminates in the fourth quarter of 2014.	Requirements	$ -	$ 350,000	$ 350,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 350,000	$ 350,000
	Positions	0.000	0.000	0.000
7. Main Street Solutions Program--Provides $500,000 in non-recurring funds to recapitalize the Main Street Solutions Program and continue one time-limited position to administer the reimbursable, matching grant program. The Program focuses on downtown economic development to support small businesses and job creation. Non-recurring funding of $2.0 million was appropriated in FY 2009-2010 to create the Main Street Solutions Fund.	Requirements	$ -	$ 500,000	$ 500,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 500,000	$ 500,000
	Positions	0.000	0.000	0.000
8. One NC Small Business Funds --Provides support in the amount of $2,500,000 non-recurring funding to foster job creation and economic development from existing resources available from the One North Carolina Program as allowed by general statutes. The One NC Small Business Fund provides early-stage funding for small, high-growth, and high-tech businesses across the state. The program last received non-recurring appropriations of $1.5 million in FY 2010-2011.	Requirements	$ -	$ -	$ -
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
9. ABC Commission Underage Drinking Initiative--Provides $500,000 in non-recurring appropriations to support the North Carolina Initiative to Reduce Underage Drinking administered by the ABC Commission. The Commission received a one-time $1.5 million transfer from the ABC Warehouse Reserve Fund for the current fiscal year to start the campaign. Recommended appropriations will be used with receipts provided by the ABC Commission to fund the Underage Drinking Initiative for fiscal year 2014-15.	Requirements	$ -	$ 500,000	$ 500,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 500,000	$ 500,000
	Positions	0.000	0.000	0.000

10. Apprenticeship Fees Transferred from NC Community College System--For the 2014-15 fiscal year, fees collected from each apprentice who is covered by an apprenticeship agreement entered into under G.S. 94 shall be waived. The Community Colleges System Office shall transfer $300,000 to the Department of Commerce for the 2014-15 fiscal year. These funds shall be used by the Department of Commerce to offset the revenue foregone due to the apprenticeship fees waiver. The Department of Commerce will evaluate the success of the fee waivers in increasing participation in apprenticeship programs before requesting a permanent change to the fees. There is a corresponding budget adjustment in the NC Community College System section of the budget document.	Requirements	$ -	$ 300,000	$ 300,000
	Less Receipts	$ -	$ 300,000	$ 300,000
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000
11. Management Flexibility Reserve--This item establishes a management flexibility reserve allowing the Department to determine where efficiencies can be achieved. This is a $675,554 or 1.32% decrease from the FY 2013-2014 enacted certified budget.	Requirements	$ (675,554)	$ -	$ (675,554)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (675,554)	$ -	$ (675,554)
	Positions	(1.000)	0.000	(1.000)

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 983,432	$ 2,254,750	$ 3,238,182
Total Receipts	$ -	$ 300,000	$ 300,000
Total Appropriation (Requirements minus Receipts)	$ 983,432	$ 1,954,750	$ 2,938,182
Total Positions	(68.000)	0.000	(68.000)

Commerce - General State Aid (14601)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change					
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 73,069,304	$ 21,723,226	$ 15,624,767	$ -	$ -	$ -	$ 15,624,767	(28.07)%	-%
Less Receipts	$ 2,315,000	$ -	$ -	$ -	$ -	$ -	$ -	-%	-%
Total Appropriation	$ 70,754,304	$ 21,723,226	$ 15,624,767	$ -	$ -	$ -	$ 15,624,767	(28.07)%	-%
Total Positions	-	-	-	-	-	-	-	-%	-%

Transportation

Highway Fund

Provides an additional $43 million dollars in 2014-15 for highway maintenance, system preservation, and contract resurfacing. The increase in spending will mean that 53% or $1,048,046,315 billion of Highway Fund availability will be directed to maintaining and enhancing the state's highway infrastructure.

Continues the Governor's emphasis on increased modernization and an improved service level at the Division of Motor Vehicles (DMV) by providing additional resources to increase customer service at the Division's call center and high volume local DMV offices.

Begins a substantial technology upgrade at DMV that will result in customers being able to access DMV services through multiple avenues such as smartphones, kiosks, and tablets.

Provides $3.46 million to aid the Department of Environmental and Natural Resources with underground storage tank cleanup efforts.

Provides a salary increase for employees and a cost of living increase for retirees paid out of the highway fund.

Highway Trust Fund

Increases funding for the Highway Trust Fund's Strategic Investment Program by $57.9 million allowing the Department to continue maximizing the existing transportation funding to enhance the state's transportation infrastructure, thereby supporting economic growth and job creation throughout the state.

Highway Fund (84210)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$ 7,180,167,021	$ 6,785,454,497	$ 6,643,489,555	$ 43,278,131	$ 13,947,484	$ 57,225,615	$ 6,700,715,170	(1.25)%	0.86%
Less Receipts	$ 3,708,869,623	$ 4,736,664,198	$ 4,727,179,055	$ (213,885)	$ -	$ (213,885)	$ 4,726,965,170	(0.20)%	0.00%
Total Appropriation	$ 3,471,297,398	$ 2,048,790,299	$ 1,916,310,500	$ 43,492,016	$ 13,947,484	$ 57,439,500	$ 1,973,750,000	(3.66)%	3.00%
Total Positions	-	12,982.000	12,660.000	43.000	-	43.000	12,703.000	(2.15)%	0.34%

		Recurring Changes	Non Recurring Changes	Total
1. Reserves and Transfers - Salary and Benefit Increase for Department of Transportation Employees--Funds are provided for a $1,000 salary and benefit increase for all Department of Transportation employees, effective July 1, 2014.	Requirements	$ 7,514,650	$ -	$ 7,514,650
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 7,514,650	$ -	$ 7,514,650
	Positions	0.000	0.000	0.000
2. Reserves and Transfers - Retiree Cost of Living Increase Supported by the Highway Fund--Funds are provided for a 1.9% cost-of-living adjustment for retirees of the Teachers' and State Employees' Retirement System, effective July 1, 2014. This increase represents the cost of living for retirees of the Department of Transportation and other state agencies supported by Highway Fund appropriations.	Requirements	$ 2,325,043	$ -	$ 2,325,043
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 2,325,043	$ -	$ 2,325,043
	Positions	0.000	0.000	0.000
3. Statutory Adjustment Based on Revised Forecast - State Aid to Municipalities--Per GS 136-41.1, a statutory adjustment is required to the State Aid to Municipalities appropriation based on the revised 2014-15 revenue estimate for the Highway Fund. This adjustment is a 6.7%, or $9,453,990 increase when compared to the certified 2013-14 budget for this fund.	Requirements	$ 9,453,990	$ -	$ 9,453,990
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 9,453,990	$ -	$ 9,453,990
	Positions	0.000	0.000	0.000
4. Maintenance - Contract Resurfacing--Additional appropriations are recommended for Contract Resurfacing. This fund provides for the placement of thin asphalt overlays or surface treatments by contract on paved state primary and secondary system routes to restore serviceability and prevent deterioration of the pavement surface. This is an increase of $5,523,261 or 12.7% when compared to the 2013-14 certified budget for this fund.	Requirements	$ 5,523,261	$ -	$ 5,523,261
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 5,523,261	$ -	$ 5,523,261
	Positions	0.000	0.000	0.000
5. Maintenance - Reserve for General Maintenance-- Additional funds for the General Maintenance Reserve are recommended for fiscal year 2014-15. The reserve provides flexible funding that can be allocated by system (primary and secondary) based on need for specific highway maintenance activities that preserve or improve the overall condition of the transportation system. This is an increase of $28,213,911 or 31.4% compared to the 2013-14 certified budget for this fund.	Requirements	$ 28,213,911	$ -	$ 28,213,911
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 28,213,911	$ -	$ 28,213,911
	Positions	0.000	0.000	0.000

6. Maintenance - System Preservation--Additional funds are recommended for the System Preservation component of the maintenance program. This program provides for highway maintenance activities that preserve and extend the life of infrastructure assets, including pavements, bridges, and traffic control devices. This is an increase of $9,648,860 or 5.4% when compared to the 2013-14 certified budget for this fund.	Requirements	$ 9,648,860	$ -	$ 9,648,860
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 9,648,860	$ -	$ 9,648,860
	Positions	0.000	0.000	0.000
7. Motor Vehicle Services - Cover Additional License and Identification Card Costs--Funding to cover the additional per card costs for producing new driver license and identification cards issued by the Division of Motor Vehicles. Card prices are increasing from $1.83 to $2.54 per card, but will be more durable and have up to 20 security features. The increase in this account line item is $1,585,443 or 36.0% when compared to the certified 2013-14 budget for this line item.	Requirements	$ 1,585,443	$ -	$ 1,585,443
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 1,585,443	$ -	$ 1,585,443
	Positions	0.000	0.000	0.000
8. Motor Vehicle Services - Medical Review Unit--A dedicated source of funding is required for the NC Division of Motor Vehicles' Medical Review Unit, which provides mandated services set by GS 20-9. The funding will be used to contract physicians for the purposes of case reviews and Medical Review Board Hearings for individuals with physical or mental disabilities. The proposed recommendation of $350,000 is a 1,571% increase over the current budget for this area of $22,281.	Requirements	$ 350,000	$ -	$ 350,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 350,000	$ -	$ 350,000
	Positions	0.000	0.000	0.000
9. Motor Vehicle Services - Call Center Positions--Funding for thirteen Information Processing Technicians for the Division of Motor Vehicles' (DMV) call center. The Division plans to have more of the general information calls presently answered at local DMV offices answered by the call center. This will allow local office personnel more time to assist clients. This is an increase of $771,980 or 2.0% when compared to the certified 2013-14 budget for this fund.	Requirements	$ 694,331	$ 77,649	$ 771,980
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 694,331	$ 77,649	$ 771,980
	Positions	13.000	0.000	13.000
10. Motor Vehicle Services - Driver License Examiner Facilitators--Funding for fourteen Driver License Examiners to improve efficiency and reduce customer wait times at high volume offices around the state. This concept was successfully piloted at the North Raleigh and Cary offices in August 2013. This is an $822,397 or 1.75% increase when compared to the certified budget for 2013-14 for this fund.	Requirements	$ 793,515	$ 28,882	$ 822,397
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 793,515	$ 28,882	$ 822,397
	Positions	14.000	0.000	14.000
11. Motor Vehicle Services - Ignition Interlock Program--Funding to establish a stand alone Ignition Interlock Unit. This program works in conjunction with the court system and persons ordered to equip their motor vehicles with an ignition interlock device. This increase is 8.3%, or $663,945 when compared to the certified 2013-14 budget for this fund.	Requirements	$ 617,495	$ 46,450	$ 663,945
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 617,495	$ 46,450	$ 663,945
	Positions	10.000	0.000	10.000

12. Motor Vehicle Services - Card Payment Operation and Maintenance Costs--Provides funding for maintenance, licensing costs, and required Payment Card Industry Data Security Standards associated with the acceptance of credit cards. The Division of Motor Vehicles (DMV) currently accepts card payments for vehicle registrations, renewals, and title work at the DMV Registration Offices and the License Plate Agency Offices. This was accomplished by the placement of multiple card readers at each office and the implementation of a card payment solution. This increase is 2.1%, or $1,032,919 when compared to the certified 2013-14 budget for this fund.	Requirements	$ 1,032,919	$ -	$ 1,032,919
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 1,032,919	$ -	$ 1,032,919
	Positions	0.000	0.000	0.000
13. Motor Vehicle Services - Modernization of Driver Services and Vehicle Services--Increased funding to modernize the Division of Motor Vehicles in order to improve customer service. The Division will contract for the implementation of a customer-centric Statewide Automated Driver License System (SADLS) over a five year period. This increase is 17.0%, or $8,324,503 when compared to the certified 2013-14 budget for this fund.	Requirements	$ -	$ 8,324,503	$ 8,324,503
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 8,324,503	$ 8,324,503
	Positions	0.000	0.000	0.000
14. Motor Vehicle Services - Establish SOA Governance and Competency Center--The Department of Transportation (DOT) will establish a robust and enterprise level Service Oriented Architecture (SOA) Governance to support the design, development and deployment of products and services as part of the Division of Motor Vehicle Modernization effort and other ongoing initiatives. The enterprise level SOA governance will also establish a SOA competency center that will provide a means to retrain NCDOT existing technical resources and continue to develop the new technologies delivered via the modernization. This represents a 6.1%, or $3,000,000 increase when compared to the certified 2013-14 budget for this fund.	Requirements	$ 640,000	$ 2,360,000	$ 3,000,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 640,000	$ 2,360,000	$ 3,000,000
	Positions	0.000	0.000	0.000
15. Motor Vehicle Services - DMV Information Technology Product Service Integration--Funding for the Division of Motor Vehicles to implement a standardized means for all applications, products and services to cost effectively inter-operate between and among each other via a common framework to meet legislative requirements to modernize DMV applications. This is an increase of 4.7%, or $2,300,000 when compared to the certified 2013-14 budget for this fund.	Requirements	$ 990,000	$ 1,310,000	$ 2,300,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 990,000	$ 1,310,000	$ 2,300,000
	Positions	0.000	0.000	0.000
16. Motor Vehicle Services - Additional IT Resources to Support DMV Service Initiatives--Provides additional Information Technology (IT) resources for the State Titling and Registration System (STARS) and State Automated Driver License System (SADLS) project teams. The objectives are to improve customer services and to support the IT demands of Driver Services and Vehicle Services. This represents a 1.7%, or $830,707 increase when compared to the 2013-14 certified budget.	Requirements	$ 830,707	$ -	$ 830,707
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 830,707	$ -	$ 830,707
	Positions	7.000	0.000	7.000

17. Motor Vehicle Services/ Department wide - Develop Channel Strategy--Provides funding to design, develop and deploy tools, applications, solutions and systems for customers and employees. These products will run on any platform, i.e. PC, tablet, laptop, phone/mobile device, Integrated Voice Recognition system. This is a 3.7%, or $1,800,000 increase when compared to the certified 2013-14 budget for this fund.	Requirements	$ -	$ 1,800,000	$ 1,800,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 1,800,000	$ 1,800,000
	Positions	0.000	0.000	0.000
18. Transfer to Other State Agencies - DENR-Underground Storage Tank Clean Up --It is recommended that GS 105-449.125 be revised to redirect the remaining Gasoline Inspection Tax revenue not required for administration, to the Department of Environment and Natural Resources (DENR) for underground storage tank clean up. Presently the statute requires that the balance of funds be redirected to the System Preservation Reserve within the Department of Transportation.	Requirements	$ 3,458,927	$ -	$ 3,458,927
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 3,458,927	$ -	$ 3,458,927
	Positions	0.000	0.000	0.000
19. Adjustment Based on Revised Forecast - Department of Public Instruction - Driver Education--The new forecast for 9th grade Average Daily Membership (ADM) is less than originally estimated. Therefore, the present base budget requires a reduction to bring the level of funding in-line with expected requirements. This adjustment is a 1.2%, or $306,001 decrease when compared to the certified 2013-14 budget for this fund.	Requirements	$ (306,001)	$ -	$ (306,001)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (306,001)	$ -	$ (306,001)
	Positions	0.000	0.000	0.000
20. Maintenance - Primary Maintenance Reallocation--Funds for the program are used for routine highway and bridge maintenance activities such as patching, mowing, snow removal, signing, pavement marking, rest area operations, and bridge repair on the state primary system comprised of all Interstate, US, and NC designated highways. This adjustment is 4.5%, or $6,678,148 when compared to the certified 2013-14 budget for this fund.	Requirements	$ (6,678,148)	$ -	$ (6,678,148)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (6,678,148)	$ -	$ (6,678,148)
	Positions	0.000	0.000	0.000
21. Maintenance - Secondary Maintenance Reallocation--The Secondary maintenance funds are used for routine highway and bridge maintenance activities such as patching, mowing, snow removal, signing, pavement marking, bridge repair, machining, and stabilization on the state secondary system comprised of all paved and unpaved routes carrying the "SR" designation. This adjustment is 3.9%, or $10,709,290 when compared to the certified 2013-14 budget for this fund.	Requirements	$ (10,709,290)	$ -	$ (10,709,290)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (10,709,290)	$ -	$ (10,709,290)
	Positions	0.000	0.000	0.000
22. Construction - Secondary Construction Reallocation--The Secondary Road Construction funds are distributed to each county by formula for paving unpaved secondary roads and providing road improvements on the paved and unpaved secondary road system. This adjustment is 11.1%, or $3,000,000 when compared to the certified 2013-14 budget for this fund.	Requirements	$ (3,000,000)	$ -	$ (3,000,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (3,000,000)	$ -	$ (3,000,000)
	Positions	0.000	0.000	0.000
23. Construction - Contingency Construction Reallocation--The Contingency Fund may be used for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects as approved by the Secretary of Transportation. This adjustment is 16.7%, or $2,000,000 when compared to the certified 2013-14 budget for this fund.	Requirements	$ (2,000,000)	$ -	$ (2,000,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (2,000,000)	$ -	$ (2,000,000)
	Positions	0.000	0.000	0.000

24. Motor Vehicle Services - Reallocation for Division of Motor Vehicles--A reallocation is proposed for the line item that covers the fee to card vendors for the use of their credit cards to more closely align with FY 2013-14 actual expenditures. This adjustment is 20.0%, or $2,383,409 when compared to the certified 2013-14 budget for this account line item.	Requirements	$ (2,383,409)	$ -	$ (2,383,409)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (2,383,409)	$ -	$ (2,383,409)
	Positions	0.000	0.000	0.000
25. Multi-Modal Transportation - Aviation, Railroad, Public Transportation, Ferry Operation Reallocation--A reallocation in Highway Fund appropriations was made to the Divisions of Aviation, Railroad, Public Transportation, and Ferry Operations. This adjustment is 2.0%, or $3,376,823 when compared to the certified 2013-14 budget for the funds related to this item.	Requirements	$ (3,376,823)	$ -	$ (3,376,823)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (3,376,823)	$ -	$ (3,376,823)
	Positions	0.000	0.000	0.000
26. Multi-Modal Transportation - Aviation--Reallocates the operational and maintenance cost associated with the Sikorsky S-76C+ helicopter in the aviation fleet. The recommendation is for the helicopter to be sold and for the Department to contract for an outside entity to provide helicopter services on an as needed basis. Of the $158,452 in savings, $150,000 will be placed in a contractual line for any required helicopter flights. Proceeds from the sale of the helicopter will be deposited in the General Fund.	Requirements	$ (8,452)	$ -	$ (8,452)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (8,452)	$ -	$ (8,452)
	Positions	(1.000)	0.000	(1.000)
27. Other Programs - Occupational Safety and Health (OSHA) Program--A modification in the appropriation for the OSHA Program. The program provides departmental funding to address safety deficiencies that impact the workplace environment. Eligible projects include mitigation of deficiencies discovered in routine inspections by OSHA, building code, or health code inspectors and employee safety training. This adjustment is 2.0%, or $7,307 when compared to the certified 2013-14 budget for this fund.	Requirements	$ (7,307)	$ -	$ (7,307)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (7,307)	$ -	$ (7,307)
	Positions	0.000	0.000	0.000
28. Other Programs - Governor's Highway Safety Program Reallocation--A modification in the Highway Fund appropriation for the administrative budget for the Governor's Highway Safety Program. This fund is 50% Highway Fund dollars and 50% Federal funds. A total reduction of $11,398 was taken in the line item for car mileage reimbursement, which represents 80.0%, or $5,699 in highway funds and $5,699 in receipts for that line item.	Requirements	$ (11,398)	$ -	$ (11,398)
	Less Receipts	$ (5,699)	$ -	$ (5,699)
	Appropriation	$ (5,699)	$ -	$ (5,699)
	Positions	0.000	0.000	0.000
29. Division of Highways Administration - Receipt Supported Operations--A 2.0% modification in the receipt supported Division of Highway Administration areas of Technical Services, Transportation Planning Program, Transportation Mobility and Safety Division, and Intergovernmental Affairs.	Requirements	$ (143,882)	$ -	$ (143,882)
	Less Receipts	$ (143,882)	$ -	$ (143,882)
	Appropriation	$ -	$ -	$ -
	Positions	0.000	0.000	0.000

30. Department of Transportation Administration Highway Fund Reallocation--A 2.0% adjustment was made to the Department's administrative areas of Communication, Strategic Planning Office, Office of Inspector General, Financial Management, Information Technology, Facility Management, and Program Development.	Requirements	$ (1,770,211)	$ -	$ (1,770,211)
	Less Receipts	$ (64,304)	$ -	$ (64,304)
	Appropriation	$ (1,705,907)	$ -	$ (1,705,907)
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 43,278,131	$ 13,947,484	$ 57,225,615
Total Receipts	$ (213,885)	$ -	$ (213,885)
Total Appropriation (Requirements minus Receipts)	$ 43,492,016	$ 13,947,484	$ 57,439,500
Total Positions	43.000	0.000	43.000

Highway Trust Fund (84290)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	$ 931,307,727	$ 1,105,087,500	$ 1,105,400,000	$ 57,000,000	$ -	$ 57,000,000	$ 1,162,400,000	5.19%	5.16%
Less Receipts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-%	-%
Total Appropriation	$ 931,307,727	$ 1,105,087,500	$ 1,105,400,000	$ 57,000,000	$ -	$ 57,000,000	$ 1,162,400,000	5.19%	5.16%
Total Positions	-	-	-	-	-	-	-	-%	-%

1. **Highway Trust Fund Administration Reallocation**--The Department of Transportation is authorized to use up to the certified FY 2012-13 appropriation, $45,590,880, to cover expenses to administer the Highway Trust Fund and the North Carolina Turnpike Authority (GS 136-176). This is a 2.0%, or $911,818 reallocation based on the certified 2013-14 budget.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ (911,818)	$ -	$ (911,818)
Less Receipts	$ -	$ -	$ -
Appropriation	$ (911,818)	$ -	$ (911,818)
Positions	0.000	0.000	0.000

2. **Highway Trust Fund Strategic Prioritization Program**-- Additional funds for the Strategic Prioritization Program, based on the revised revenue estimate for FY 2014-15 and the reallocation of administrative funds. This represents a 6.1%, or $57,911,818 increase in the Strategic Prioritization account line item for 2014-15 when compared to the certified 2013-14 budget.

	Recurring Changes	Non Recurring Changes	Total
Requirements	$ 57,911,818	$ -	$ 57,911,818
Less Receipts	$ -	$ -	$ -
Appropriation	$ 57,911,818	$ -	$ 57,911,818
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 57,000,000	$ -	$ 57,000,000
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 57,000,000	$ -	$ 57,000,000
Total Positions	0.000	0.000	0.000

Turnpike Authority (64208)

	2012-13 Actual	2013 Session Law-Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session-Recommended Change Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	% Change from 2013-14 Certified	% Change from 2014-15 Certified
Total Requirements	$ 196,784,700	$ 88,725,718	$ 88,725,718	$ (42,601)	$ -	$ (42,601)	$ 88,683,117	(0.05)%	(0.05)%
Less Receipts	$ 196,784,700	$ 88,725,718	$ 88,725,718	$ (42,601)	$ -	$ (42,601)	$ 88,683,117	(0.05)%	(0.05)%
Change in Fund Balance	-	-	-	$ -	$ -	-	-	%-	%-
Total Positions	-	20.000	20.000	-	-	-	20.000	-%	-%

1. **Turnpike Authority Administration** --An adjustment to the Administrative budget for the North Carolina Turnpike Authority. This represents a 2.0% or $42,601 decrease when compared to the certified 2013-14 budget for the Turnpike Authority. The adjustment was only applied to the Highway Trust Fund dollars provided to the Authority for administration.

	Changes	Changes	Total
Requirements	$ (42,601)	$ -	$ (42,601)
Less Receipts	$ (42,601)	$ -	$ (42,601)
Appropriation	$ -	$ -	$ -
Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ (42,601)	$ -	$ (42,601)
Total Receipts	$ (42,601)	$ -	$ (42,601)
Total Appropriation (Requirements minus Receipts)	$ -	$ -	$ -
Total Positions	0.000	0.000	0.000

Capital Improvements

Provides $6.8 million for the State's share of the cost for water resources projects, such as dredging, navigation, flood control, beach protection, and stream restoration. State dollars will leverage $8.9 million in federal funds.

Appropriates funds to provide technical and financial assistance to units of local government and certain non-profit water corporations in order to provide safe drinking water in the state of North Carolina.

Appropriates $500,000 to support the recommendations of the Oregon Inlet Land Acquisition Task Force. The funds will be utilized to preserve Oregon Inlet and to develop long-term management solutions for preserving and enhancing the navigability of Oregon Inlet.

Provides funding in the amount of $100,000 for a comprehensve plan for the State Downtown Complex. OSBM will prepare a substantive review, analysis, evaluation and recommendation on the Complex Evaluation Study.

Department of Cultural Resources received funds to support the Challenge Grants for the NC Battleship. The Challenge Grants are appropriated in the OSBM Special Fund.

General Fund	Non-General Fund

Capital Improvements - General Fund (19600)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	-	-	-	$ 7,926,574	$ 7,082,000	$ 15,008,574	-	-%	-%
Less Receipts	-	-	-	$ -	$ -	$ -	-	-%	-%
Total Appropriation	-	-	-	$ 7,926,574	$ 7,082,000	$ 15,008,574	-	-%	-%
Total Positions	-	-	-	0.000	0.000	0.000	-	-%	-%

		Recurring Changes	Non Recurring Changes	Total
1. Repair and Renovation Reserve--$42,073,426 is earmarked from the year-end credit balance to the Repair and Renovation Reserve. An additional $7.926,574 is appropriated for FY 2014-15.	Requirements	$ -	$ 7,926,574	$ 7,926,574
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 7,926,574	$ 7,926,574
	Positions	0.000	0.000	0.000
2. Water Resources Development Projects--Provides funds for the State's share of Water Resource Development Projects. The projects are specified in a special provision.	Requirements	$ -	$ 6,482,000	$ 6,482,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 6,482,000	$ 6,482,000
	Positions	0.000	0.000	0.000
3. Oregon Inlet Land Acquisition Task Force--Appropriate funds to support the recommendations of the Oregon Inlet Land Acquisition Trask Force. The funds will be utilized to preserve Oregon Inlet and to develop long-term management solutions.	Requirements	$ -	$ 500,000	$ 500,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 500,000	$ 500,000
	Positions	0.000	0.000	0.000
4. State's Downtown Complex Planning--Provides funding for a comprehensive short term to long term strategic plan for the design, utilization, renovation and capital expenditures for the State's Downtown Complex by OSBM and the Department of Administration.	Requirements	$ -	$ 100,000	$ 100,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 100,000	$ 100,000
	Positions	0.000	0.000	0.000

Net Adjustments	Recurring Changes	Non Recurring Changes	Total
Total Requirements	$ 7,926,574	$ 7,082,000	$ 15,008,574
Total Receipts	$ -	$ -	$ -
Total Appropriation (Requirements minus Receipts)	$ 7,926,574	$ 7,082,000	$ 15,008,574
Total Positions	0.000	0.000	0.000

Capital Improvements - Non-General Fund

Department of Administration

	2012-13 Actual	2013 Session Law - Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session - Recommended Change Net Recurring	Net Non-recurring	Recommended Adjustment	Revised 2014-15	% change from 2013-14 Certified	% change from 2014-15 Certified
Total Requirements				$ -	$ 3,715,000	$ 3,715,000	$ 3,715,000		
Less Receipts				$ -	$ 3,715,000	$ 3,715,000	$ 3,715,000		
Total Appropriation				$ -	$ -	$ -	$ -		
Total Positions				0.000	0.000	0.000	0.000		

		Recurring Changes	Nonrecurring Changes	Total
1. **Salisbury Veteran's Affairs Home - Renovations**	Requirements	$ -	$ 3,715,000	$ 3,715,000
Federal Veterans Administration Construction Grant receipts and required matching State Veterans Affairs Trust Fund receipts are recommended to renovate the Salisbury State Veterans Home. This project will bring the facility up to Federal VA standards and will include renovations to existing space and construction of approximately 2,500-3,000 square feet of new space. The new space will provide room for a large activity area, new conference and training space, and additional office space. The residence rooms were last renovated 20 years ago. Federal Veterans Administration Construction Grant receipts will pay for 65% of the project costs and the required matching State Veterans Affairs Trust Fund receipts will provide the remaining 35%.	Receipts	$ -	$ 3,715,000	$ 3,715,000
	Appropriation	$ -	$ -	$ -
	Positions			

Net Adjustments	Recurring Changes	Nonrecurring Changes	Total
Total Requirements	$ -	$ 3,715,000	$ 3,715,000
Total Receipts	$ -	$ 3,715,000	$ 3,715,000
Total Appropriation	$ -	$ -	$ -
Total Positions	0.000	0.000	0.000

Department of Agriculture and Consumer Services

	2012-13 Actuals	2013 Session Law - Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session - Recommended Change Net Recurring	Net Non-recurring	Recommended Adjustment	2014-15 Revised	% change from 2013-14 Certified	% change from 2014-15 Certified
Total Requirements				$ -	$ 15,070,000	$ 15,070,000	$ 15,070,000		
Total Receipts				$ -	$ 15,070,000	$ 15,070,000	$ 15,070,000		
Total Appropriation				$ -	$ -	$ -	$ -		
Total Positions				0.000	0.000	0.000	0.000		

		Recurring Changes	Nonrecurring Changes	Total
1. **Swain County Head Quarters Site Development and Modular Placement** Division of Forest Service receipts are recommended to place a surplus modular office building on a donated site in Swain County. The BRIDGE (Young Offenders) Program will renovate the modular office building.	Requirements	$ -	$ -	$ -
	Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ -	$ -
	Positions			
2. **Alexander County Head Quarters Site Development and Modular Placement** Federal Funds are recommended to replace the existing Alexander County Headquarters office, which is no longer useable and has resulted in staff having to relocate to a temporary space. A federal surplus modular office building will be used to replace the existing structure.	Requirements	$ -	$ -	$ -
	Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ -	$ -
	Positions			
3. **Tidewater Research Station - Deer Fence Installation** The Tidewater Research Station consists of approximately 1,550 acres of land that supports large deer and bear populations. These free-roaming animals negatively impact the ability to conduct research at the station. The southern portion of the property known as the "new ground", in particular, has limited potential for research because the crops that are planted are eaten by deer as soon as the crops emerge. Timber sales receipts are recommended to construct a fence surrounding 455 acres of cropland.	Requirements	$ -	$ 20,000	$ 20,000
	Receipts	$ -	$ 20,000	$ 20,000
	Appropriation	$ -	$ -	$ -
	Positions			
4. **DuPont Recreational State Forest - Rocky Ridge and Stone Mountain Trail Improvement** Private funding and in-kind labor donations, both provided by the Friends of DuPont State Forest, Inc., are recommended to fund improvements on two trails at DuPont Recreational State Forest.	Requirements	$ -	$ 100,000	$ 100,000
	Receipts	$ -	$ 100,000	$ 100,000
	Appropriation	$ -	$ -	$ -

5. Raleigh Farmers Market - Parking Improvements and Expansion					
State Farmer's Market Enterprise Fund receipts are recommended to construct a roadway connection to a new park-and-ride parking lot that NC State University will build on the State Farmer's Market site. This new roadway will improve traffic flow between the State Farmer's Market and the new parking lot.	Requirements	$ -	$ 200,000	$ 200,000
	Receipts	$ -	$ 200,000	$ 200,000
	Appropriation	$ -	$ -	$ -
	Positions			
6. Research Stations Division - Safety Improvements Statewide					
Timber sales receipts are recommended to fund life safety code improvements at Research Stations statewide. The scope of work will include improvements to electrical, plumbing, and other building systems.	Requirements	$ -	$ 80,000	$ 80,000
	Receipts	$ -	$ 80,000	$ 80,000
	Appropriation	$ -	$ -	$ -
	Positions			
7. Region 2 Jordan Lake - Classroom Site Development and Modular Placement					
Federal Funds are recommended to site a surplus federal modular office building at the Jordan Lake facility, which will allow for an expansion of training space.	Requirements	$ -	$ 75,000	$ 75,000
	Receipts	$ -	$ 75,000	$ 75,000
	Appropriation	$ -	$ -	$ -
	Positions			
8. Western North Carolina Agricultural Center - Livestock Improvements					
Western North Carolina Agricultural Center Enterprise funds, grant funds, and private donations are recommended to provide improvements to existing livestock facilities and fund construction of new livestock space to support livestock events. The scope of work will include improvements to existing restrooms and construction of new stall space and new show space.	Requirements	$ -	$ 3,000,000	$ 3,000,000
	Receipts	$ -	$ 3,000,000	$ 3,000,000
	Appropriation	$ -	$ -	$ -
	Positions			
9. North Carolina State Fairgrounds - HVAC Improvements - Campus wide					
State Fair Enterprise Fund receipts are recommended to complete HVAC system improvements at multiple facilities on the fairgrounds. The project will replace aging components and improve efficiency and reliability.	Requirements	$ -	$ 1,500,000	$ 1,500,000
	Receipts	$ -	$ 1,500,000	$ 1,500,000
	Appropriation	$ -	$ -	$ -
	Positions			
10. Mountain Island Educational State Forest - Construct New Visitor and Interpretive Center					
Donations will be solicited to construct an education and interpretive center at Mountain Island Education State Forest. The scale of the project will be determined by the actual donations received.	Requirements	$ -	$ 3,000,000	$ 3,000,000
	Receipts	$ -	$ 3,000,000	$ 3,000,000
	Appropriation	$ -	$ -	$ -
	Positions			
11. North Carolina State Fairgrounds - Renovations to Existing Buildings					
State Fair Enterprise Fund receipts are recommended to fund roof replacements and repairs to multiple facilities on the fairgrounds in order to address safety concerns, and to prevent further deterioration of buildings.	Requirements	$ -	$ 2,000,000	$ 2,000,000
	Receipts	$ -	$ 2,000,000	$ 2,000,000
	Appropriation	$ -	$ -	$ -
	Positions			

12. Raleigh Farmer's Market - Construct New Craft Shed					
State Farmer's Market Enterprise Fund receipts are recommended to construct a new building that will provide additional meat and seafood retail space, and additional general farmers market retail space.	Requirements	$ -	$ 700,000	$ 700,000	
	Receipts	$ -	$ 700,000	$ 700,000	
	Appropriation	$ -	$ -	$ -	
	Positions				
13. Western North Carolina Farmers Market - E & F Barns - Roof Replacements					
Western North Carolina Agricultural Center Enterprise funds are recommended to replace old and leaking roofs on stall barns. Structural repairs may also be necessary due to prolonged leaks.	Requirements	$ -	$ 500,000	$ 500,000	
	Receipts	$ -	$ 500,000	$ 500,000	
	Appropriation	$ -	$ -	$ -	
	Positions				
14. Holmes Educational State Forest - Various Repairs and Renovations Projects					
Timber sales receipts are recommended to fund various repairs in order to maintain the facility.	Requirements	$ -	$ 15,000	$ 15,000	
	Receipts	$ -	$ 15,000	$ 15,000	
	Appropriation	$ -	$ -	$ -	
	Positions				
15. North Carolina State Fairgrounds - Campus Infrastructure Repairs					
State Fair Enterprise Fund receipts are recommended to fund infrastructure repairs campus wide including: new paving; new electrical lines; storm water improvements; and improved lighting to increase efficiency and address safety concerns.	Requirements	$ -	$ 1,550,000	$ 1,550,000	
	Receipts	$ -	$ 1,550,000	$ 1,550,000	
	Appropriation	$ -	$ -	$ -	
	Positions				
16. Tuttle Educational State Forest - Various Repairs and Renovations Projects					
Timber sales receipts are recommended to fund various repairs in order to maintain the facility.	Requirements	$ -	$ 15,000	$ 15,000	
	Receipts	$ -	$ 15,000	$ 15,000	
	Appropriation	$ -	$ -	$ -	
	Positions				
17. North Carolina State Fairgrounds - Horse Complex Site Repairs and Improvements					
State Fair Enterprise Fund receipts are recommended for repairs and improvements at the Hunt Horse Complex, including laying new pavement in the stalls, providing new lighting in the barns, and improving drainage.	Requirements	$ -	$ 2,000,000	$ 2,000,000	
	Receipts	$ -	$ 2,000,000	$ 2,000,000	
	Appropriation	$ -	$ -	$ -	
	Positions				

18. **Piedmont Research Station - New Bridge**

Timber sales receipts are recommended to fund the construction of a new bridge across North South Creek. This new bridge will allow improved access to all areas of the research station without having to place slow moving farm equipment on busy Sherrill's Ford Road (SR 1536). The new bridge will be equivalent to a DOT secondary road bridge.

Requirements	$ -	$ 200,000	$ 200,000
Receipts	$ -	$ 200,000	$ 200,000
Appropriation	$ -	$ -	$ -
Positions			

19. **Western North Carolina Farmers Market - Paving Improvements**

Western North Carolina Agricultural Center Enterprise funds are recommended to replace old and damaged paving at the facility.

Requirements	$ -	$ 100,000	$ 100,000
Receipts	$ -	$ 100,000	$ 100,000
Appropriation	$ -	$ -	$ -
Positions			

20. **Rendezvous Mountain Educational State Forest - Various Repairs and Renovations**

Timber sales receipts are recommended to fund various repairs in order to maintain the facility.

Requirements	$ -	$ 15,000	$ 15,000
Receipts	$ -	$ 15,000	$ 15,000
Appropriation	$ -	$ -	$ -
Positions			

Net Adjustments	Recurring Changes	Nonrecurring Changes	Total
Total Requirements	$ -	$ 15,070,000	$ 15,070,000
Total Receipts	$ -	$ 15,070,000	$ 15,070,000
Total Appropriation	$ -	$ -	$ -
Total Positions	0.000	0.000	0.000

Department of Cultural Resources

	2013 Session Law - Enacted			2014 Legislative Session - Recommended Change					
	2012-13 Actuals	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-recurring	Recommended Adjustment	2014-15 Revised	% change from 2013-14 Certified	% change from 2014-15 Certified
Total Requirements				$ -	$ 1,118,750	$ 1,118,750	$ 1,118,750		
Total Receipts				$ -	$ 1,118,750	$ 1,118,750	$ 1,118,750		
Total Appropriation				$ -	$ -	$ -	$ -		
Total Positions				0.000	0.000	0.000	0.000		

			Recurring Changes	Nonrecurring Changes	Total
1	**NC Museum of Art East Building Technology Improvement** Technology improvements to the NC Museum of Art East Building' Auditorium to include new digital sound, video projection, and lighting equipment, installation of a distance learning center to promote remote access and educational opportunities, and re-purposing of an existing space to create a new education classroom.	Requirements	$ -	$ 1,118,750	$ 1,118,750
		Receipts	$ -	$ 1,118,750	$ 1,118,750
		Appropriation	$ -	$ -	$ -
		Positions			

Net Adjustments	Recurring Changes	Nonrecurring Changes	Total
Total Requirements	**$ -**	**$ 1,118,750**	**$ 1,118,750**
Total Receipts	**$ -**	**$ 1,118,750**	**$ 1,118,750**
Total Appropriation	**$ -**	**$ -**	**$ -**
Total Positions	**0.000**	**0.000**	**0.000**

Department of Justice

	2013 Session Law - Enacted			2014 Legislative Session - Recommended Change				% change from	% change from
	2012-13 Actuals	2013-14 Certified	2014-15 Certified	Net Recurring	Net Non-recurring	Recommended Adjustment	2014-15 Revised	2013-14 Certified	2014-15 Certified
Total Requirements				$ -	$ 807,000	$ 807,000	$ 807,000		
Total Receipts				$ -	$ 807,000	$ 807,000	$ 807,000		
Total Appropriation				$ -	$ -	$ -	$ -		
Total Positions				0.000	0.000	0.000	0.000		

		2014-2015 Recommended Change		
		Recurring Changes	Nonrecurring Changes	Total
1. **Raleigh Crime Laboratory Renovation** The current lab space is compartmentalized into individual suites and the renovations will allow for increased collaboration and teamwork on case work and database production. Interior walls will be removed to open up large areas for office cubicles to increase the number of staff in the lab.	Requirements	$ -	$ 807,000	$ 807,000
	Receipts	$ -	$ 807,000	$ 807,000
	Appropriation	$ -	$ -	$ -
	Positions			

Net Adjustments	2014-2015 Recommended Change		
	Recurring Changes	Nonrecurring Changes	Total
Total Requirements	$ -	$ 807,000	$ 807,000
Total Receipts	$ -	$ 807,000	$ 807,000
Total Appropriation	$ -	$ -	$ -
Total Positions	0.000	0.000	0.000

Department of Public Safety

	2012-13 Actuals	2013 Session Law - Enacted 2013-14 Certified	2014-15 Certified	2014 Legislative Session - Recommended Change Net Recurring	Net Non-recurring	Recommended Adjustment	2014-15 Revised	% change from 2013-14 Certified	% change from 2014-15 Certified
Total Requirements				$ -	$ 10,966,839	$ 10,966,839	$ 10,966,839		
Total Receipts				$ -	$ 10,966,839	$ 10,966,839	$ 10,966,839		
Total Appropriation				$ -	$ -	$ -	$ -		
Total Positions				0.000	0.000	0.000	0.000		

		Recurring Changes	Nonrecurring Changes	Total
1. **Caledonia Farms Grain Station** Installation of a grain station at Caledonia Farms. The grain station will include grain storage bins, dump pit, grain elevator (tower), and installation of new or relocation of the existing grain drying bin (wet tank) or grain dryer. Also includes electrical work to include site electrical hookup and wiring switch panels.	Requirements	$ -	$ 361,340	$ 361,340
	Receipts	$ -	$ 361,340	$ 361,340
	Appropriation	$ -	$ -	$ -
	Positions			
2. **Maury Correctional Institution - Industrial Area Upfit** Design and convert the industrial area shell space inside Maury CI to a space that can be utilized by the Correction Enterprise Industry. All work will be performed by NCDPS Inmate Construction Program. This is a site adaptation/upfit of a previous design.	Requirements	$ -	$ 2,830,499	$ 2,830,499
	Receipts	$ -	$ 2,830,499	$ 2,830,499
	Appropriation	$ -	$ -	$ -
	Positions			
3. **Raleigh Facilities Maintenance Latrine Renovations** Addition of approximately 21 Sq. foot of space to both the male and unisex latrines located in the Raleigh Facilities Maintenance Building by converting underutilized adjacent space. The additional space, as well as reconfiguring of the existing space, will allow for the addition of one or more commodes to each of the latrines.	Requirements	$ -	$ 165,000	$ 165,000
	Receipts	$ -	$ 165,000	$ 165,000
	Appropriation	$ -	$ -	$ -
	Positions			
4. **Raleigh Troop Motor Pool Latrine Renovations** Remodel existing Troop Motor Pool (TMP) unisex latrine to include a shower, new tile floors, improved ceiling, new paint, appropriate exhaust, and fixtures upgrades. Separate telecom equipment in existing storage area for access. Rework existing door for adequate entrance. Provide HVAC, electrical and water to new and existing latrines.	Requirements	$ -	$ 130,000	$ 130,000
	Receipts	$ -	$ 130,000	$ 130,000
	Appropriation	$ -	$ -	$ -
	Positions			

5. Camp Butner Training Site - West Perimeter Rd. - Phase II Design & construction of approximately 3600 linear feet of 18 ft. wide stone road at Camp Butner Training Site (CBTS) along the west perimeter road. Phase II encompasses the design portion, including details for manual pipe gates with chains at existing road intersections. Proposal for this phase (design) includes: basic design services, all surveying as needed, geotechnical exploration necessary to assess the design for gravel pavement to support the anticipated vehicle loads, drilling of test boring and collection of seasonal high water table measurements and preparing written reports including soil boring data and pavement design recommendations, as well as all projected DENR and DWQ permitting fees, and additional services if needed.	Requirements	$ -	$ 780,000	$ 780,000
	Receipts	$ -	$ 780,000	$ 780,000
	Appropriation	$ -	$ -	$ -
	Positions			
6. Camp Butner Training Site - Range Control Building Design and construction of approximately 2600 sf of administrative building to accommodate range operations. Building will be metal-framed with dry wall interior and masonry façade exterior and other finishes to match adjacent headquarters building. All electrical, plumbing, HVAC, and IT/data will be included.	Requirements	$ -	$ 738,000	$ 738,000
	Receipts	$ -	$ 738,000	$ 738,000
	Appropriation	$ -	$ -	$ -
	Positions			
7. Youngsville Field Maintenance Shop Lighting Upgrade Lighting upgrades at maintenance shop used for operations. Upgrades include removal and upgrade of florescent light fixtures to replace with energy efficient lighting, painting walls, epoxy the concrete floors, and replace drop ceiling tiles.	Requirements	$ -	$ 95,000	$ 95,000
	Receipts	$ -	$ 95,000	$ 95,000
	Appropriation	$ -	$ -	$ -
	Positions			
8. Camp Butner Training Site Engagement Skilled Trainer Building Addition of approximately 1500 - 2100 square feet of space for office area, tools and parts storage, and an additional restroom at the Engagement Skills Trainer (EST) Building at Camp Butner Training Site (CBTS).	Requirements	$ -	$ 495,000	$ 495,000
	Receipts	$ -	$ 495,000	$ 495,000
	Appropriation	$ -	$ -	$ -
	Positions			
9. Camp Butner Training Site Multi-Purpose Building This project consists of a 78' x 130' (10,140 SF) multi-purpose building at Camp Butner Training Site (CBTS). The structure is to be a typical, pre-fabricated metal building sheath with metal superstructure on a concrete slab.	Requirements	$ -	$ 800,000	$ 800,000
	Receipts	$ -	$ 800,000	$ 800,000
	Appropriation	$ -	$ -	$ -
	Positions			
10. Camp Butner Training Site Water Tower & System Improvements Evaluate and design improvements to correct current issues and resolve improper flow. Water system operations are supported by a water tower and three wells. Project will improve water efficiency and flow for future expansion.	Requirements	$ -	$ 494,000	$ 494,000
	Receipts	$ -	$ 494,000	$ 494,000
	Appropriation	$ -	$ -	$ -
	Positions			

11. High Point Field Maintenance Shop Office/Storage Building				
A building addition to provide an increase space of 1500 - 2000 s.f. to include office area, tools and parts storage. Project scope also includes the renovation of an existing restroom.	Requirements	$ -	$ 525,000	$ 525,000
	Receipts	$ -	$ 525,000	$ 525,000
	Appropriation	$ -	$ -	$ -
	Positions			
12. High Point Field Maintenance Shop/Military Owned Vehicle Lot Paving				
The project scope includes heavy duty asphalt pavement, concrete pavement, proper sheet flow and storm drainage control to support heavy vehicle parking and turning within the FMS Military owned vehicle parking lot. Approximate size of parking area is 31,025 square feet.	Requirements	$ -	$ 525,000	$ 525,000
	Receipts	$ -	$ 525,000	$ 525,000
	Appropriation	$ -	$ -	$ -
	Positions			
13. Morrisville Army Aviation Support Facility #1 Latrine Renovations				
Renovations to male and female latrines and showers to include ADA compliant restroom and shower facilities and updated finishes, fixtures, partitions, and lights.	Requirements	$ -	$ 88,000	$ 88,000
	Receipts	$ -	$ 88,000	$ 88,000
	Appropriation	$ -	$ -	$ -
	Positions			
14. Morrisville Army Aviation Support Facility #1 Guard Shack & Access Improvement				
The project scope includes new freestanding, masonry with metal roof guard house with single restroom and weapons storage. Plumbing, mechanical, electrical, and telephone/data design are included. Design entry and exit lanes to accommodate tractor trailer traffic, and include force protection measures such as bollards, tire shredders, and traffic control arm.	Requirements	$ -	$ 525,000	$ 525,000
	Receipts	$ -	$ 525,000	$ 525,000
	Appropriation	$ -	$ -	$ -
	Positions			
15. Fort Bragg Regional Training Site Maintenance #2 Fire Alarm System				
This project scope includes the replacement of fire detection and annunciation system for the office facility at this location.	Requirements	$ -	$ 27,000	$ 27,000
	Receipts	$ -	$ 27,000	$ 27,000
	Appropriation	$ -	$ -	$ -
	Positions			
16. Red Springs Field Maintenance Shop Expansion				
Expansion and upgrade to the FMS (Field Maintenance Shop) and additional mechanical repair bays specifically for military vehicles. Structure is to be a typical pre-fabricated metal building sheath with metal superstructure on concrete slab.	Requirements	$ -	$ 788,000	$ 788,000
	Receipts	$ -	$ 788,000	$ 788,000
	Appropriation	$ -	$ -	$ -
	Positions			
17. Fort Bragg Regional Training Site Maintenance #2 Wash Rack Addition				
New military vehicle wash rack facility at Building A. The wash rack will allow the vehicles stored and maintained at the facility to be washed and rinsed with residual water waste properly dispensed.	Requirements	$ -	$ 525,000	$ 525,000
	Receipts	$ -	$ 525,000	$ 525,000
	Appropriation	$ -	$ -	$ -
	Positions			

18. **Winston Salem Field Maintenance Shop Addition/Alteration**

The main project consists of adding two mechanic repair bays onto the southern end of the existing Winston Salem FMS to insure existing infrastructure (power air system, venting, lighting, floor drain systems, etc.) is upgraded to serve intended purposes.

Requirements	$ -	$ 775,000	$ 775,000
Receipts	$ -	$ 775,000	$ 775,000
Appropriation	$ -	$ -	$ -
Positions			

19. **Camp Butner Training Site Land Buffer Acquisitions**

Protection of the Camp Butner Training Site (CBTS) from the encroachment of incompatible adjacent land uses. With adjacent land uses, there is a significant potential for adverse impact on training at CBTS. This project will build adequate conservation easement and fee simple buffers.

Requirements	$ -	$ 300,000	$ 300,000
Receipts	$ -	$ 300,000	$ 300,000
Appropriation	$ -	$ -	$ -
Positions			

Net Adjustments	Recurring Changes	Nonrecurring Changes	Total
Total Requirements	**$ -**	**$ 10,966,839**	**$ 10,966,839**
Total Receipts	**$ -**	**$ 10,966,839**	**$ 10,966,839**
Total Appropriation	**$ -**	**$ -**	**$ -**
Total Positions	**0.000**	**0.000**	**0.000**

Wildlife Resources Commission

	2012-13 Actuals	2013-14 Certified	2014-15 Certified	2013 Session Law - Enacted: Net Recurring	2014 Legislative Session - Recommended Change: Net Non-recurring	Recommended Adjustment	2014-15 Revised	% change from 2013-14 Certified	% change from 2014-15 Certified
Total Requirements				$ -	$ 7,050,000	$ 7,050,000	$ 7,050,000		
Total Receipts				$ -	$ 7,050,000	$ 7,050,000	$ 7,050,000		
Total Appropriation				$ -	$ -	$ -	$ -		
Total Positions				0.000	0.000	0.000	0.000		

		Recurring Changes	Nonrecurring Changes	Total
1. **Land Acquisition**				
Acquire real property for the purpose of including additional acreage into the agency's public gameland program statewide.	Requirements	$ -	$ 3,750,000	$ 3,750,000
	Receipts	$ -	$ 3,750,000	$ 3,750,000
	Appropriation	$ -	$ -	$ -
	Positions			
2. **New Construction FAAs (Fishing Access Area)**				
This project is the construction of four new fishing access areas in various undetermined locations to meet demands for public fishing access.	Requirements	$ -	$ 200,000	$ 200,000
	Receipts	$ -	$ 200,000	$ 200,000
	Appropriation	$ -	$ -	$ -
	Positions			
3. **New Construction of BAAs (Boating Access Area)**				
This project is the construction of new boating access areas to meet demands for public fishing access and recreational boating access to public waters.	Requirements	$ -	$ 900,000	$ 900,000
	Receipts	$ -	$ 900,000	$ 900,000
	Appropriation	$ -	$ -	$ -
	Positions			
4. **Renovations to Existing BAAs**				
This project is the major repair and renovation to existing boating access areas to meet demands for public fishing access and recreational boating access to public waters.	Requirements	$ -	$ 900,000	$ 900,000
	Receipts	$ -	$ 900,000	$ 900,000
	Appropriation	$ -	$ -	$ -
	Positions			
5. **Balsom Depot Renovation**				
Demolition of four buildings and construction of a new multi-use facility at the Balsam site to meet demands for Wildlife Enforcement, Engineering and Land Management.	Requirements	$ -	$ 1,300,000	$ 1,300,000
	Receipts	$ -	$ 1,300,000	$ 1,300,000
	Appropriation	$ -	$ -	$ -
	Positions			

Net Adjustments	Recurring Changes	Nonrecurring Changes	Total
Total Requirements	$ -	$ 7,050,000	$ 7,050,000
Total Receipts	$ -	$ 7,050,000	$ 7,050,000
Total Appropriation	$ -	$ -	$ -
Total Positions	0.000	0.000	0.000

Reserves, Debt Service and Other Adjustments

General Fund

Reserves, Debt Service, and Other Adjustments (19XXX)

	2013 Session Law-Enacted			2014 Legislative Session-Recommended Change				% Change from	% Change from
	2012-13 Actual	2013-14 Certified	2014-15 Certitfied	Net Recurring	Net Non-Recurring	Recommended Adjustment	Revised 2014-15	2013-14 Certified	2014-15 Certified
Total Requirements	-	-	-	$ 20,345,213	$ 29,942,515	$ 50,287,728	-	-%	-%
Less Receipts	-	-	-	$ -	$ -	$ -	-	-%	-%
Total Appropriation	-	-	-	$ 20,345,213	$ 29,942,515	$ 50,287,728	-	-%	-%
Total Positions	-	-	-	-	-	-	-	-%	-%

		Recurring Changes	Non Recurring Changes	Total
1. Information Technology Funds--Enables the Government Data Analytics Center (GDAC) to develop solutions to help the State identify, deter, prevent, and prosecute cases of fraud and non-compliance as well as improve business decisions. Provides additional funding for the Criminal Justice Law Enforcement Automated Data Services (CJLEADS) system to refine and enhance technology solutions that support and protect criminal justice professionals statewide. Realigns resources to maintain commitment to modernize government by preserving requirements development planning and by realigning investment in infrastructure to meet fiscal requirements. This is a 13.5% decrease from the 2013-14 certified budget of $42,053,142.	Requirements	$ 949,555	$ (6,607,485)	$ (5,657,930)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 949,555	$ (6,607,485)	$ (5,657,930)
	Positions	0.000	0.000	0.000
2. Retirement System Contribution--Funding is provided for the increase of the State's contribution to the Teachers' and State Employees' Retirement System and to the Consolidated Judicial Retirement System for the 2014-15 fiscal year, as recommended by the System's actuary.	Requirements	$ 7,210,000	$ -	$ 7,210,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 7,210,000	$ -	$ 7,210,000
	Positions	0.000	0.000	0.000
3. Cost of Living Adjustment for Retirees--Funds are provided for a 1.9% cost-of-living adjustment to retirees of the Teachers' and State Employees' Retirement System and to retirees of the Consolidated Judicial Retirement System, effective July 1, 2014.	Requirements	$ 70,000,000	$ -	$ 70,000,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 70,000,000	$ -	$ 70,000,000
	Positions	0.000	0.000	0.000
4. Reserve for Future Benefit Needs--Realigns a General Fund reserve to help provide a salary and benefit increase for State employees.	Requirements	$ (56,400,000)	$ -	$ (56,400,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (56,400,000)	$ -	$ (56,400,000)
	Positions	0.000	0.000	0.000

5. Job Development Investment Grants--A non-recurring reduction is recommended to the JDIG program based on cash flow needs for 2014-15.	Requirements	$ -	$ (14,000,000)	$ (14,000,000)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ (14,000,000)	$ (14,000,000)
	Positions	0.000	0.000	0.000
6. Medicaid Risk Reserve--The Medicaid Risk Reserve is established as a non-reverting fund to mitigate the risk to the state of unforeseen overruns in the Medicaid Program. Allocations from the risk reserve must be approved by the Director of the Budget. A report will be made to the President Pro Tempore, the Speaker of the House and the Joint Chairs within 30 days of allocation of funds from the reserve.	Requirements	$ -	$ 50,000,000	$ 50,000,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 50,000,000	$ 50,000,000
	Positions	0.000	0.000	0.000
7. Special Litigation Reserve--A Special Litigation Reserve is established within the Office of State Budget and Management. This reserve may be expended or transferred at the direction of the Governor in order to employ special counsel or private counsel pursuant to NCGS § 147-17 or NCGS. § 114-2.3.	Requirements	$ -	$ 550,000	$ 550,000
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ -	$ 550,000	$ 550,000
	Positions	0.000	0.000	0.000
8. Savings Reserve Account--$42,073,426 is earmarked from the year-end credit balance to the Savings Reserve account. An additional $7,926,574 is appropriated for FY 2014-15.	Requirements	$ 7,926,574	$ -	$ 7,926,574
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ 7,926,574	$ -	$ 7,926,574
	Positions	0.000	0.000	0.000
9. Debt Service Requirements--It is recommended that debt service appropriations be adjusted based on updated cash flow requirements.	Requirements	$ (9,340,916)	$ -	$ (9,340,916)
	Less Receipts	$ -	$ -	$ -
	Appropriation	$ (9,340,916)	$ -	$ (9,340,916)
	Positions	0.000	0.000	0.000

Net Adjustments		**Recurring Changes**	**Non Recurring Changes**	**Total**
	Total Requirements	$ 20,345,213	$ 29,942,515	$ 50,287,728
	Total Receipts	$ -	$ -	$ -
	Total Appropriation (Requirements minus Receipts)	$ 20,345,213	$ 29,942,515	$ 50,287,728
	Total Positions	0.000	0.000	0.000

600 copies were printed at a cost of $4,415.35 or approximately $7.36 per copy.

ATTACHMENT 4

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 15, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Doug Lassiter	NCSTA
Carr McLamb	NCDENR
Mitch Blevins	NCDENR
Katie Mills	NCDENR
Layla Cummings	NC DENR
Michelle Shepard	OSBM
Donna S. Cox	OSBM
Tracy Little	OSBM
Meaghan Lewis	NC chamber
Charlene Shabazz	OSHR
Elizabeth Hammond	NCCDB
Isabel Villa-Garcia	NCSBA
Martha Bakkum	DCR
Karen Coleman	DCR
Julia Adams	Arc NC, NCARF, MARB, ASNC
Emily Parkman	NC Alliance of YMCAs
	North State

VISITOR REGISTRATION SHEET

Joint Appropriations
Name of Committee

4-15-14
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jackie Keenan	NC Commerce
Michelle Frazier	MF+S
Celia Cox	OSBM
Keith Weatherly	DOT
Mary Bethea	AARP-NC
David Brow	OSBM
[signature]	OSBM
Bryan Conrad	OSBM
Adam Bruegemann	OSBM
Sarah Pope	OSBM
Nick Goettsch	OSBM

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 15, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Leanne Winner	NCSBA
Emily Doyle	NCPAPA
Adam Prudemore	NCASA
TJ Bugbee	NP
Susanna Davis	WM
Greg Lane	NCGA
Jerrie L. Dollar	NCDPS
[illegible]	[illegible]
[illegible]	[illegible]
Amanda Horaker	TroutmanSanders
[illegible]	NCICU
Bert Gutierrez	WS Journal
[illegible]	NCAAN
Jayne Peters	CSS
Michelle C. Vaught	CSS
[illegible]	NCCHILD
[illegible]	CR

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 15, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jacob Ellis	NCLSA
Jami Allen	BEGINNINGS
Meg Miller	KCG
[illegible]	NCSRMA
Carley Riff	NCAHC
Jaime Fuqua	NCEI
Amy Whited	NCCMS
Kay Castillo	NASW-NC
Elizabeth Hudgins	CFTF
Susan Vick	FSP
Michelle Brooks	East Carolina University

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 15, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sarah Kance	NCDOL
Jennifer Haigwood	NCDA
Jay Fields	NCDA&CS
Larry Pressnell Jr.	North Carolina Retired School Personn
Walt Mey	NCIC
Erin Jones	TWC
Bill Ryan	APC
Ellis Powell	Carolina Asphalt Pavement Assoc
Meghan Cook	ITS
Sumit Gupta	NCIC
Gretchen Chevedy	NCDPI
Rachel Bentley	NCDPI
Hayes Griggs	CCNC
Ashley Jones	NCDOC
John Hoomani	NCDOC
Shannon Hobby	NCDOC
Jackie Keener	NC DOC
LC Perryman	CRS

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 15, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Robin Huffman	NC Psychiatric Assoc - The Coalition
erin gray	GOV. Office
LeKisha Jordan	Gov. Office
Kaylee LaCerda	Gov. Office
Angela Hunt	SOS
Kate Foran	NCAE
Amy O'Neal	Rep Stam
Dylan Finch	Rep Stam
David Kagan	Rep Glazier
Cameron Muir	Rep. Murry
Jordan Paschal	Rep. Hamilton
Dylan Frick	Sen. McLaurin
Whitney Christensen	NCLM
Paul Todman	Indian Inc -
Morgan Arnott	CTAC
Will Griffin	atty
Steve Sauer	Grassroots

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 15, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
NICHOLE KARLIN	NAMI-NC
JOANNA SPRUILL	NCAFP
Libby Ikoff	NAMI NC
Tommy Severt	Moore and Van Allen Public Affairs
BILL Grey	NCSHP
Ben Downing	NCOSHR
Billy Clayton	NCSHP
Marsha Querby	NCSHP
Robert West	NCSHP
Ryan Combs	NCDPS
Benton Albritton	ABC of the Carolinas
Allen Hardison	CRSWMA
Sarah Bales	Brubaker & Assoc
John Del Corso	" "
Katie Rotheiser	McGuire Woods
Niels Rosenland	NC DOJ

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 15, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sarah Curry	JLF
Michelle Frazier	MFS
Greg Carter	UNC Asheville
Sabra Faires	SJF
Jimmy Broughton	WCSR
Kerr Bolton	WTM
Andy Chase	KMA
Rob Lamm	RLA
Thomas MAHAR	IDS
Mary Shuping	NCCCS
Tom West	Poyner Spruill LLP
Beebi Gray	J&J
Henry M Lancaster	LCA

VISITOR REGISTRATION SHEET

Joint Appropriations — Name of Committee

4-15-14 — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Glenn Jernigan	P.W.C. Nat Heritage Foundation - N.

Attachment 2

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE

Legislative Office Building, Room 643

May 29, 2014
8:30 a.m.

Senate Bill 744 **Appropriations Act of 2014** **Proposed Committee Substitute**	*Senator Neal Hunt, Presiding* *Senator Harry Brown* *Senator Kathy Harrington* *Senator Brent Jackson*
Opening Remarks and Presentation of Committee Rules	*Senate Appropriations Chairs*
Availability, Reserves, and Capital	*Senator Harry Brown*
Subcommittee Overview	*Senate Subcommittee Chairs*

- Education
- Health and Human Service
- Natural and Economic Resources
- Justice and Public Safety
- General Government
- Transportation

Information Technology

Vote - Proposed Committee Substitute Senate Bill 744

Adjourn

Senate Committee on Appropriations/Base Budget
Thursday, May 29, 2014 at 8:30 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:35 AM on May 29, 2014 in Room 643 of the Legislative Office Building. 18 members were present.

Senator Neal Hunt, Chair, presided. Senator Hunt recognized the Sergeant at Arms' staff and the Senate Pages.

Chairman Hunt asked for a motion to adopt the Proposed Committee Substitute for SB744 for discussion purposes (Attachment # 4). Senator Tillman made the motion. The Chairman read the Senate Appropriations/Base Budget Committee's Rules for Considering Amendments (Attachment # 3). He then called upon Senator Brown to present an overview of SB744: Proposed Committee Substitute:

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2013 AND FOR OTHER PURPOSES.

Senator Brown thanked his committee chairs, Senator Hunt, Senator Harrington and Senator Jackson for the long hours and hard work in putting the budget together. He also thanked the staff and expressed his appreciation for their talent and long hours during the budget development process. Senator Brown then began going over the highlights of SB744 emphasizing on what he believed to be one of the key pieces of the budget which does not use any non-recurring funds for recurring items. He then asked for the sub-committee chairs to explain major provisions in their budgets:

Senator Tillman	Education/Higher Education
Senators Hise and Pate	Health & Human Services
Senator Brock	Natural & Economic Resources
Senator Goolsby	Justice and Public Safety
Senator J. Davis	General Government
Senator Meredith	Transportation
Senator Brock	Information Technology

The Committee chairs and staff took a fifty-five minute recess to review the amendments submitted.

At 11:40 a.m. the committee began considering the amendments.

The amendments and their actions follow (Attachment # 7).

ALH-63 [v.2]	Ford	Adopted
ALG-45 [v.4]	Tucker	Adopted
ALH-64 [v.4]	Apodaca	Adopted
AMH-49 [v.1]	Brock	Adopted
AMK-63 [v.1]	Tillman	Adopted
AMK-64 [v.2]	Tillman	Adopted
AMD-57 [v.4]	Apodaca	Adopted
AML-13 [v.3]	Brown	Adopted
AMH-50 [v.1]	D. Davis	Failed

Following discussions by members, Senator Jackson moved for a motion:

UNFAVORABLE AS TO BILL BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL, AS AMENDED, WITH UNENGROSSED AMENDMENTS.

Attachments (9)

1. Committee Notice
2. Agenda
3. Rules for Considering Amendments
4. PCS for SB 744
5. Money Report
6. Legislative Incarceration Fiscal Note
7. List of Amendments and Action Taken
8. Visitor's Log
9. Committee Report

The meeting adjourned at 12:02 p.m.

Senator Neal Hunt, Chair
Presiding

Kathy Davis, Committee Clerk

Attachment 1

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	May 29, 2014	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 744	Appropriations Act of 2014.	Senator Brown Senator Harrington Senator Hunt

Senator Hunt will preside

Senator Harry Brown, Co-Chair
Senator Kathy Harrington, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Brent Jackson, Co-Chair

Senate Appropriations/Base Budget Committee

Rules for Considering Amendments

If amendments are offered, then the following rules must be met in order to make the amendment eligible for consideration:

1. Money can only be transferred among items within the same subcommittee section.

2. Amendments where money is being transferred among items within a subcommittee must clearly identify the items/programs that are being increased and decreased.

3. Nonrecurring reductions cannot be made to fund recurring additions.

4. Amendments that spend reversions are not allowed.

5. Amendments that increase or create new management flexibility reserves are not allowed.

6. Amendments that increase spending in the subcommittee budgets are not allowed.

7. Amendments are not allowed where funding for an item comes from statewide reserves.

8. Amendments that adjust funds from the "Compensation Increase Reserve" or "State Retirement System Contributions" money items are not allowed.

9. Since this is a meeting of Full Appropriations, amendments that address finance portions of the bill will not be heard.

10. Amendments must be in writing, the original signed, with 100 copies available for distribution.

11. To be considered, a proposed amendment must have been logged in by the committee clerk in room 643 by 10:00 a.m. on Thursday, May 29, 2014.

Attachment 4

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

S D

SENATE BILL 744
PROPOSED COMMITTEE SUBSTITUTE S744-PCS35555-MDxf-29

Short Title: Appropriations Act of 2014. (Public)

Sponsors:

Referred to:

May 15, 2014

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2013 AND FOR OTHER PURPOSES.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE OF ACT

SECTION 1.1. This act shall be known as "The Current Operations and Capital Improvements Appropriations Act of 2014."

INTRODUCTION

SECTION 1.2. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the State Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year as provided in G.S. 143C-1-2(b).

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are adjusted for the fiscal year ending June 30, 2015, according to the schedule that follows. Amounts set out in parentheses are reductions from General Fund appropriations for the 2014-2015 fiscal year.

Current Operations – General Fund	**2014-2015**
EDUCATION	
Community Colleges System Office	22,150,669
Department of Public Instruction	66,541,801

University of North Carolina – Board of Governors	
Appalachian State University	941,239
East Carolina University	
Academic Affairs	1,164,501
Health Affairs	344,298
Elizabeth City State University	261,074
Fayetteville State University	444,505
NC A&T State University	910,908
NC Central University	707,221
UNC School of the Arts	230,362
NC State University	
Academic Affairs	4,818,881
Agricultural Extension	415,602
Agricultural Research	259,621
UNC – Asheville	300,265
UNC – Chapel Hill	
Academic Affairs	2,225,122
Health Affairs	1,170,381
Area Health Education Centers	73,789
UNC – Charlotte	1,611,465
UNC – Greensboro	3,121,477
UNC – Pembroke	432,891
UNC – Wilmington	927,194
Western Carolina University	671,106
Winston-Salem State University	320,247
General Administration	213,154
University Institutional Programs	(8,901,304)
Related Educational Programs	4,863,276
NC School of Science and Mathematics	124,784
Aid to Private Colleges	0
Total University of North Carolina – Board of Governors	17,652,059

HEALTH AND HUMAN SERVICES

Department of Health and Human Services	
Central Management and Support	(5,028,255)
Division of Aging & Adult Services	(969,549)
Division of Blind Services, Deaf, & Hard of Hearing	0
Division of Child Development & Early Education	(18,031,728)
Health Service Regulation	(288,000)
Division of Medical Assistance	196,188,968
Division of Mental Health, Developmental Disabilities, & Substance	
Abuse Services	(29,832,154)
NC Health Choice	(15,813,961)
Division of Public Health	(10,270,197)
Division of Social Services	12,389,357
Division of Vocation Rehabilitation	(575,336)
Total Health and Human Services	127,769,145

NATURAL AND ECONOMIC RESOURCES	
Department of Agriculture and Consumer Services	921,017
Department of Commerce	
Commerce	(4,191,353)
Commerce State-Aid	271,473
Wildlife Resources Commission	(121,982)
Department of Environment and Natural Resources	9,222,390
Department of Labor	(47,201)
JUSTICE AND PUBLIC SAFETY	
Department of Public Safety	60,630,171
Judicial Department	3,502,988
Judicial Department – Indigent Defense	416,556
Department of Justice	(48,229,079)
GENERAL GOVERNMENT	
Department of Administration	(2,023,279)
Office of Administrative Hearings	24,521
Department of State Auditor	118,338
Office of State Controller	1,600,500
Department of Cultural Resources	
Cultural Resources	(556,787)
Roanoke Island Commission	(9,000)
State Board of Elections	(55,410)
General Assembly	(44,526)
Office of the Governor	(50,798)
Office of State Budget and Management	
Office of State Budget and Management	(71,259)
OSBM – Reserve for Special Appropriations	175,000
Housing Finance Agency	9,830,322

Department of Insurance	
Insurance	(399,128)
Office of Lieutenant Governor	(5,629)
Department of Revenue	727,468
Department of Secretary of State	(22,720)
Department of State Treasurer	
State Treasurer	1,959,528
State Treasurer – Retirement for Fire and Rescue Squad Workers	(2,474,496)
RESERVES, ADJUSTMENTS, AND DEBT SERVICE	
Disability Income Plan	(3,200,000)
Information Technology Fund	6,003,162
Information Technology Reserve Fund	(11,661,092)
Job Development Investment Grants (JDIG)	(15,571,684)
One North Carolina Fund	(7,144,263)
Reserve for Future Benefit Needs	(56,400,000)
State Health Plan Contribution	(22,000,000)
Debt Service	
General Debt Service	(8,240,916)
TOTAL CURRENT OPERATIONS – GENERAL FUND	146,996,506

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) Section 2.2(a) of S.L. 2013-360 is repealed. The General Fund availability used in adjusting the 2014-2015 budget is shown below:

	FY 2014-2015
Unappropriated Balance Remaining from Previous Year	323,693,704
Anticipated Undercollections from FY 2013-14	(445,400,000)
Anticipated Reversions from FY 2013-14	371,600,000
Less Earmarkings of Year End Fund Balance	
Savings Reserve	(42,989,870)
Repairs and Renovations	(42,989,870)
Beginning Unreserved Fund Balance	**163,913,964**
Revenues Based on Existing Tax Structure	**19,972,100,000**

Nontax Revenues	
Investment Income	11,300,000
Judicial Fees	244,500,000
Disproportionate Share	109,000,000
Master Settlement Agreement	137,500,000
Other Nontax Revenues	195,500,000
Insurance	77,000,000
Highway Fund Transfer	215,900,000
Subtotal Nontax Revenues	**990,700,000**
Total General Fund Availability	**21,126,713,964**
Adjustments to Availability: 2014 Session	
Transfer from Cash Balances from Department of Agriculture and Consumer Services Special Funds	1,449,680
Transfer from Cash Balances from Alcoholic Beverage Control Enterprise Fund	3,500,000
Transfer from Interest from Department of Environment and Natural Resources (DENR) Special Funds	938,670
Diversion of Funds from DENR Inspection and Maintenance Control Special Fund	3,000,000
Diversion of Funds from DENR Water and Air Account Special Fund	1,000,000
Transfer of Federal Insurance Contribution Act (FICA) Fund Cash Balance	5,255,000
Adjustment of Transfer from Insurance Regulatory Fund	(399,128)
Adjustment of Transfer from Treasurer's Office	1,959,528
Increase from ABC Permit Fees	9,600,000
Redirection of Funds from Gross Premiums Tax on Property Coverage Contracts to General Fund	1,600,000
Four-year Phaseout of Provision of Medicaid Hold Harmless Law Guaranteeing Counties $500,000 Benefit	5,990,000
Subtotal Adjustments to Availability: 2014 Session	**33,893,750**
Revised General Fund Availability	**21,160,607,714**
Less General Fund Appropriations	**(21,160,607,714)**
Unappropriated Balance Remaining	**0**

SECTION 2.2.(b) Effective June 30, 2014, Section 2.2 of S.L. 2013-360 reads as rewritten:

"...

SECTION 2.2.(c) Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer a total of one hundred fifty million dollars ($150,000,000) from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2013, and a total of ~~twelve million seven hundred fifty-one thousand one hundred thirty-seven dollars ($12,751,137)~~ forty-two million nine hundred eighty-nine thousand eight hundred seventy dollars ($42,989,870) to the Repairs and Renovations Reserve on June 30, 2014. This subsection becomes effective June 30, 2013. Funds transferred under this section to the Repairs and

Renovations Reserve are appropriated for the 2013-2014 and 2014-2015 fiscal years and shall be used in accordance with G.S. 143C-4-3.

SECTION 2.2.(d) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer a total of two hundred thirty-two million five hundred thirty-seven thousand nine hundred forty-two dollars ($232,537,942) from the unreserved fund balance to the Savings Reserve Account on June 30, 2013, and the sum ~~of thirty-seven million one hundred twenty-two thousand three hundred forty-six dollars ($37,122,346)~~ forty-two million nine hundred eighty-nine thousand eight hundred seventy dollars ($42,989,870) from the unreserved fund balance to the Savings Reserve Account on June 30, 2014. Neither of these transfers is an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2013.

...."

SECTION 2.2.(c) Interest from the following funds shall be redirected to the General Fund:

Budget Code	Fund Code	Description
24303	2990	Marine Conservation Fund
24304	Various	Ecosystem Enhancement Fund
24305	2002	Clean Water Management Trust Fund
24306	2127	Dry Cleaning Solvent Cleanup Fund
24309	2235	Parks and Recreation Trust Fund
24318	2054	Bernard Allen Drinking Water Fund
24323	Various	Marine Resources Fund
64301	6342	Water Pollution Control System Account
64305	6370	Commercial Leaking Petroleum Storage Tanks Fund
64305	6371	Noncommercial Leaking Petroleum Storage Tanks Fund
64305	6372	Inactive Hazardous Sites Fund
64305	6373	Emergency Response Fund
64305	6375	Superfund Cost Share Fund
64305	6376	Brownfield Superfund Fund
64305	6379	Inactive Hazardous Sites Fund-S1492

SECTION 2.2.(d) Notwithstanding G.S. 20-183.7(c), fees collected for electronic inspection authorizations during the 2014-2015 fiscal year that would have been credited to the I & M Air Pollution Control Account established under G.S. 143-215.3A(b1) shall be credited to the State's General Fund.

SECTION 2.2.(e) Notwithstanding G.S. 105-449.125, one million dollars ($1,000,000) of the revenue collected by the Secretary of Revenue from the motor fuel excise tax levied under Part 7 of Article 36C of the General Statutes that would otherwise be credited to the Water and Air Quality Account shall be credited to the State's General Fund.

SECTION 2.2.(f) Effective June 30, 2014, G.S. 106-435 and G.S. 106-451.27 are repealed, and the unallotted and unexpended funds in the Cotton Warehouse Fund on that date shall be transferred to the General Fund.

SECTION 2.2.(g) Effective June 30, 2014, G.S. 106-65.104 is repealed, and the unallotted and unexpended balance of funds in the Bedding Law Account on that date shall be transferred to the General Fund.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS/HIGHWAY FUND

SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2015, according to the following schedule. Amounts set out in parentheses are reductions from Highway Fund Appropriations for the 2014-2015 fiscal year.

Current Operations – Highway Fund	**2014-2015**
Department of Transportation	
Administration	$ 2,304,648
Division of Highways	
Administration	0
Construction	(4,036,171)
Maintenance	63,436,943
Planning and Research	0
OSHA Program	(7,307)
Ferry Operations	(1,542,317)
State Aid to Municipalities	9,453,990
Intermodal Divisions	
Public Transportation	(3,393,723)
Aviation	(808,452)
Rail	(960,325)
Bicycle and Pedestrian	(30,043)
Governor's Highway Safety	(5,699)
Division of Motor Vehicles	(1,786,799)
Other State Agencies, Reserves, Transfers	5,206,809
Capital Improvements	0
Total Highway Fund Appropriations	**$ 1,984,142,054**

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. Section 3.2 of S.L. 2013-360 is repealed. The Highway Fund availability used in adjusting the 2014-2015 fiscal year budget is shown below:

Highway Fund Availability Statement	**2014-2015**
Unreserved Fund Balance	$ 12,000,000
Estimated Revenue	1,973,750,000
Adjustment to Revenue Availability:	
Motor Fuel Tax (Shallow Draft Navigation Channel Dredging Fund)	(1,677,134)
Motor Fuel Tax Refund Repeal (Taxi Cabs)	69,188
Revised Total Highway Fund Availability	**$ 1,984,142,054**

Unappropriated Balance	$ 0

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

CURRENT OPERATIONS/HIGHWAY TRUST FUND

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 adjusted for the fiscal year ending June 30, 2015, according to the following schedule. Amounts set out in parentheses are reductions from Highway Trust Fund Appropriations for the 2014-2015 fiscal year.

Current Operations – Highway Trust Fund	**2014-2015**
Program Administration	$ (11,000,000)
Aid to Municipalities	0
Intrastate	0
Secondary Roads	0
Urban Loops	0
Mobility Fund	0
Turnpike Authority	0
Transfer to General Fund	0
Transfer to Highway Fund	0
Debt Service	0
Strategic Prioritization Funding Plan for Transportation Investments	73,661,890
Total Highway Trust Fund Appropriations	**$ 1,168,061,890**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. Section 4.2 of S.L. 2013-360 is repealed. The Highway Trust Fund availability used in developing the 2014-2015 fiscal year budget is shown below:

Highway Trust Fund Availability	**2014-2015**
Unreserved Fund Balance	$ 0
Estimated Revenue	1,162,370,000
Adjustment to Revenue Availability:	
Motor Fuel Tax Refund Repeal (Taxi Cabs)	23,140
Highway Use Tax Cap Adjustments	5,668,750
Total Highway Trust Fund Availability	**$ 1,168,061,890**
Unappropriated Balance	$ 0

PART V. OTHER APPROPRIATIONS

INDIAN GAMING EDUCATION REVENUE FUND

SECTION 5.1. Section 5.4 of S.L. 2013-360 reads as rewritten:

"**SECTION 5.4.(a)** There is appropriated from the Indian Gaming Education Revenue Fund to the Department of Public Instruction, School Technology Fund, the sum of ~~three million dollars ($3,000,000)~~ five million dollars ($5,000,000) for the 2013-2014 fiscal year and

the sum of ~~three million five hundred thousand dollars ($3,500,000)~~six million dollars ($6,000,000) for the 2014-2015 fiscal year.

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

EDUCATION LOTTERY FUNDS

SECTION 5.2.(a) Section 6.11(e) of S.L. 2013-360 reads as rewritten:

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

	FY 2013-2014	FY 2014-2015
Classroom Teachers	$ 220,643,188	~~$ 220,643,188~~ $276,941,530
Prekindergarten Program	75,535,709	75,535,709
Public School Building Capital Fund	100,000,000	100,000,000
Scholarships for Needy Students	30,450,000	30,450,000
UNC Need-Based Financial Aid	10,744,733	10,744,733
UNC Need-Based Financial Aid Forward Funding Reserve	~~32,530,359~~ 51,661,087	~~19,130,728~~ 0
Digital Learning	11,928,735	11,928,735
TOTAL APPROPRIATION	**~~$ 481,832,724~~ $500,963,452**	**~~$ 468,433,093~~ $505,600,707**"

SECTION 5.2.(b) Section 6.11(f) of S.L. 2013-360 reads as rewritten:

"**SECTION 6.11.(f)** Notwithstanding G.S. 18C-164, the Office of State Budget and Management shall not transfer funds to the Education Lottery Reserve Fund for the 2013-2014 fiscal ~~year.~~year or for the 2014-2015 fiscal year."

SECTION 5.2.(c) Section 6.11(g) of S.L. 2013-360 reads as rewritten:

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

Up to one million dollars ($1,000,000) for the 2013-2015 fiscal biennium may be used by the Department of Public Instruction to (i) develop a plan to transition from funding for textbooks, both traditional and digital, to funding for digital materials, including textbooks and instructional resources and (ii) provide educational resources that remain current, are aligned with curriculum, and are effective for all learners by 2017. The plan shall also include an inventory of the infrastructure needed to support robust digital learning in public schools.

The Department of Public Instruction shall make an interim report on the implementation of this subsection to the Joint Legislative Education Oversight Committee and the Fiscal Research Division by January 5, 2015, and a final report by August 1, 2015."

SECTION 5.2.(d) Funds appropriated for Digital Learning shall not revert at the end of the fiscal year but shall remain available until expended.

SECTION 5.2.(e) Subsection (d) of this section becomes effective June 30, 2014.

PART VI. GENERAL PROVISIONS

APPROPRIATE ENCUMBERED GRANT FUNDS THAT ARE RETURNED TO THE STATE

SECTION 6.1. Section 5.1 of S.L. 2013-360 is amended by adding a new subsection to read:

"SECTION 5.1.(f) Notwithstanding subsections (a) and (b) of this section, there is appropriated from the General Fund for the 2014-2015 fiscal year an amount equal to the amount of encumbered funds required to be spent in order to honor encumbrances of grant funds in accordance with G.S. 143C-6-23(f2)."

ESTABLISHING OR INCREASING FEES UNDER THIS ACT

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

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

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.3. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

MAKE THE BASE BUDGET THE STARTING POINT FOR STATE AGENCY BUDGETING

SECTION 6.4.(a) G.S. 143C-1-1(d)(7a) is repealed.

SECTION 6.4.(b) G.S. 143C-1-1(d) is amended by adding a new subdivision to read:

"(d) Definitions. – The following definitions apply in this Chapter:

...

(1c) Base Budget. – That part of the recommended State budget that provides the baseline for the next biennium. The base budget for each State agency shall be the authorized budget for that agency with adjustments only for the following:

a. Annualization of programs and positions.

b. Reductions to adjust for items funded with nonrecurring funds during the prior fiscal biennium.

c. Increases to adjust for nonrecurring reductions during the prior fiscal biennium.

d. Adjustments for federal payroll tax changes.

e. Rate increases in accordance with the terms of existing leases of real property.

f. Adjustments to receipt projections, made in accordance with G.S. 143C-3-5(b)(2)c.

g. Reconciliation of intragovernmental and intergovermental transfers.

...."

SECTION 6.4.(c) G.S. 143C-3-5 reads as rewritten:

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

...

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

(1) A Recommended State Budget setting forth goals for improving the State with recommended expenditure requirements, funding sources, and

performance information for each State government program and for each proposed capital improvement. The Recommended State Budget may be presented in a format chosen by the Director, except that the Recommended State Budget shall clearly distinguish program ~~continuation~~base budget requirements, program reductions, program eliminations, program expansions, and new programs, and shall explain all proposed capital improvements in the context of the Six-Year Capital Improvements Plan and as required by G.S. 143C-8-6.

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

(2) A Budget Support Document showing, for each budget code and purpose or program in State government, accounting detail corresponding to the Recommended State Budget.

a. The Budget Support Document shall employ the North Carolina Accounting System Uniform Chart of Accounts adopted by the State Controller to show both uses and sources of funds and shall display in separate parallel columns all of the following: (i) actual expenditures and receipts for the most recent fiscal year for which actual information is available, (ii) the certified budget for the preceding fiscal year, (iii) the currently authorized budget for the preceding fiscal year, (iv) program ~~continuation~~base budget requirements for each fiscal year of the biennium, (v) proposed expenditures and receipts for each fiscal year of the biennium, and (vi) proposed increases and decreases.

...

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

...."

SECTION 6.4.(d) G.S. 58-2-215(c) reads as rewritten:

"(c) Moneys appropriated by the General Assembly shall be deposited in the Fund and shall become a part of the ~~continuation~~base budget of the Department of Insurance. Such ~~continuation~~base budget amount shall equal the actual expenditures drawn from the Fund during the prior fiscal year plus the official inflation rate designated by the Director of the Budget in the preparation of the State Budget for each ensuing fiscal year; provided that if interest income on the Fund exceeds the amount yielded by the application of the official inflation rate, such ~~continuation~~base budget amount shall be the actual expenditures drawn from the Fund. In the event the amount in the Fund exceeds two hundred fifty thousand dollars ($250,000) at the end of any fiscal year, such excess shall revert to the General Fund."

SECTION 6.4.(e) G.S. 116-30.3B(b) reads as rewritten:

"(b) It is the intent of the General Assembly that appropriations to the Board of Governors on behalf of a constituent institution not be reduced as a result of the institution's realization of energy savings. Instead, the General Assembly intends that the amount of appropriations be determined as if no energy savings had been realized. The Director of the Budget shall not decrease the recommended ~~continuation~~base budget requirements for utilities for constituent institutions by the amount of energy savings realized from implementing energy conservation measures, including savings achieved through a guaranteed energy savings contract."

SECTION 6.4.(f) G.S. 116-30.7 reads as rewritten:

"**§ 116-30.7. Biennial projection of enrollment growth for The University of North Carolina.**

By October 15 of each even-numbered year, the General Administration of The University of North Carolina shall provide to the Joint Education Legislative Oversight Committee and to the Office of State Budget and Management a projection of the total student enrollment in The University of North Carolina that is anticipated for the next biennium. The enrollment projection shall be divided into the following categories and shall include the projected growth for each year of the biennium in each category at each of the constituent institutions: undergraduate students, graduate students (students earning master's and doctoral degrees), first professional students, and any other categories deemed appropriate by General Administration. The projection shall also distinguish between on-campus and distance education students. The projections shall be considered by the Director of the Budget when determining the amount the Director proposes to ~~fund as the continuation requirement for the enrollment increase in the university system pursuant to G.S. 143C-3-5(b).~~appropriate to The University of North Carolina in the Recommended State Budget submitted pursuant to G.S. 143C-3-5(b)."

SECTION 6.4.(g) G.S. 121-6(c) reads as rewritten:

"(c) It shall be the duty and the responsibility for the Department of Cultural Resources to edit and publish a second or new series of the most significant records of colonial North Carolina. From records which have been compiled in the North Carolina State Archives concerning the colonial period of North Carolina, a selection of the most significant documents shall be made therefrom by a skilled and competent editor. The editor shall edit, according to acceptable scholarly standards, the selected materials which shall be published in documentary volumes not to exceed approximately 700 pages each in length until full and representative published colonial records of North Carolina shall have been achieved. The number of copies of each volume to be so printed shall be determined by the Department of Cultural Resources, and such determination shall be based on the number of copies the Department can reasonably expect to sell in a period of 10 years from the date of publication. In any year during which the Department of Cultural Resources has completed a volume and has it ready for publication, the Department may include in its ~~continuation~~base budget for that year sufficient funds to pay the estimated costs of publishing the volume. In the event that the volume is not published during that year, the appropriation made, or any unencumbered balance, shall revert to the general fund."

SECTION 6.4.(h) This section becomes effective July 1, 2014, and applies beginning with the recommended State budget of the 2015-2017 fiscal biennium.

STATUTORY CHANGES RELATING TO THE HANDLING OF GRANTS TO NON-STATE ENTITIES

SECTION 6.5.(a) G.S. 143C-6-23 reads as rewritten:

"**§ 143C-6-23. State grant funds: administration; oversight and reporting requirements.**

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

(1) ~~"Grant" and "grant funds" means~~Grant or grant funds. – State funds disbursed as a grant by a State agency; however, the terms do not include any payment made by the Medicaid program, the State Health Plan for Teachers and State Employees, or other similar medical programs.

(2) ~~"Grantee" means a~~ Grantee. – A non-State entity that receives State funds as a grant from a State agency but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission.

(3) ~~"Subgrantee" means a~~ Subgrantee. – A non-State entity that receives State funds as a grant from a grantee or from another subgrantee but does not

include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission.

(4) Encumbrance. – A financial obligation created by a purchase order, contract, salary commitment, unearned or prepaid collections for services provided, or other legally binding agreement. A financial obligation is not an encumbrance for purposes of this section unless it (i) is in writing and has been signed by a person or entity who has authority to legally bind the grantee or subgrantee to spend the funds or (ii) was created by the provision of goods or services to the grantee or subgrantee by a third party under circumstances that create a legally binding obligation to pay for the goods or services.

...

(d) Office of State Budget Rules Must Require Uniform Administration of State Grants. – The Office of State Budget and Management shall adopt rules to ensure the uniform administration of State grants by all grantor State agencies and grantees or subgrantees. The Office of State Budget and Management shall consult with the Office of the State Auditor and the Attorney General in establishing the rules required by this subsection. The rules shall establish policies and procedures for disbursements of State grants and for State agency oversight, monitoring, and evaluation of grantees and subgrantees. The policies and procedures shall:

...

(5) Provide for adequate oversight and monitoring to prevent the misuse of grant funds. These policies shall require each grantee and subgrantee to ensure that, for accounting purposes, State funds and interest earned on those funds remain separate and apart from other funds in the possession or control of the grantee or subgrantee.

...

(12) Provide procedures for the recovery and return to the grantor State agency of unexpended grant funds from a grantee or subgrantee ~~if~~ (i) in accordance with subsection (f1) of this section or (ii) in the event that the grantee or subgrantee is unable to fulfill the purposes of the ~~grant.~~grant for a reason not set forth in that subsection.

(d1) Required Grant Terms. – The terms of each grant shall include all of the following, which shall be deemed a part of the grant:

(1) The limitation contained in G.S. 143C-6-8 concerning the availability of appropriated funds.

(2) The relevant provisions of any legislation authorizing or governing the administration of the grant.

(3) The terms of this section.

...

(f1) Return of Grant Funds. – Except as otherwise required by federal law, a grantee or subgrantee shall return to the State all affected grant funds and interest earned on those funds if any of the following occurs:

(1) The funds are in the possession or control of a grantee and are not expended, made subject to an encumbrance, or disbursed to a subgrantee by August 31 immediately following the fiscal year in which the funds are appropriated by the General Assembly, or a different period set forth in the terms of the applicable appropriation or federal grant.

(2) The funds remain unexpended at the time that the grantee or subgrantee dissolves, ceases operations, or otherwise indicates that it does not intend to spend the funds.

(3) The Office of State Budget and Management seeks to recover the funds pursuant to subsection (f) of this act.

(f2) Use of Returned Grant Funds. – Encumbered funds returned to the State pursuant to subsection (f1) of this section by a grantee or subgrantee shall upon appropriation by the General Assembly be spent in accordance with the terms of the encumbrance. All other funds returned to the State by a grantee or subgrantee pursuant to subsection (f1) of this section shall be credited to the fund from which they were appropriated and shall remain unexpended and unencumbered until appropriated by the General Assembly. Nothing in this section shall be construed to authorize an expenditure pursuant to an unlawful encumbrance or in a manner that would violate the terms of the appropriation of the grant funds at issue.

...

(j) Use of Interest Earned on Grant Funds. – Except as otherwise required by federal law or the terms of a federal grant, interest earned on grant funds after receipt of the funds by a grantee or subgrantee shall be credited to the grantee or subgrantee and shall be used for the same purposes for which the grant or subgrant was made.

(k) Reporting by Grantees and Subgrantees That Cease Operations. – A grantee or subgrantee that intends to dissolve or cease operations shall report that decision in writing to the Office of State Budget and Management and to the Fiscal Research Division at least 30 days prior to taking that action."

SECTION 6.5.(b) This section becomes effective July 1, 2014, and applies to grants appropriated on or after that date.

STATUTORY CHANGES RELATED TO THE DISPOSITION OF SETTLEMENT FUNDS

SECTION 6.6.(a) Article 1 of Chapter 114 of the General Statutes is amended by adding a new section to read:

"**§ 114-2.4A. Disposition of funds received by the State or a State agency from a settlement or other final order or judgment of the court.**

(a) Definition. – For purposes of this section, the term "settlement" means an agreement entered into by the State or a State agency, with or without a court's participation, that ends (i) a dispute, lawsuit, or part of the dispute or lawsuit or (ii) the involvement of the State or State agency in the dispute, lawsuit, or part of the dispute or lawsuit. This term includes settlement agreements, stipulation agreements, consent judgments, and consent decrees.

(b) Prohibition. – The following restrictions shall apply:

(1) Funds received by the State or a State agency from a settlement or other final order or judgment of the court shall not be transferred or expended pursuant to G.S. 143C-6-4 and shall remain unexpended until the funds are appropriated by the General Assembly.

(2) The Attorney General, any subordinate who has been delegated the authority to negotiate or approve a settlement, and any private counsel retained to represent a State agency shall have no authority to include or agree to terms or conditions in any settlement that authorizes the expenditure, transfer, or award of funds to any person or entity other than (i) a party to the dispute or lawsuit or (ii) a consumer entitled to a refund or the recovery of damages.

(c) Exception. – This section does not apply to funds received by the Department of Health and Human Services to the extent those funds represent the recovery of previously expended Medicaid funds.

(d) Recommendation. – The Attorney General may provide a nonbinding written recommendation to the chairs of the Senate and House Appropriations Committees for their consideration as to what purpose the funds subject to the prohibitions in subsection (b) of this section should be appropriated for.

(e) Overrealized Receipts. – Any provision of law authorizing the expenditure of overrealized receipts shall not apply to the funds referred to in subdivision (1) of subsection (b) of this section unless the language of the law specifically references this section or specifically references funds received by the State or a State agency from a settlement or other final order or judgment of the court.

(f) Required Disposition. – If the terms of a federal grant, another provision of State or federal law, or the State Constitution require a specific disposition of funds received from a settlement or other final order or judgment of the court, nothing in this section shall be construed to supersede, or authorize a deviation from, that specific disposition. Furthermore, nothing in this subsection shall be construed to abrogate the requirement that funds drawn from the State treasury be in consequence of appropriations made by law.

(g) Required Submission. – In addition to any other report or filing that may be required by law, and unless the settlement is sealed pursuant to a written order of the court in accordance with G.S. 132-1.3 or federal law, the Attorney General's Office shall submit a copy to the Legislative Library of any settlement or other final order or judgment of the court in which the State or a State agency receives funds. The submission required by this subsection shall be made within 60 days of the date (i) the settlement is entered into or (ii) the final order or judgment of the court is entered. Any information deemed confidential by State or federal law shall be redacted from the copy of the settlement or other final order or judgment of the court prior to submitting it to the Legislative Library."

SECTION 6.6.(b) This section is effective July 1, 2014, and applies to settlements entered into on or after that date and other final orders or judgments of the court entered on or after that date.

PILOT PROGRAM TO IMPROVE BUDGETING OF THE GENERAL FUND

SECTION 6.7.(a) Finding. – The General Assembly finds that State budgeting is more transparent when the enacted budget for any given fiscal year appropriates all State funds intended for expenditure during that fiscal year, including funds encumbered in prior fiscal years, funds carried forward from prior fiscal years pursuant to statutory authority, and unearned revenue earned in a prior fiscal year.

SECTION 6.7.(b) Review of Current Practices. – The Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, shall examine all of the following:

(1) How funds in the General Fund are currently accounted for, including practices relating to (i) the reversion of appropriated funds to the General Fund, (ii) the appropriation of funds to pay obligations incurred in prior fiscal years, (iii) the movement of funds into and out of special funds, and (iv) related matters.

(2) How the practices examined pursuant to subdivision (1) of this section compare with those of other states.

(3) Whether any statutory or administrative changes would improve the transparency and accounting accuracy of the General Fund.

(4) Whether the practices examined pursuant to subdivision (1) of this section comply with applicable standards of the Governmental Accounting Standards Board.

SECTION 6.7.(c) Pilot Program. – The Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, shall establish and operate a pilot program to test measures for improving the extent to which funds that are to be spent in a given fiscal year are properly budgeted in that fiscal year. The pilot program shall be subject to the following requirements:

(1) The pilot program shall include at least the following programs and funds:
   a. All grant programs and special funds within the Department of Environment and Natural Resources.
   b. All unexpended appropriations carried forward by The University of North Carolina pursuant to G.S. 116-30.3.

(2) Funds and programs that are included in the pilot program shall be subject to the following requirements:
   a. A 30-day liquidation period for encumbered funds that do not revert at the end of the 2014-2015 fiscal year under G.S. 143C-1-2(b). If encumbered funds have not been spent at the expiration of the 30-day period, the appropriation of those funds shall lapse and the funds shall revert to the fund from which the appropriation was made. The funds required to satisfy the terms of the encumbrance may be appropriated in the 2015-2016 fiscal year.
   b. A requirement (i) that The University of North Carolina prepare an estimate of the amount of funds it anticipates will be carried forward into the 2015-2016 fiscal year pursuant to G.S. 116-30.3 and (ii) that the Governor include this estimate in the budget recommendations submitted pursuant to G.S. 143C-3-5 for the 2015-2016 fiscal year.

SECTION 6.7.(d) Report. – No later than October 1, 2015, the Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, shall report the results of the review and pilot program required by this section to the chairs of the Senate Appropriations/Base Budget Committee, to the chairs of the House Appropriations Committee, and to the Director of the Budget. The report may include a recommendation to extend the pilot program for an additional fiscal year, if this is deemed desirable.

SECTION 6.7.(e) Recommendations for an Alternative Pilot Program. – If the Office of State Budget and Management and the Office of the State Controller, in consultation with the General Assembly's Fiscal Research Division, determine that the pilot program required by this section cannot be implemented, they shall report the reasons for reaching this conclusion, along with any other findings and recommendations for future action, to the chairs of the Senate Appropriations/Base Budget Committee, to the chairs of the House Appropriations Committee, and to the Director of the Budget no later than February 1, 2015. If a report is submitted pursuant to this subsection, then the pilot program required by subsection (c) of this section shall not be implemented, but the review required by subsection (b) of this section shall nonetheless be performed.

SECTION 6.7.(f) Expiration of Pilot Program. – The pilot program required by this section shall expire upon the submission of the report required by subsection (d) of this section or the submission pursuant to subsection (e) of this section stating that the pilot program cannot be implemented.

SECTION 6.7.(g) Effective Date. – This section is effective when it becomes law and applies to funds appropriated for the 2014-2015 fiscal year and subsequent fiscal years.

ORDER OF APPROPRIATIONS BILLS

SECTION 6.8. G.S. 143C-5-2 reads as rewritten:

"**§ 143C-5-2. Order of appropriations bills.**

(a) Each house of the General Assembly shall first pass its version of the Current Operations Appropriations Act on third reading and order it sent to the other chamber before placing any other appropriations bill on the calendar for second reading. This section does not apply to the following bills:

(1) An appropriations bill to respond to an emergency as defined by G.S. 166A-19.3.

(2) An appropriations bill making adjustments to the current year budget.

(3) An appropriations bill authorizing continued operations at current funding levels.

(4) In even-numbered years, an appropriations bill that contains a statement that the General Assembly does not intend to enact a Current Operations Appropriations Act that year."

(b) The provisions of subsection (a) of this section shall apply to each fiscal year of the biennium."

PROHIBIT "REVOLVING DOOR" EMPLOYMENT FOR STATE EMPLOYEES

SECTION 6.9.(a) Chapter 143 of the General Statutes is amended by adding a new Article to read:

"Article 3I.

"Limitations on Certain Private Employment After Serving State.

"**§ 143-64.90. Definitions.**

Unless the context requires otherwise, the following definitions apply in this Article:

(1) Person. – As defined in G.S. 55-1-40 but does not include (i) the United States government, (ii) the State, (iii) other states, (iv) units of local government, or (v) school districts.

(2) State agency. – Includes any agency, institution, board, commission, bureau, department, division, council, or other organization of State government, including, but not limited to, the Council of State and any institution of higher education that is regulated under Chapter 116 of the General Statutes.

(3) State employee. – An individual employed by a State agency and whose State service was creditable in any North Carolina retirement system.

"**§ 143-64.91. Revolving door prohibition for certain State employees.**

The following individuals shall not, either prior to or within a period of six months immediately after termination of State employment, knowingly accept employment with, commence employment with, or receive compensation for services from, a person that contracted with or was regulated by the State:

(1) A State employee who, in the six months immediately preceding termination of State employment, participated personally and substantially in the award or management of a State contract with the person, or its parent or subsidiary, if the State employee would be performing any services directly related to the State contract.

(2) A State employee who, in the six months immediately preceding termination of State employment, participated personally and substantially in making a regulatory or licensing decision that directly applied to the person, or its parent or subsidiary, if the State employee would be working on the same subject matter as the regulatory or licensing oversight.

"**§ 143-64.92. Notice of positions subject to this Article.**

(a) Each State agency shall adopt a policy delineating which State positions under its jurisdiction and control, by the nature of their duties, would likely have the authority to

participate personally and substantially in the award or management of State contracts or in regulatory or licensing decisions.

(b) A State agency may designate additional State positions under its jurisdiction and control, not otherwise subject to the policies required by subsection (a) of this section, as subject to the notification requirement of subsection (c) of this section due to the position's potential involvement in the award or management of State contracts or in regulatory or licensing decisions.

(c) State agencies shall give written notice and explanation to an employee serving in a position to which this Article would be applicable in the following circumstances:

(1) Upon hiring, promotion, or transfer into the relevant position.

(2) At the time the employee's duties are changed in such a way as to subject that employee to this Article.

(3) Upon departure from the relevant position.

(d) Neither the failure to be designated pursuant to subsection (a) or (b) of this section nor the failure to receive notification pursuant to subsection (c) of this section is a defense to a violation of this Article.

"**§ 143-64.93. Penalties.**

Any person who violates this Article, or solicits or conspires with a person to violate this Article, shall be guilty of a Class 3 misdemeanor and shall be fined in an amount no less than one thousand dollars ($1,000), nor more than five thousand dollars ($5,000)."

SECTION 6.9.(b) Each agency shall make the designations required by G.S. 143-64.93, enacted by subsection (a) of this section, no later than three months after the effective date of this act.

SECTION 6.9.(c) Except for subsection (b) of this section, this section becomes effective December 1, 2014, but shall not apply to any individual who otherwise would be covered by Article 3I of Chapter 143 of the General Statutes, as enacted by subsection (a) of this section, but has either accepted or commenced employment, or received compensation, prior to that date.

REPORTING ON AGENCY REORGANIZATIONS AND MOVEMENTS OF POSITIONS

SECTION 6.10. Article 6 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-6-12. Quarterly report on State agency reorganizations and movements of positions.**

The Office of State Budget and Management shall report quarterly to the Joint Legislative Commission on Governmental Operations on reorganizations of State agencies and movements of State agency positions. Each report submitted pursuant to this section shall include all of the following information for the previous quarter:

(1) A list of all reorganizations within State agencies or between State agencies.

(2) A list of all positions moved within a State agency or between State agencies.

(3) A statement of the purpose of each reorganization and position movement undertaken and of the legal authority under which each reorganization and position movement was made."

PART VII. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND

SECTION 7.1. Section 7.1 of S.L. 2013-360 reads as rewritten:

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

	FY 2013-2014	FY 2014-2015
General Fund Appropriation for IT Fund	$6,053,142	~~$6,055,342~~$7,426,816
General Fund Appropriation for Government Data Analytics Center	$3,000,000	~~$4,417,515~~$7,917,515
GDAC Carryforward		$1,500,000
Criminal Justice Law Enforcement Automated Data System (CJLEADS)		$1,129,488
Transfer from Department of Commerce for LiDAR		$3,266,157
Geodetic Survey Transfer		$852,492
Geospatial Technology Management Transfer		$6,002
Interest	$2,200	$2,200
IT Fund Balance, June 30	$0	~~$0~~$2,200
Total Funds Available	$9,055,342	~~$10,475,057~~$22,102,870

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

Information Technology Operations		
Criminal Justice Information Network	$189,563	$189,563
Center for Geographic Information and Analysis	$495,338	~~$495,338~~$4,619,989
Enterprise Security Risk Management	$864,148	$864,148
Enterprise Project Management Office	$1,473,285	$1,473,285
Architecture and Engineering	$851,986	$851,986
State ~~Web Site~~Portal	$224,741	~~$224,741~~$1,588,415
Enterprise Licenses	$33,000	$33,000
Longitudinal Data Board		$5,000
Unmanned Aircraft Systems Board		$5,000
Subtotal Information Technology Operations	$4,132,061	~~$4,132,061~~$9,630,386
Information Technology Projects		
Government Data Analytics Center	$3,000,000	~~$4,417,515~~$9,630,386
CJLEADS		$1,129,488
IT Consolidation	$1,021,081	$1,021,081
Electronic Forms/Digital Signatures	$900,000	$900,000
Subtotal Information Technology Projects	$4,921,081	~~$6,338,596~~$12,468,084
Total	$9,053,142	~~$10,470,657~~$22,098,470

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

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

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND/RATE SETTING

SECTION 7.2. Section 7.2 of S.L. 2013-360 reads as rewritten:

"...

"**SECTION 7.2.(b)** IT Internal Service Fund. – For ~~each year of the 2013-2015 fiscal biennium,~~ the 2014-2015 fiscal year, receipts for the IT Internal Service Fund shall not exceed ~~one hundred ninety million dollars ($190,000,000),~~ one hundred ninety million one dollars ($190,000,001), excluding a 60-day balance for contingencies. Rates approved by the Office of State Budget and Management (OSBM) to support the IT Internal Service Fund shall be based on this fund limit. In the event the Fund exceeds the required limit, rates shall be adjusted within 30 days. In the event that an increase in receipts for the IT Internal Service Fund is required, the Office of Information Technology services may only implement the increase after consultation with the Joint Legislative Commission on Governmental Operations.

"**SECTION 7.2.(c)** Rate Setting. – By ~~October 31, 2013,~~ October 31, 2014, the State Chief Information Officer shall establish consistent, fully transparent, easily understandable rates that reflect industry standards for each service for which any agency is charged. A detailed written report explaining the rate structure shall be submitted to the Joint Legislative Commission on Governmental Operations, the Chairs of the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division. An interim written report shall be submitted by ~~July 30, 2013.~~ August 1, 2014. Overhead charges to agencies shall be consistently applied and shall reflect industry standards for the particular service. Rate increases shall require the approval of OSBM and consultation with the Joint Legislative Commission on Governmental Operations. Rate reductions may be implemented following notification of OSBM.

"**SECTION 7.2.(c1)** By October 31, 2014, the State Chief Information Officer shall establish rates for use of the Criminal Justice Law Enforcement Automated Data System (CJLEADS) by federal and private entities and users outside the State. These rates shall be reported to the Joint Legislative Oversight Committee on Information Technology.

"**SECTION 7.2.(c2)** By August 1, 2014, the name of the individual and the office responsible for overseeing the rate-setting process shall be provided to the chairs of the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

"**SECTION 7.2.(c3)** For the 2014-2015 fiscal year, funds in the IT Internal Service Fund are nonrecurring funds. Future appropriations to the IT Internal Service Fund will be dependent on the development of a fully transparent, consistent, and easy-to-understand rate structure. The proposed rate structure must be presented annually, with justifications, to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division, which shall make funding recommendations to the chairs of the Senate and House of Representatives Committees on Appropriations.

...."

INFORMATION TECHNOLOGY RESERVE FUND

SECTION 7.3. Section 7.3 of S.L. 2013-360 reads as rewritten:

"**SECTION 7.3.(a)** Funds in the Information Technology (IT) Reserve Fund for the 2013-2014 fiscal year consist of the sum of twenty-eight million dollars ($28,000,000) appropriated from the General Fund. Funds in the IT Reserve Fund for the 2014-2015 fiscal year consist of the sum of ~~thirty-one million five hundred eighty-two thousand four hundred eighty-five dollars ($31,582,485)~~nineteen million nine hundred twenty-one thousand three hundred ninety-three dollars ($19,921,393) appropriated from the General Fund.

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

	FY 2013-2014	FY 2014-2015
Prepare/Focus	$ 250,000	$ 0
Plan	1,570,806	~~2,239,512~~1,570,806
Build	1,507,353	~~2,882,254~~1,507,353
Remediation	1,100,000	600,000
Security	1,571,394	392,788
Network Simplification	0	4,832,485
Desktop Remediation	17,000,000	~~13,300,000~~6,300,000
Desktop Software Licenses	4,015,000	2,300,000
Operate	985,447	~~685,446~~185,446
Customer Data	0	~~1,000,000~~0
Secure Sign-On	0	~~3,350,000~~2,232,515
Innovation Center	0	0

"**SECTION 7.3.(c)** By ~~September 15, 2013,~~September 15, 2014, the State Chief Information Officer shall ~~provide a~~update the time line for completing initiatives included in the IT Reserve Fund to the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division. The time line shall include the dates for completion of a strategic plan, an enterprise architecture, a new business case methodology, and implementation of a new project management process. Not later than the dates specified in the time line, each of these documents shall be submitted to the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division.

"**SECTION 7.3.(d)** Unless a change is approved by the State Chief Information Officer after consultation with the Office of State Budget and Management, funds appropriated to the IT Reserve Fund shall be spent only as specified in this section. Changes shall not result in any degradation to the purposes for which the funds were originally appropriated.

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

INFORMATION TECHNOLOGY OPERATIONS

SECTION 7.4.(a) Section 7.4 of S.L. 2013-360 is amended by adding a new subsection to read:

"**SECTION 7.4.(a1)** Unless an exception is granted in writing by the State Chief Information Officer, any new equipment purchased by State agencies to replace equipment currently housed in State agency data centers and any equipment purchased to provide new data center capabilities for State agencies shall be installed in Office of Information Technology Services data centers. Prior to purchasing any new equipment, State agencies shall coordinate with the Office of the State Chief Information Officer and the Office of Information Technology Services to ensure ITS has the capability to support planned equipment purchases.

By August 1, 2014, the Office of the State Chief Information Officer shall identify the individual and office responsible for overseeing the process required by this subsection and report the name of the identified individual to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

Beginning October 1, 2014, the Office of the State CIO shall report quarterly in writing to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the implementation of this requirement, the specific nature of any exceptions granted, and the reason for each exception."

SECTION 7.4.(b) Section 7.4(c) of S.L. 2013-360 reads as rewritten:

"**SECTION 7.4.(c)** Restructuring Plan. – ~~The State CIO shall conduct a comprehensive review of the State's overall information technology operations, including the efficacy of existing exemptions and exceptions from unified State IT governance. Based upon this analysis, the~~ The State CIO shall ~~develop a~~ update the plan to restructure the State's IT operations for the most effective and efficient utilization of resources and capabilities. The plan shall include identifying, documenting, and providing a framework for developing and implementing the education and training required for all State information technology personnel, including information technology contracting professionals. Each State agency, department, and institution, and The University of North Carolina, shall (i) cooperate fully with the Office of the State CIO during the review and assessment phase of restructuring plan development and (ii) provide to the State CIO all information needed to carry out the purposes of this subsection. By ~~May 1, 2014,~~ December 1, 2014, the State CIO shall present the plan to the Joint Legislative Oversight Committee on Information Technology, along with any recommended legislative proposals ~~for implementation to be considered for introduction during the 2014 Regular Session of the 2013 General Assembly.~~to the 2015 General Assembly.

By August 1, 2014, the Office of the State Chief Information Officer shall identify the individual and office responsible for overseeing the process required by this subsection and report the name of the identified individual to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division."

TAX INFORMATION MANAGEMENT SYSTEM CHANGES

SECTION 7.5.(a) The public-private partnerships previously initiated to develop and implement the Tax Information Management Systems (TIMS) are no longer authorized. Effective July 1, 2014, all funding for the TIMS project must be appropriated by the General Assembly to the Department of Revenue for each initiative comprising the project, including all funding generated by the benefits stream.

SECTION 7.5.(b) Section 7.17 of S.L. 2013-360 reads as rewritten:

"**SECTION 7.17.(a)** Additional Public-Private Partnership. – The Secretary of Revenue may enter into an additional public-private arrangement in order to expand the implementation of the Tax Information Management System (TIMS). All such arrangements will terminate ~~June 30, 2018. The public-private arrangement may include terms necessary to implement additional revenue-increasing or cost-savings components if all of the following conditions are met:~~January 31, 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(1) Details of each public-private contract.~~

~~(2) The benefits from each contract.~~

~~(3) A comprehensive forecast of the benefits of using public-private agreements to implement TIMS, the additional PDP components, and additional components authorized by this section, including cost-savings and the acceleration of the project time line.~~

~~(4) Any issues associated with the operation of the public-private partnership.~~

"**SECTION 7.17.(i)** Information Technology Project Oversight. – ~~In addition to the oversight provided by the Oversight Committee established in Section 6A.5(c) of S.L. 2011-145, the additional public-private arrangement~~ Contracts pertaining to TIMS as authorized by this section shall be subject to existing State information technology project

oversight laws and statutes, and the project management shall comply with all statutory requirements and other criteria established by the State Chief Information Officer and the Office of State Budget and Management for information technology projects. The State Chief Information Officer and the Office of State Budget and Management shall immediately report any failure to do so to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

...."

SECTION 7.5.(c) Section 6A.5 of S.L. 2011-145, as amended by Section 6A.3(j) of S.L. 2012-142 and Section 7.17(j) of S.L. 2013-360, reads as rewritten:

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

The members of the Committee shall include the following:

(1) The Director of the Office of State Budget and Management;
(2) The Secretary of the Department of Revenue;
(3) The State Chief Information Officer;
(3a) The State Auditor;
(4) Two persons appointed by the Governor;
(5) One member of the general public having expertise in information technology appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives; and
(6) One member of the general public having expertise in economic and revenue forecasting appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate.

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

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

"**SECTION 6A.5.(c1)** The TIMS Oversight Committee created by Section 6A.5(c) of this act shall do all of the following:

(1) Approve and monitor management performance measures.
(2) Approve project initiatives.
(3) Approve project changes.

(4) Provide project oversight.
(5) Review funding requirements and project expenditures.
(6) Provide TIMS project recommendations to the Department of Revenue and the General Assembly.
(7) Ensure Department of Revenue compliance with all applicable laws.

"**SECTION 6A.5.(c2)** Beginning August 1, 2014, and quarterly thereafter, the Department of Revenue shall submit detailed quarterly reports to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the Senate Appropriations Committee on General Government and Information Technology, the Chairs of House Appropriations Subcommittee on General Government, the Chair of the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division. At a minimum, the reports shall include all of the following:

(1) Project status, to include any issues identified by the Enterprise Project Management Office.
(2) Comparison of project status to the time line, with an explanation of any differences.
(3) Any changes in project cost.
(4) Actual expenditures to date.
(5) Any variances from projected expenditures and the reasons for the variance.
(6) Any potential funding shortfalls and their impact.
(7) Any issues identified by the Department of Revenue, with a corrective action plan and a time line for resolving the issues.
(8) Impact of any issues identified on the project schedule.
(9) Impact of any issues identified on project cost.
(10) Any changes to the project scope.
(11) Any change requests submitted to project vendors and the cost of the changes."

GOVERNMENT DATA ANALYTICS CENTER/BUSINESS INTELLIGENCE

SECTION 7.6.(a) G.S. 143B-426.38A reads as rewritten:

"(a) State Government Data Analytics. – The State shall initiate across State agencies, departments, and institutions a data integration and data-sharing initiative that is not intended to replace transactional systems but is instead intended to leverage the data from those systems for enterprise-level State business intelligence. For the purposes of this section, the term "business intelligence (BI)" means the process of collecting, organizing, sharing, and analyzing data through integrated data management, reporting, visualization, and advanced analytics to discover patterns and other useful information that will allow policymakers and State officials to make more informed decisions. The term also includes:

(1) Broad master data management capabilities such as data integration, data quality and enrichment, data governance, and master data management to collect, reference, and categorize information from multiple sources.
(2) Self-service query and reporting capabilities to provide timely, relevant, and actionable information to business users delivered through a variety of interfaces, devices, or applications based on their specific roles and responsibilities.

All State agency business intelligence requirements, including any planning or development efforts associated with creating BI capability, shall be implemented through the GDAC using established contracts. The State Chief Information Officer shall ensure that State agencies use the GDAC for agency business intelligence requirements.

...

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

...."

SECTION 7.6.(b) Of the funds appropriated to the Information Technology Fund, the sum of nine million four hundred seventeen thousand five hundred fifteen dollars ($9,417,515) for the 2014-2015 fiscal year shall be used to support the GDAC and NCFACTS. Of these funds, the sum of one million four hundred seventeen thousand five hundred fifteen dollars ($1,417,515) shall be used in each fiscal year of the 2013-2015 fiscal biennium for Office of State Controller internal costs. An additional one million one hundred twenty-nine thousand four hundred eighty-eight dollars ($1,129,488) for the 2014-2015 fiscal year shall be used to support the Criminal Justice Law Enforcement Automated Data System.

INFORMATION TECHNOLOGY CONTRACTS

SECTION 7.7.(a) Section 7.7(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 7.7.(a)** SCIO Review. – The State Chief Information Officer (State CIO) shall review all State information technology (IT) contracts and shall develop a plan to consolidate duplicate IT contracts and multiple IT contracts with the same vendor. The State CIO shall ensure that all State information technology contracts include provisions for a detailed performance schedule with specific milestones and deliverables, including appropriate penalties for any failure to fulfill those requirements."

SECTION 7.7.(b) Section 7.7 of S.L. 2013-360 is amended by adding a new subsection to read:

"**SECTION 7.7.(g)** Enhance State IT Contract Expertise. – The State Chief Information Officer (State CIO), the Office of State Human Resources, and the Schools of Government and Law at the University of North Carolina at Chapel Hill shall work jointly to create a career path for State government information technology contracting professionals that includes defined qualifications, career progression, training opportunities, and appropriate compensation. By December 1, 2014, the State CIO shall submit a detailed, fully implementable plan to create the career path for State government information technology contracting professionals to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division."

INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT REQUIREMENTS

SECTION 7.8. Section 7.8 of S.L. 2013-360, as amended by Section 2.3 of S.L. 2013-363, reads as rewritten:

"~~**SECTION 7.8.**~~**SECTION 7.8.(a)** Notwithstanding any provision of law to the contrary, no contract for information technology personal services, or that provides personnel to perform information technology functions, may be established or renewed without written approval from the Statewide Information Technology Procurement Office and the Office of State Budget

and Management. To facilitate compliance with this requirement, the Statewide Information Technology Procurement Office shall develop and document the following:

(1) Standards for determining whether it is more appropriate for an agency to hire an employee or use the services of a vendor.

(2) A process to monitor all State agency personal services contracts, as well as any other State contracts providing personnel to perform information technology functions.

(3) A process for obtaining approval of contractor positions.

By no later than September 1, 2014, this documentation shall be submitted to the Joint Legislative Committee on Information Technology and to the Fiscal Research Division.

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

"**SECTION 7.8.(b)** Beginning October 1, 2014, the Office of the State Chief Information Officer shall submit quarterly a detailed written report to the Joint Legislative Oversight Committee on Information Technology and Fiscal Research Division on information technology (IT) personal services contracts. At a minimum, the report shall include all of the following:

(1) The name of the individual and the office responsible for overseeing IT personal services contractors for the State.

(2) Number of IT personal services contract personnel in each State agency.

(3) Length of time each personal services contractor has been engaged by the State, in any capacity, as a personal services contractor.

(4) Cost for each personal services contractor, with subtotals by agency and the grand total for the State as a whole.

(5) Comparable cost (including benefits and other support costs) for a State employee providing the same function, with subtotal by agency and the grand total for the State as a whole.

(6) Change in number of personal service contractors by State agency, and for the State as a whole, since the previous report.

(7) Number of personal service contractors whose contracts have been extended since the previous report, by State agency and for the State as a whole.

(8) Number of personal services contractors added by State agency, and the State as a whole, since the previous report.

(9) Change in total annualized cost for personal services contractors by State agency and for the State as a whole.

(10) Number of personal service contractors who have converted status to State employment, by State agency and for the State as a whole, with the annualized costs savings to the State.

(11) Number of status conversions from contractor to State employee pending, by State agency and for the State as a whole.

(12) Number of personal services contractor positions eliminated since the previous report.

(13) Efforts made by the Office of the State CIO, the Office of State Budget and Management, and the Office of State Human Resources to oversee and manage the IT personal services contractor process.

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

STATE INFORMATION TECHNOLOGY INNOVATION CENTER

SECTION 7.9.(a) Section 7.13 of S.L. 2013-360 reads as rewritten:

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

"**SECTION 7.13.(b)** In addition to the requirements of subsection (a) of this section, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology on the results of any initiatives conducted through the Center and whether each initiative will result in a new information technology project or program."

SECTION 7.9.(b) A State agency that undertakes an information technology product or service integration effort shall coordinate that effort with the State Information Technology Innovation Center (Center) and shall document that coordination in writing. Agencies shall use the resources of the Center whenever practicable.

ENTERPRISE GRANTS MANAGEMENT

SECTION 7.10. Section 7.14(b) of S.L. 2013-360 reads as rewritten:

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

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

The Committee shall meet at least quarterly. The Committee shall prepare and submit meeting minutes promptly to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division no more than five days after each meeting.

By August 1, 2014, the Office of the State Chief Information Officer shall identify the individual and office responsible for overseeing development of the grants management system and report that information to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division."

VEHICLE MANAGEMENT

SECTION 7.11.(a) If Section 7.16(e) of S.L. 2013-360 is repealed during the 2014 Regular Session of the 2013 General Assembly, then Section 7.16 is amended by adding the following new subsection:

"**SECTION 7.16.(g)** Until December 31, 2015, no State or local governmental entity or officer may procure or operate an unmanned aircraft system or disclose personal information about any person acquired through the operation of an unmanned aircraft system unless the State CIO approves an exception specifically granting disclosure, use, or purchase. Any exceptions to the prohibition in this subsection shall be reported immediately to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The following definitions apply in this section:

(1) "Unmanned aircraft" means an aircraft that is operated without the possibility of human intervention from within or on the aircraft.

(2) "Unmanned aircraft system" means an unmanned aircraft and associated elements, including communication links and components that control the unmanned aircraft that are required for the pilot in command to operate safely and efficiently in the national airspace system."

SECTION 7.11.(b) Section 7.16 of S.L. 2013-360 is amended by adding a new section to read:

"**SECTION 7.16.(h)** The State CIO shall implement a cross-functional UAS Governance Board (Board) to oversee UAS operations within the State of North Carolina. The Board shall meet at least quarterly and shall provide recommendations regarding long term UAS governance and operations to the Office of the State CIO and the Joint Legislative Oversight Committee on Information Technology. Administrative support for the Board shall be provided by the Office of the State CIO. The Board shall be composed of eleven members as follows:

(1) State Chief Information Officer, who shall serve as chair.

(2) These officers or their respective designees:

a. Secretary of the Department of Transportation.

b. Secretary of the Department of Environment and Natural Resources.

c. Secretary of the Department of Public Safety.

d. North Carolina Attorney General.

e. Director of the Next Generation Air Transportation Center.

(3) One member of the State Bar appointed by the Governor.

(4) One member of the public with aviation expertise appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate.

(5) One member of the North Carolina Sheriffs' Association or North Carolina Police Chiefs' Association appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate

(6) One member of the public with information privacy expertise appointed the General Assembly upon the recommendation of the Speaker of the House of Representatives.

(7) One member representing local first responders appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives."

USE OF MOBILE COMMUNICATIONS DEVICES

SECTION 7.12.(a) G.S. 147-33.91(a) reads as rewritten:

"(a) With respect to State agencies, the State Chief Information Officer shall exercise general coordinating authority for all telecommunications and mobile electronic communications matters relating to the internal management and operations of those agencies. In discharging that responsibility, the State Chief Information Officer, in cooperation with affected State agency heads, may:

...

(14) Monitor the use of mobile electronic communications devices within State agencies and maintain information on the following:

a. The total number of devices issued by each agency.

b. The total cost of mobile devices issued by each agency.

c. The number and cost of new devices issued.

d. The contracts used to obtain the devices."

SECTION 7.12.(b) Section 7.18 of S.L. 2013-360 is repealed.

STATE PORTAL IMPLEMENTATION/REQUIREMENTS

SECTION 7.13.(a) The State Chief Information Officer shall implement and operate a statewide electronic portal to increase the convenience of members of the public in conducting online transactions with, and obtaining information from, State government, and to facilitate their interactions and communications with government agencies. The portal shall be developed using State information technology resources, to include resources available through The University of North Carolina and its constituent institutions.

SECTION 7.13.(b) Prior to implementation of a State portal, the State Chief Information Officer shall provide all of the following to the General Assembly:

(1) A detailed plan for development and implementation of the portal, to include a list of anticipated applications to be implemented during fiscal years 2014-2015 and 2015-2016.

(2) A description of how the portal is to be implemented, to include detailed information on potential costs, including total cost of ownership of the portal and any applications proposed for implementation during fiscal years 2014-2015 and 2015-2016.

(3) A funding model for the implementation that does not increase the cost of access to services for any citizen of the State.

SECTION 7.13.(c) The State portal project shall meet all requirements for project management established by the State Chief Information Officer and State law. Participation by State agencies in the State portal shall be voluntary. State agency receipts shall not be affected by the development and implementation of the State portal. Current State agency plans and operations shall not require any changes due to the development and implementation of the State portal.

SECTION 7.13.(d) Notwithstanding any other provision of law, all fees associated with the State portal shall be set by the General Assembly in the Current Operations Appropriations Act.

DEPARTMENT OF TRANSPORTATION INFORMATION TECHNOLOGY MODERNIZATION

SECTION 7.14.(a) Of the funds appropriated to the Department of Transportation (DOT), the sum of twenty-three million three hundred eighty-six thousand eight hundred

twenty-two dollars ($23,386,822) for the 2014-2015 fiscal year is allocated for the following information technology projects and associated activities:

	FY 2014-2015
Replacement of the State Automated Driver License System (SADLS) – Project Phases 1, 2, and 3	$14,946,903
Division of Motor Vehicles Mobile Unit Replacement	$796,000
Division of Motor Vehicles Kiosk Pilot Program	$600,000
Division of Motor Vehicles Card Payment Operations & Maintenance	$1,512,919
Division of Motor Vehicles – Service-Oriented Architecture	$3,000,000
Division of Motor Vehicles Channel Strategy	$1,800,000
Division of Motor Vehicles – Online Renewal	$475,000
Division of Motor Vehicles – Web Application Development (Hearing Fee Implementation)	$256,000

SECTION 7.14.(b) Available funds shall be prioritized to expedite completion of the State Automated Driver License System modernization and replacement project. All DOT business intelligence activities, to include any planning and development, shall be implemented working through the Government Data Analytics Center. Service-oriented architecture efforts shall be coordinated in writing with the Office of the State Chief Information Officer. All DOT information technology product or service integration efforts shall be coordinated in writing with the State Information Technology Innovation Center.

SECTION 7.14.(c) By September 1, 2014, the DOT Chief Information Officer shall identify a responsible individual for each project listed above and provide those names to the Joint Legislative Oversight Committee on Information Technology and the Joint Legislative Transportation Oversight Committee.

SECTION 7.14.(d) Beginning October 1, 2014, the DOT Chief Information Officer shall submit a quarterly, written report on the status of each information technology project listed in this section to the Joint Legislative Oversight Committee on Information Technology and the Joint Legislative Transportation Oversight Committee. At a minimum, the report shall include all of the following:

(1) Project status, to include any issues identified by the Enterprise Project Management Office.
(2) Comparison of project status to the time line, with an explanation of any differences.
(3) Any changes in project cost.
(4) Actual expenditures to date.
(5) Any variances from projected expenditures and the reasons for the variance.
(6) Any potential funding shortfalls and the potential impact of the funding shortfalls.
(7) Any issues identified by the DOT, with a corrective action plan and a time line for resolving the issues.
(8) Impact of any issues identified on the project schedule.
(9) Impact of any issues identified on project cost.
(10) Any changes to the project.
(11) Any change requests submitted to project vendors and the cost of those changes.

ENTERPRISE RESOURCE PLANNING SYSTEM

SECTION 7.15.(a) By December 1, 2014, the State Chief Information Officer (State CIO), in coordination with the Office of the State Controller and the Office of State Budget and Management, shall define the requirements and develop a detailed plan for a

statewide enterprise resource planning (ERP) system. At a minimum, the plan shall address all of the following:

(1) Project management.
(2) Project scope.
(3) Specific project requirements.
(4) Time line.
(5) Cost by State fiscal year.
(6) Potential funding sources.
(7) Quality control.
(8) Change management.
(9) Risks associated with the project.
(10) Stakeholder management.

SECTION 7.15.(b) By August 1, 2014, the Office of the State CIO shall identify the individual and office responsible for the development of the ERP plan required by this section and provide the name of the individual to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

STUDY FEASIBILITY OF SELLING GIS DATA

SECTION 7.16. The Center for Geographic Information and Analysis in the Office of the State Chief Information Officer shall study the feasibility of selling Geographic Information Systems data. By December 1, 2014, the Center shall report its findings to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

PART VIII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 8.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand seven hundred sixty-eight dollars and eleven cents ($3,768.11) per child for the 2014-2015 fiscal year. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and five-tenths percent (12.5%) of its 2014-2015 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 8.2. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred thirty-nine dollars and sixty-five cents ($1,239.65) per child for the 2014-2015 fiscal year. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2014-2015 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

EXTEND THE DATE FOR SCHOOL EMPLOYEES TO QUALIFY FOR CERTAIN EDUCATION BASED SALARY SUPPLEMENTS

SECTION 8.3. Section 8.22 of S.L. 2013-360 reads as rewritten:

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

(1) Certified school nurses and instructional support personnel in positions for which a master's degree is required for licensure.

(2) Teachers and instructional support personnel who were paid on that salary schedule or received that salary supplement prior to the 2014-2015 school year.

(3) Teachers and instructional support personnel who complete a degree at the master's, six-year, or doctoral degree level for which they completed at least one course prior to August 1, 2013."

FUNDS FOR SMALL COUNTY SCHOOL ADMINISTRATIVE UNITS AND STUDY ON CONSOLIDATION.

SECTION 8.4.(a) Section 8.4 of S.L. 2013-360, as amended by Section 3.11 of S.L. 2013-363, reads as rewritten:

"**SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

...

"**SECTION 8.4.(d)** Allotment ~~Formula~~Schedule for the 2014-2015 Fiscal Year. – Except as otherwise provided in ~~subsection~~ subsections (e) and (g) of this section, for the 2014-2015 fiscal year, each eligible county school administrative unit shall receive a dollar allotment ~~equal to the product of the following:~~according to the following schedule:

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

~~a. One, minus the local school administrative unit's average daily membership divided by the maximum small school system average daily membership.~~

~~b. The maximum small school system dollars per student.~~

~~(2) The average daily membership of the eligible county school administrative unit.~~

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

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

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

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

...."

SECTION 8.4.(b) It is the intent of the General Assembly to implement a plan to consolidate by region the 25 local school administrative units with the lowest average daily membership of students by the end of the 2018-2019 school year if consolidation would be feasible and result in significant operational efficiencies for those local school administrative units.

To determine the feasibility of consolidating those local school administrative units, the Department of Public Instruction shall study consolidation and shall identify, as part of the study, the benefits of consolidation, including potential operational efficiencies, barriers to implementation, including county revenue and budgeting processes, and a potential regionalization plan.

The Department shall report on the results of the study and its recommendations with any proposed legislative changes, including proposed modifications to the small school system supplemental funding formula, to the 2015 General Assembly by March 15, 2015.

REPORTING REQUIREMENT FOR THE NC CENTER FOR ADVANCEMENT OF TEACHING

SECTION 8.5. In addition to an update of any information included in the report required by Section 8.10 of S.L. 2013-360, the North Carolina Center for the Advancement of Teaching (NCCAT) shall report the following information to the Fiscal Research Division no later than February 1, 2015:

(1) The number of teachers in service through the program.
(2) The areas of service for teachers participating in the program.
(3) The results of performance measures in place for determining whether the program is meeting its mission, goals, and objectives.
(4) Recommendations for statutory, budgetary, or administrative changes needed to improve the efficiency and effectiveness of the program.

CLARIFY BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 8.6. Section 8.6 of S.L. 2013-360 reads as rewritten:

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

"**SECTION 8.6.(b)** In implementing budget reductions for the 2014-2015 fiscal year, the Department of Public Instruction shall make no reduction to funding or positions for the North Carolina Center for the Advancement of Teaching and shall make no reduction in funding to any of the following entities:

(1) Communities in Schools of North Carolina, Inc.
(2) Teach for America, Inc.
(3) Beginnings For Parents of Children Who Are Deaf or Hard of Hearing, Inc."

CLARIFY CARRYFORWARD FOR SUMMER READING CAMPS

SECTION 8.7.(a) Section 8.16 of S.L. 2013-360 reads as rewritten:

"**SECTION 8.16.** Funds appropriated for the 2013-2015 fiscal biennium and subsequent fiscal years for summer reading camps as defined in G.S. 115C-83.3(9) shall not revert at the end of each fiscal year but shall remain available ~~until expended.~~for expenditure until August 31 of the subsequent fiscal year."

SECTION 8.7.(b) This section becomes effective June 30, 2014.

CARRYFORWARD FOR PANIC ALARM GRANTS

SECTION 8.8.(a) Section 8.37 of S.L. 2013-360 is amended by adding a new subsection to read:

"**SECTION 8.37.(b1)** Grants to local school administrative units, regional schools, and charter schools shall not revert at the end of the fiscal year but shall remain available for expenditure until the end of the subsequent fiscal year."

SECTION 8.8.(b) This section becomes effective June 30, 2014.

STATE BOARD OF EDUCATION NOTIFICATION TO THE GENERAL ASSEMBLY OF FEDERAL GRANT APPLICATIONS

SECTION 8.9. G.S. 115C-12 is amended by adding a new subdivision to read:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish policy for the system of free public schools, subject to laws enacted by the General Assembly. The powers and duties of the State Board of Education are defined as follows:

...

(42) To notify the General Assembly of federal grant applications. – The State Board of Education shall provide written notification to the General Assembly in accordance with G.S. 120-29.5 and to the Fiscal Research Division of its intent to apply for any federal grant prior to submitting the grant application."

PROPERTY INSURANCE SYSTEM FOR CHARTER SCHOOLS

SECTION 8.10. G.S. 115C-533 reads as rewritten:

"**§ 115C-533. Duty of State Board to operate insurance system.**

The State Board of Education shall have the duty to manage and operate a system of insurance for public school property. The State Board may offer a system of property insurance to any charter schools approved pursuant to G.S. 115C-238.29D."

NC EDUCATION ENDOWMENT FUND

SECTION 8.11.(a) Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 32E.

"North Carolina Education Endowment Fund.

"**§ 115C-472.16. Establishment of the North Carolina Education Endowment Fund.**

(a) There is established the North Carolina Education Endowment Fund. The Fund shall be a special fund consisting of (i) moneys credited to it under G.S. 20-81.12 from the sale of "I Support Teachers" special registration plates; (ii) proceeds of any gifts, grants, or contributions to the State that are specifically designated for inclusion in the Fund; (iii) appropriations made to it by the General Assembly; and (iv) interest accrued to it thereon. Moneys in the Fund shall be available for expenditure only upon an act of appropriation by the General Assembly.

(b) The General Assembly shall only appropriate moneys in the North Carolina Education Endowment Fund for teacher compensation that is related directly to improving student academic outcomes in the public schools of the State."

SECTION 8.11.(b) G.S. 20-79.4(b) is amended by adding a new subdivision to read:

"(b) Types. – The Division shall issue the following types of special registration plates:

...

() I Support Teachers. – Issuable to the registered owner of a motor vehicle in accordance with G.S. 20-81.12. The plate shall have a gray chalkboard background with "I SUPPORT TEACHERS" written in white chalk across the top of the plate, and an image of a red apple shall be in the lower left corner with the letters "ABC" appearing in white chalk over the apple."

SECTION 8.11.(c) G.S. 20-81.12(b12) reads as rewritten:

"(b12) I Support ~~Public Schools~~ Teachers Plates. – The Division must receive 300 or more applications for ~~a~~the I Support ~~Public Schools~~ Teachers plate before the plate may be developed. The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of I Support ~~Public Schools~~ Teachers plates to the ~~Fund for the Reduction of Class Size in Public Schools created pursuant to G.S. 115C-472.10.~~North Carolina Education Endowment Fund established pursuant to G.S. 115C-472.16."

SECTION 8.11.(d) G.S. 20-79.7 reads as rewritten:

"§ 20-79.7. Fees for special registration plates and distribution of the fees.

...

(a1) Fees. – All other special registration plates are subject to the regular motor vehicle registration fee in G.S. 20-87 or G.S. 20-88 plus an additional fee in the following amount:

Special Plate	Additional Fee Amount
...	
Harley Owners' Group	$20.00
I Support Teachers	$20.00
Jaycees	$20.00
...	
Special Forces Association	$20.00
~~Support Public Schools~~	~~$20.00~~
US Equine Rescue League	$20.00
...	

(b) Distribution of Fees. – The Special Registration Plate Account and the Collegiate and Cultural Attraction Plate Account are established within the Highway Fund. The Division must credit the additional fee imposed for the special registration plates listed in subsection (a) of this section among the Special Registration Plate Account (SRPA), the Collegiate and Cultural Attraction Plate Account (CCAPA), the Clean Water Management Trust Fund (CWMTF), which is established under G.S. 113A-253, and the Parks and Recreation Trust Fund, which is established under G.S. 113-44.15, as follows:

Special Plate	SRPA	CCAPA	NHTF	PRTF
...				
In-State Collegiate Insignia	$10	$15	0	0
I Support Teachers	$10	$10	0	0
Jaycees	$10	$10	0	0
...				
Support Our Troops	$10	$20	0	0
~~Support Public Schools~~	~~$10~~	~~$10~~	~~0~~	~~0~~

Support Soccer	$10	$15	0	0

...."

SECTION 8.11.(e) G.S. 20-63(b1) reads as rewritten:

"(b1) The following special registration plates do not have to be a "First in Flight" plate as provided in subsection (b) of this section. The design of the plates that are not "First in Flight" plates must be developed in accordance with G.S. 20-79.4(a3). For special plates authorized in G.S. 20-79.7 on or after July 1, 2013, the Division may not issue the plate on a background under this subsection unless it receives at least 200 applications for the plate in addition to the applications required under G.S. 20-79.4 or G.S. 20-81.12.

...

(43) Mountains-to-Sea Trail, Inc.

(44) I Support Teachers."

SECTION 8.11.(f) The Revisor of Statutes is authorized to alphabetize, number, and renumber the special registration plates listed in G.S. 20-79.4(b) to ensure that all the special registration plates are listed in alphabetical order and numbered accordingly.

SECTION 8.11.(g) Article 32C of Chapter 115C of the General Statutes is repealed.

SECTION 8.11.(h) Article 9 of Subchapter I of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-269.7. Contribution of income tax refund or payment to the North Carolina Education Endowment Fund.**

Any taxpayer entitled to a refund of income taxes under Article 4 of this Chapter, or any taxpayer who desires to make a contribution, may elect to contribute all or part of the refund or may make a contribution to the North Carolina Education Endowment Fund established pursuant to G.S. 115C-472.16 to be used in accordance with that statute. The Secretary shall provide appropriate language and space on the income tax form in which to make the election or contribution. The taxpayer's election or contribution becomes irrevocable upon filing the taxpayer's income tax return for the taxable year. The Secretary shall transmit the amounts designated pursuant to this section to the State Treasurer for credit to the North Carolina Education Endowment Fund."

SECTION 8.11.(i) Subsection (h) of this section is effective for taxable years beginning on or after January 1, 2014.

CLARIFY MILITARY SERVICE CREDIT FOR NEWLY HIRED EDUCATORS

SECTION 8.12. G.S. 115C-302.3(a) reads as rewritten:

"(a) The State Board of Education shall establish rules for awarding credit for salary purposes to principals, assistant principals, and ~~teachers~~teachers, who (i) served in the Armed Forces of the United ~~States and who~~ States; (ii) have retired or who have received an Honorable ~~Discharge.~~ Discharge; and (iii) have not been previously employed by a public school located in North Carolina. The rules shall include the following provisions:

(1) One full year of experience credit shall be awarded for each year of full-time relevant nonteaching work experience completed (i) while on active military duty in the Armed Forces of the United States and (ii) after earning a bachelor's degree.

(2) One full year of experience credit shall be awarded for each two years of full-time relevant nonteaching work experience completed (i) while on active duty in the Armed Forces of the United States and (ii) before earning a bachelor's degree.

(3) One full year of experience credit shall be awarded for every two years of full-time instructional or leadership duties while on active military duty in

the Armed Forces of the United States, regardless of academic degree held while in instruction or leadership roles."

SCHOOL TRANSPORTATION FLEET MANUAL REVIEW

SECTION 8.13.(a) The Department of Public Instruction shall study and review school bus transportation maintenance issues by convening a committee of school bus transportation maintenance experts, at least half of whom shall be employees of local boards of education from around the State directly involved in the daily maintenance of school buses. The study shall specifically review the provisions of the State's School Transportation Fleet Manual. The Department shall do at least the following when conducting the review:

(1) Specify those provisions of the current manual that are required by federal law, regulation, or guideline.

(2) Determine if the procedures in the Manual, including the out-of-service criteria, can be streamlined and simplified to meet the minimum requirements of federal law, including Highway Safety Program Guideline No. 17 on Pupil Transportation Safety, and eliminate any unnecessary or unduly burdensome requirements.

(3) Determine if the current 30-day school bus inspection schedule in G.S. 115C-248 is still appropriate or should be extended.

SECTION 8.13.(b) The Department of Public Instruction shall report on the study and the results of the review, along with any recommendations for statutory changes, to the Joint Legislative Education Oversight Committee by December 15, 2014.

TRANSPORTATION REDUCTION FLEXIBILITY

SECTION 8.14. The Department of Public Instruction shall have the authority to determine the amount of the budget reduction to the transportation allotment that reduces support for Driver Training and the amount of the budget reduction to the transportation allotment that reduces support for pupil transportation-related expenses for "yellow bus" use for eligible school age (K-12) students for travel to and from school and between schools.

DRIVER EDUCATION FUNDING

SECTION 8.15.(a) Effective July 1, 2015, G.S. 20-88.1(c) is repealed.

SECTION 8.15.(b) It is the intent of the General Assembly that, beginning with the 2015-2016 fiscal year, the driver education program administered by the Department of Public Instruction in accordance with G.S. 115C-215 shall no longer be paid out of the Highway Fund based on an annual appropriation by the General Assembly. Local boards of education shall use funds available to them, including a fee for instruction charged to students pursuant to G.S. 115C-216(g), to offer noncredit driver education courses in high schools.

SECTION 8.15.(c) G.S. 115C-216(g) reads as rewritten:

"(g) ~~Fee for Instruction.~~Funding for Courses. – The local boards of education shall fund driver education courses from funds available to them and may charge each student participating in a driver education course a fee ~~of up to fifty five dollars ($55.00) to offset~~in an amount not to exceed the actual costs per student of providing the ~~training and instruction.~~courses."

PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES/CAREER STATUS

PROFESSIONAL STATUS TEACHER SALARY SCHEDULE

SECTION 9.1.(a) The following monthly Professional Status Teacher Salary Schedule shall apply for the 2014-2015 fiscal year to licensed personnel of the public schools

who (i) are classified as teachers, (ii) voluntarily relinquish annual longevity payments and voluntarily relinquish any claim to longevity pay, (iii) voluntarily relinquish any claim to career status or to eligibility for career status, (iv) voluntarily agree to the method of computing salary supplements set out in subsection (c) of this section, and (v) are employed on a contract pursuant to G.S. 115C-325.1 through G.S. 115C-325.13 for the 2014-2015 school year. The schedule contains steps with each step corresponding to one year of teaching experience.

2014-2015 Professional Status Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0-3	$3,300
4	3,400
5	3,500
6	3,600
7	3,700
8	3,800
9	3,900
10	4,000
11	4,100
12	4,200
13	4,300
14	4,400
15	4,500
16	4,600
17	4,700
18	4,800
19	4,900
20+	5,000

SECTION 9.1.(b) Teachers paid on the Professional Status Teacher Salary Schedule set forth in this section shall not receive annual longevity payments.

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

(1) Licensed public schoolteachers 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 public schoolteachers 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 public schoolteachers 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 public schoolteachers 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.(d) The first step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the master's degree level, and (iii) school audiologists who are licensed as audiologists at the master's degree level shall be equivalent to Step 7 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.(e) A teacher compensated in accordance with the Professional Status Teacher Salary Schedule set forth in this section shall receive an amount equal to the greater of (i) the applicable amount on the salary schedule or (ii) the sum of the teacher's salary plus the annual longevity payment that was effective for the 2013-2014 school year.

In addition, teachers whose 10-month salary and longevity, excluding local supplements, exceeded fifty thousand dollars ($50,000) for the 2013-2014 school year shall receive the same salary they received in the 2013-2014 fiscal year plus a one percent (1%) bonus after placement on the Professional Status Teacher Salary Schedule for the 2014-2015 fiscal year.

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

SECTION 9.1.(g) Section 35.11 of S.L. 2013-360 and Section 9.2 of this act do not apply to persons paid on the Professional Status Teacher Salary Schedule.

CAREER STATUS TEACHER SALARY SCHEDULE

SECTION 9.2.(a) The following monthly salary schedules shall apply for the 2014-2015 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 37 steps, with each step corresponding to one year of teaching experience. Public school employees paid according to this salary schedule and receiving NBPTS certification or obtaining a master's degree shall not be prohibited from receiving the appropriate increase in salary. Provided, however, teachers employed during the 2013-2014 school year who did not work the required number of months to acquire an additional year of experience shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

Teachers who do not elect to be paid on the Professional Status Teacher Salary Schedule shall be paid on the Career Status Teacher Salary Schedule, which is set out in this section.

2014-2015 Career Status Teacher Monthly Salary Schedule

	"A" Teachers	
Years of Experience	"A" Teachers	NBPTS Certification
0-2	$3,080	N/A
3-6	$3,080	$3,450
7	$3,122	$3,497
8	$3,167	$3,547
9	$3,303	$3,699
10	$3,445	$3,858
11	$3,580	$4,010
12	$3,711	$4,156
13	$3,816	$4,274
14	$3,865	$4,329
15	$3,914	$4,384
16	$3,965	$4,441
17	$4,015	$4,497
18	$4,066	$4,554
19	$4,118	$4,612
20	$4,171	$4,672
21	$4,226	$4,733

22	$4,282	$4,796
23	$4,337	$4,857
24	$4,397	$4,925
25	$4,456	$4,991
26	$4,515	$5,057
27	$4,577	$5,126
28	$4,639	$5,196
29	$4,706	$5,271
30	$4,771	$5,344
31	$4,836	$5,416
32	$4,903	$5,491
33	$4,972	$5,569
34	$5,044	$5,649
35	$5,116	$5,730
36	$5,215	$5,841
37+	$5,318	$5,956

2014-2015 Career Status Teacher Monthly Salary Schedule

"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0-2	$3,388	N/A
3-6	$3,388	$3,795
7	$3,434	$3,846
8	$3,484	$3,902
9	$3,633	$4,069
10	$3,790	$4,245
11	$3,938	$4,411
12	$4,082	$4,572
13	$4,198	$4,702
14	$4,252	$4,762
15	$4,305	$4,822
16	$4,362	$4,885
17	$4,417	$4,947
18	$4,473	$5,010
19	$4,530	$5,074
20	$4,588	$5,139
21	$4,649	$5,207
22	$4,710	$5,275
23	$4,771	$5,344
24	$4,837	$5,417
25	$4,902	$5,490
26	$4,967	$5,563
27	$5,035	$5,639
28	$5,103	$5,715
29	$5,177	$5,798
30	$5,248	$5,878
31	$5,320	$5,958
32	$5,393	$6,040
33	$5,469	$6,125
34	$5,548	$6,214

35	$5,628	$6,303
36	$5,737	$6,425
37+	$5,850	$6,552

SECTION 9.2.(b) Annual longevity payments for teachers shall be at the rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service. The longevity payment shall be paid in a lump sum once a year.

SECTION 9.2.(c) Certified public schoolteachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public schoolteachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers.

SECTION 9.2.(d) The first step of the salary schedule for school psychologists shall be equivalent to Step 11, corresponding to 11 years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

Certified psychologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for certified psychologists. Certified psychologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for certified psychologists.

SECTION 9.2.(e) Speech pathologists who are certified as speech pathologists at the master's degree level and audiologists who are certified as audiologists at the master's degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

Speech pathologists and audiologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for speech pathologists and audiologists. Speech pathologists and audiologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for speech pathologists and audiologists.

SECTION 9.2.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 9.2.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SECTION 9.2.(h) Section 35.11 of S.L. 2013-360 is repealed.

ELECTION TO BE PAID ON THE PROFESSIONAL STATUS TEACHER SALARY SCHEDULE

SECTION 9.3.(a) A teacher without career status may elect to be compensated on the Professional Status Teacher Salary Schedule by notifying the employing local board of

education in writing of that election by September 30, 2014. A teacher without career status who is employed by a local board of education on or after September 1, 2014, shall make the election within 30 days of the teacher's date of employment. If the teacher elects to be paid on the Professional Status Teacher Salary Schedule, the teacher shall (i) be employed on a contract pursuant to G.S. 115C-325.1 through G.S. 115C-325.13 for the 2014-2015 school year, (ii) voluntarily relinquish any claim to be eligible for career status, (iii) voluntarily relinquish any claim to be eligible for annual longevity payments and any claim to longevity pay, and (iv) voluntarily agree to the method of computing salary supplements set out in Section 9.1(c) of this act.

SECTION 9.3.(b) A career teacher may elect to be compensated on the Professional Status Teacher Salary Schedule by notifying the employing local board of education in writing of that election by September 30, 2014. If the career teacher elects to be paid on the Professional Status Teacher Salary Schedule, the teacher shall (i) be employed on a contract pursuant to G.S. 115C-325.1 through G.S. 115C-325.13 for the 2014-2015 school year, (ii) voluntarily relinquish any claim to career status, (iii) voluntarily relinquish any claim to be eligible for annual longevity payments and any claim to longevity pay, and (iv) voluntarily agree to the method of computing salary supplements set out in Section 9.1(c) of this act.

SECTION 9.3.(c). The election to be compensated under the Professional Status Teacher Salary Schedule shall be irrevocable and the teacher shall not be eligible to receive compensation under the Career Status Teacher Salary Schedule in any subsequent fiscal year. A teacher who exercises the election under this subsection shall be compensated at the applicable salary amount retroactively from July 1, 2014.

SECTION 9.3.(d) Any teacher who does not notify a local board of education in writing of the teacher's election for compensation under the Professional Status Teacher Salary Schedule by the deadline applicable to that teacher shall be paid on the Career Status Teacher Salary Schedule.

SECTION 9.3.(e) Unless a teacher is offered and accepts a four-year performance-based contract, as provided in Section 9.5 of this act, for the 2014-2015 school year, a teacher who elects to be compensated on the Professional Status Teacher Salary Schedule shall be offered a one-year contract.

REPEAL OF SESSION LAWS REPEALING CAREER STATUS

SECTION 9.4.(a) Section 9.6(a) of S.L. 2013-360 is repealed.

SECTION 9.4.(b) Section 9.6(f) of S.L. 2013-360 reads as rewritten:

"**SECTION 9.6.(f)** G.S. 115C-325(c)(1) through (c)(3) and G.S. 115-325(c)(5) and (c)(6) are repealed effective August 1, 2013. Individuals who have not received career status prior to the 2013-2014 school year shall not be granted career status during the 2013-2014 school year. ~~All teachers who have not been granted career status prior to the 2013-2014 school year shall be offered only one-year contracts, except for qualifying teachers offered a four-year contract as provided in subsection (g) of this section, until the 2018-2019 school year.~~"

SECTION 9.4.(c) Section 9.6(i) of S.L. 2013-360 is repealed.

SECTION 9.4.(d) Section 9.6(j) of S.L. 2013-360 reads as rewritten:

"**SECTION 9.6.(j)** Subsection (b) of this section becomes effective July 1, 2014. G.S. 115C-325.1 through G.S. 115C-325.13, as enacted by this section, shall apply to all ~~teachers~~ teachers currently employed as of July 1, 2014, on ~~one- or four-year contracts~~a contract or who are employed on contract after ~~beginning~~ July 1, 2014. ~~G.S. 115C-325.1 through G.S. 115C-325.13, as enacted by this section, shall apply to all teachers employed by local boards of education or the State on or after July 1, 2018.~~"

SECTION 9.4.(e) Section 9.6(k) of S.L. 2013-360 reads as rewritten:

"**SECTION 9.6.(k)** Subsections (c) and (d) of this section become effective July 1, 2014, and apply to all employees employed by a local board of education as of that date ~~on or~~and employees hired or reemployed on or after that date."

SECTION 9.4.(f) Subsections (o) through (t) and (v) through (x) of Section 9.7 of S.L. 2013-360 are repealed.

SECTION 9.4.(g) Subsection 9.7(y) of S.L. 2013-360 reads as rewritten:

"**SECTION 9.7.(y)** Subsection (u) of this section becomes effective August 1, 2013. Subsections (a) through (n) of this section become effective July 1, 2014. ~~Subsections (o) through (t) and (v) through (x) become effective June 30, 2018.~~"

FOUR-YEAR PERFORMANCE-BASED CONTRACTS OFFERED TO CERTAIN TEACHERS

SECTION 9.5.(a) Beginning July 1, 2014 to September 30, 2014, local boards of education shall offer four-year performance-based contracts covering the 2014-2015 school year through the 2017-2018 school year to classroom teachers as follows:

(1) A local board of education shall identify eligible classroom teachers. Eligible classroom teachers are those teachers that meet all of the following conditions:

a. Have been employed by the local board of education for at least three consecutive years, beginning with the 2011-2012 school year.

b. Have been determined based on the most recent three years of teacher evaluations as one of the following:

1. Effective, based on the teacher's overall status on the teacher evaluation instrument by receiving a rating of at least "proficient" on each of the Teacher Evaluation Standards 1-5 and receiving a rating of at least "meets expected growth" on Standard 6 of the Teacher Evaluation Instrument, if the teacher has received a rating on Standard 6 for those three years.

2. Effective, based on the teacher's overall status on the teacher evaluation instrument by receiving a rating of at least "proficient" on each of the Teacher Evaluation Standards 1-5, if the teacher has not received a rating on Standard 6 for those three years.

c. Is employed as a teacher who spends at least seventy percent (70%) of his or her work time in classroom instruction and is not employed as instructional support personnel.

(2) A local board of education shall develop criteria for the selection of eligible classroom teachers to be offered four-year performance-based contracts under this subsection by considering the needs and educational priorities of that local school administrative unit.

(3) A local board of education, using the criteria it developed as required by this subsection, shall offer four-year performance-based contracts to up to twenty-five percent (25%) of the eligible classroom teachers.

SECTION 9.5.(b) No later than June 30, 2015, local boards of education shall offer four-year performance-based contracts covering the 2015-2016 school year through the 2018-2019 school year to classroom teachers as follows:

(1) A local board of education shall identify eligible classroom teachers. Eligible classroom teachers are those teachers that meet all of the following conditions:

a. Have been employed by the local board for at least three consecutive years, beginning with the 2012-2013 school year.

b. Have been determined based on the most recent three years of teacher evaluations as one of the following:

1. Effective, based on the teacher's overall status on the teacher evaluation instrument by receiving a rating of at least "proficient" on each of the Teacher Evaluation Standards 1-5 and receiving a rating of at least "meets expected growth" on Standard 6 of the Teacher Evaluation Instrument, if the teacher has received a rating on Standard 6 for those three years.

2. Effective, based on the teacher's overall status on the teacher evaluation instrument by receiving a rating of at least "proficient" on each of the Teacher Evaluation Standards 1-5, if the teacher has not received a rating on Standard 6 for those three years.

c. Is employed as a teacher who spends at least seventy percent (70%) of his or her work time in classroom instruction and is not employed as instructional support personnel.

(2) A local board of education shall develop criteria for the selection of eligible classroom teachers to be offered four-year performance-based contracts under this subsection by considering the needs and educational priorities of that local school administrative unit.

(3) A local board of education, using the criteria it developed as required by this subsection, shall offer additional four-year performance-based contracts to eligible classroom teachers.

SECTION 9.5.(c) The total number of teachers with four-year performance-based contracts during the 2015-2016 school year, whether such contracts were accepted for the 2014-2015 school year or the 2015-2016 school year, shall not exceed thirty-five percent (35%) of the total number of eligible classroom teachers in the 2015-2016 school year. The number of eligible classroom teachers shall be determined in accordance with subsection (b)(1) of this section.

SECTION 9.5.(d) Classroom teachers employed by a local board of education on four-year performance-based contracts in accordance with subsections (a) through (f) of this section shall be compensated on the Professional Status Teacher Salary Schedule and shall receive an annual bonus of five hundred dollars ($500.00) for the first year, one thousand dollars ($1,000) for the second year, one thousand five hundred dollars ($1,500) for the third year, and two thousand dollars ($2,000) for the fourth year of the four-year performance-based contract. A classroom teacher shall no longer receive any bonus funds after the end of the four-year period of the contract unless the employee is offered and accepts another four-year performance-based contract that includes a bonus.

SECTION 9.5.(e) A classroom teacher who accepts a four-year performance-based contract in accordance with subsections (a) through (f) of this section specifically agrees to all of the following:

(1) To voluntarily relinquish career status and voluntarily relinquish any claim to career status.

(2) To voluntarily relinquish annual longevity payments and voluntarily relinquish any claim to longevity pay.

(3) To voluntarily agree to the method of computing salary supplements set out in Section 9.1(c) of this act.

(4) To receive compensation and bonuses in accordance with subsection (d) of this section.

SECTION 9.5.(f) Contracts entered into under this section are subject to the provisions of Part 3A of Article 22 of Chapter 115C of the General Statutes as recodified and amended by Section 9.7 of this act.

SECTION 9.5.(g) A teacher who entered into a four-year contract no later than June 30, 2014, pursuant to Section 9.6(g) of S.L. 2013-360 may elect to retain that contract under its terms or to waive that contract and make a new election pursuant to Sections 9.1 through 9.9 of this act. Teachers who elect to retain that contract shall not receive an annual bonus as part of that contract but shall receive a pay raise of five hundred dollars ($500.00) for the first year, one thousand dollars ($1,000) for the second year, one thousand five hundred dollars ($1,500) for the third year, and two thousand dollars ($2,000) for the fourth year of the four-year contract. These pay raises shall be a part of the employee's base salary.

Teachers who elect to retain that contract may also elect to be compensated on the Professional Status Teacher Salary Schedule in accordance with the provisions of Section 9.1 of this act.

SYSTEM OF EMPLOYMENT FOR TEACHERS WITH CAREER STATUS

SECTION 9.6. G.S. 115C-325 reads as rewritten:

"**§ 115C-325. System of employment for public school teachers.**

(a) Definition of Terms. – As used in this section unless the context requires otherwise:

(1) Repealed by Session Laws 1997-221, s. 13(a).

(1a) "Career employee" as used in this section ~~means:~~includes all of the following:

a. An employee who has obtained career status with that local board as a teacher as provided in ~~G.S. 115C-325(c);~~G.S. 115C-325(c).

b. An employee who has obtained career status with that local board in an administrative position as provided in ~~G.S. 115C-325(d)(2);~~G.S. 115C-325(d)(2).

~~c. A probationary teacher during the term of the contract as provided in G.S. 115C-325(m); and~~

d. A school administrator during the term of a school administrator contract as provided in G.S. 115C-287.1(c).

(1b) "Career school administrator" means a school administrator who has obtained career status in an administrative position as provided in G.S. 115C-325(d)(2).

(1c) "Career teacher" means a teacher who has obtained career status as provided in G.S. 115C-325(c).

(1d) Repealed by Session Laws 2011-348, s. 1, effective July 1, 2011, and applicable to persons recommended for dismissal or demotion on or after that date.

(2) Repealed by Session Laws 1997, c. 221, s. 13(a).

(3) "Day" means calendar day. In computing any period of time, Rule 6 of the North Carolina Rules of Civil Procedure shall apply.

(4) "Demote" means to reduce the salary of a person who is classified or paid by the State Board of Education as a classroom teacher or as a school administrator. The word "demote" does not include: (i) a suspension without pay pursuant to G.S. 115C-325(f)(1); (ii) the elimination or reduction of bonus payments, including merit-based supplements, or a systemwide modification in the amount of any applicable local supplement; or (iii) any

reduction in salary that results from the elimination of a special duty, such as the duty of an athletic coach or a choral director.

(4a) "Disciplinary suspension" means a final decision to suspend a teacher or school administrator without pay for no more than 60 days under G.S. 115C-325(f)(2).

~~(4b) "Exchange teacher" means a nonimmigrant alien teacher participating in an exchange visitor program designated by the United States Department of State pursuant to 22 C.F.R. Part 62 or by the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q).~~

(4c) "Hearing officer" means a person selected under G.S. 115C-325(h)(7).

~~(5) "Probationary teacher" means a licensed person, other than a superintendent, associate superintendent, or assistant superintendent, who has not obtained career teacher status and whose major responsibility is to teach or to supervise teaching.~~

(5a) [Expired.]

(5b) "School administrator" means a principal, assistant principal, supervisor, or director whose major function includes the direct or indirect supervision of teaching or any other part of the instructional program as provided in G.S. 115C-287.1(a)(3).

(6) "Teacher" means a person who holds at least a current, not provisional or expired, Class A license or a regular, not provisional or expired, vocational license issued by the State Board of Education; whose major responsibility is to teach or directly supervises teaching or who is classified by the State Board of Education or is paid either as a classroom teacher or instructional support personnel; ~~and~~ who is employed to fill a full-time, permanent ~~position.~~position; and who is a career teacher.

(7) **(See note)** Redesignated.

~~(8) "Year" for purposes of computing time as a probationary teacher shall be not less than 120 workdays performed as a probationary teacher in a full-time permanent position in a school year. Workdays performed pending the outcome of a criminal history check as provided in G.S. 115C-332 are included in computing time as a probationary teacher.~~

...

(c) ~~(1) Election of a Teacher to Career Status. Except as otherwise provided in subdivision (3) of this subsection, when a teacher has been employed by a North Carolina public school system for four consecutive years, the board, near the end of the fourth year, shall vote upon whether to grant the teacher career status. The teacher has a right to notice and hearing prior to the board's vote as provided in G.S. 115C-325(m)(3) and G.S. 115C-325(m)(4). The board shall give the teacher written notice of that decision by June 15 or such later date as provided in G.S. 115C-325(m)(7). If a majority of the board votes to grant career status to the teacher, and if it has notified the teacher of the decision, it may not rescind that action but must proceed under the provisions of this section for the demotion or dismissal of a teacher if it decides to terminate the teacher's employment. If a majority of the board votes against granting career status, the teacher shall not teach beyond the current school term. If the board fails to vote on granting career status, the teacher shall be entitled to an additional month's pay for every 30 days or portion thereof after June 16 or such later date as provided in~~

~~G.S. 115C-325(m)(7) if a majority of the board belatedly votes against granting career status.~~

~~(2) Employment of a Career Teacher. — A teacher who has obtained career status in any North Carolina public school system need not serve another probationary period of more than one year. The board may grant career status immediately upon employing the teacher, or after the first year of employment. The teacher has a right to notice and hearing prior to the board's vote as provided in G.S. 115C-325(m)(3) and G.S. 115C-325(m)(4). The board shall give the teacher written notice of that decision by June 15 or such later date as provided in G.S. 115C-325(m)(7). If a majority of the board votes against granting career status, the teacher shall not teach beyond the current term. If after one year of employment, the board fails to vote on the issue of granting career status, the teacher shall be entitled to one additional month's pay for every 30 days or portion thereof beyond June 16 or such later date as provided in G.S. 115C-325(m)(7) if a majority of the board belatedly voted against granting career status.~~

~~(2a) Notice of Teachers Eligible to Achieve Career Status. — At least 30 days prior to any board action granting career status, the superintendent shall submit to the board a list of the names of all teachers who are eligible to achieve career status. Notwithstanding any other provision of law, the list shall be a public record under Chapter 132 of the General Statutes.~~

~~(3) Ineligible for Career Status. — No employee of a local board of education except a teacher as defined by G.S. 115C-325(a)(6) is eligible to obtain career status or continue in a career status as a teacher if he no longer performs the responsibilities of a teacher as defined in G.S. 115C-325(a)(6). No person who is employed as a school administrator who did not acquire career status as a school administrator by June 30, 1997, shall have career status as an administrator. Further, no director or assistant principal is eligible to obtain career status as a school administrator unless he or she has already been conferred that status by the local board of education.~~

(4) Leave of Absence. – A career teacher who has been granted a leave of absence by a board shall maintain his career status if he returns to his teaching position at the end of the authorized leave.

~~(5) Consecutive Years of Service. —~~

~~a. If a probationary teacher in a full-time permanent position does not work for at least 120 workdays in a school year because the teacher is on sick leave, disability leave, or both, that school year shall not be deemed to constitute (i) a consecutive year of service for the teacher or (ii) a break in the continuity in consecutive years of service for the teacher.~~

~~b. If a probationary teacher in a full-time permanent position is nonrenewed because of a decrease in the number of positions due to decreased funding, decreased enrollment, or a district reorganization, and is subsequently rehired by the same school system within three years, the intervening years when the teacher was not employed by the local school administrative unit shall not be deemed to constitute (i) a consecutive year of service for the teacher or (ii) a break in the continuity of years of service. However, if at the time of the teacher's nonrenewal for the reasons described in this subsection, the teacher was eligible for career status after being employed four consecutive~~

~~years pursuant to G.S. 115C-325(e)(1), or one year pursuant to G.S. 115C-325(e)(2), and the board subsequently rehires the teacher within three years, the teacher will be eligible for a career status decision after one additional year of employment. Unless the superintendent unilaterally grants a teacher the benefit set forth in this subsection pursuant to a policy adopted by the board of education for this purpose, the teacher is entitled to such benefit only if the teacher notifies the head of human resources for the local school administrative unit in writing within 60 calendar days after the first day of employment upon being rehired that the teacher was nonrenewed because of a decrease in the number of positions triggered by decreased funding, decreased enrollment, or a district reorganization, and therefore the teacher's nonrenewal did not constitute a break in service for purposes of determining eligibility for career status. The local school administrative unit shall notify the teacher of the 60-day deadline as described herein in the employment application, contract, or in some other method reasonably calculated to provide the teacher actual notice within 30 calendar days after the first day of employment for the rehired teacher. The burden is on the teacher to submit information establishing that the teacher was nonrenewed because of a decrease in the number of positions triggered by decreased funding, decreased enrollment, or a district reorganization. If the local school administrative unit fails to provide notice to the teacher within this 30-day period, then the teacher's obligation to notify the local school administrative unit within 60 days does not commence until such time that the teacher is notified of the 60-day deadline.~~

~~The superintendent or designee will inform the teacher on whether the teacher qualifies for the benefit of this subsection within a reasonable period of time after receiving the information submitted by the teacher. This decision is final and the teacher has no right to a hearing or appeal except that the teacher may petition the board in writing within 10 calendar days after receiving the decision of the superintendent or designee, and the board or board panel shall review the matter on the record and provide the teacher a written decision. Notwithstanding any other provision of law, no appeal to court or otherwise is permitted in regard to the benefits provided under this subsection. This subsection creates no private right of action or basis for any liability on the part of the school system, nor does it create any reemployment rights for a nonrenewed probationary teacher.~~

~~The provisions of this subsection also shall apply to a probationary teacher in a full-time permanent position who resigns effective the end of the school year in good standing after receiving documentation that the teacher's position may be eliminated because of a decrease in the number of positions triggered by decreased funding, decreased enrollment, or a district reorganization, and is subsequently rehired by the same school system.~~

~~(6) Status of Exchange Teachers. Exchange teachers shall not be eligible to obtain career status. However, for purposes of determining eligibility to receive employment benefits under this Chapter, including personal leave,~~

~~annual vacation leave, and sick leave, an exchange teacher shall be considered a permanent teacher if employed with the expectation of at least six full consecutive monthly pay periods of employment and if employed at least 20 hours per week.~~

(d) Career ~~Teachers and Career School Administrators.~~Teachers.

(1) A career teacher ~~or career school administrator~~ shall not be subjected to the requirement of annual appointment nor shall he be dismissed, demoted, or employed on a part-time basis without his consent except as provided in subsection (e).

(2) ~~a. The provisions of this subdivision do not apply to a person who is ineligible for career status as provided by G.S. 115C-325(e)(3).~~

b. Repealed by Session Laws 1997, c. 221, s. 13(a).

c. Subject to G.S. 115C-287.1, when a teacher has performed the duties of supervisor or principal for three consecutive years, the board, near the end of the third year, shall vote upon his employment for the next school year. The board shall give him written notice of that decision by June 1 of his third year of employment as a supervisor or principal. If a majority of the board votes to reemploy the teacher as a principal or supervisor, and it has notified him of that decision, it may not rescind that action but must proceed under the provisions of this section. If a majority of the board votes not to reemploy the teacher as a principal or supervisor, he shall retain career status as a teacher if that status was attained prior to assuming the duties of supervisor or principal. A supervisor or principal who has not held that position for three years and whose contract will not be renewed for the next school year shall be notified by June 1 and shall retain career status as a teacher if that status was attained prior to assuming the duties of supervisor or principal.

A year, for purposes of computing time as a probationary principal or supervisor, shall not be less than 145 workdays performed as a full-time, permanent principal or supervisor in a contract year.

~~A principal or supervisor who has obtained career status in that position in any North Carolina public school system may be required by the board of education in another school system to serve an additional three year probationary period in that position before being eligible for career status. However, he may, at the option of the board of education, be granted career status immediately or after serving a probationary period of one or two additional years. A principal or supervisor with career status who resigns and within five years is reemployed by the same school system need not serve another probationary period in that position of more than two years and may, at the option of the board, be reemployed immediately as a career principal or supervisor or be given career status after only one year. In any event, if he is reemployed for a third consecutive year, he shall automatically become a career principal or supervisor.~~

...

(3) Inadequate Performance. – In determining whether the professional performance of a career employee is adequate, consideration shall be given to regular and special evaluation reports prepared in accordance with the

published policy of the employing local school administrative unit and to any published standards of performance which shall have been adopted by the board. Failure to notify a career employee of an inadequacy or deficiency in performance shall be conclusive evidence of satisfactory performance. Inadequate performance for a teacher shall mean (i) the failure to perform at a proficient level on any standard of the evaluation instrument or (ii) otherwise performing in a manner that is below standard. ~~However, for a probationary teacher, a performance rating below proficient may or may not be deemed adequate at that stage of development by a superintendent or designee.~~ For a career teacher, a performance rating below proficient shall constitute inadequate performance unless the principal noted on the instrument that the teacher is making adequate progress toward proficiency given the circumstances.

...

~~(m) Probationary Teacher.~~

~~(1) The board of any local school administrative unit may not discharge a probationary teacher during the school year except for the reasons for and by the procedures by which a career employee may be dismissed as set forth in subsections (e), (f), (f1), and (h) to (j3) above.~~

~~(2) The board, upon recommendation of the superintendent, may refuse to renew the contract of any probationary teacher or to reemploy any teacher who is not under contract for any cause it deems sufficient: Provided, however, that the cause may not be arbitrary, capricious, discriminatory or for personal or political reasons.~~

~~(3) The superintendent shall provide written notice to a probationary teacher no later than May 15 of the superintendent's intent to recommend nonrenewal and the teacher's right, within 10 days of receipt of the superintendent's recommendation, to (i) request and receive written notice of the reasons for the superintendent's recommendation for nonrenewal and the information that the superintendent may share with the board to support the recommendation for nonrenewal; and (ii) request a hearing for those teachers eligible for a hearing under G.S. 115C-325(m)(4). The failure to file a timely request within the 10 days shall result in a waiver of the right to this information and any right to a hearing. If a teacher files a timely request, the superintendent shall provide the requested information and arrange for a hearing, if allowed, and the teacher shall be permitted to submit supplemental information to the superintendent and board prior to the board making a decision or holding a hearing as provided in this section. The board shall adopt a policy to provide for the orderly exchange of information prior to the board's decision on the superintendent's recommendation for nonrenewal.~~

~~(4) If the probationary teacher is eligible for career status pursuant to G.S. 115C-325(c)(1) and (c)(2) and the superintendent recommends not to give the probationary teacher career status, the probationary teacher has the right to a hearing before the board unless the reason is a justifiable board or superintendent approved decrease in the number of positions due to district reorganization, decreased enrollment, or decreased funding.~~

~~(5) For probationary contracts that are not in the final year before the probationary teacher is eligible for career status, the probationary teacher shall have the right to petition the local board of education for a hearing, and~~

~~the local board may grant a hearing regarding the superintendent's recommendation for nonrenewal. The local board of education shall notify the probationary teacher making the petition of its decision whether to grant a hearing.~~

~~(6) Any hearing held according to this subsection shall be pursuant to the provisions of G.S. 115C-45(c).~~

~~(7) The board shall notify a probationary teacher whose contract will not be renewed for the next school year of its decision by June 15; provided, however, if a teacher submits a request for information or a hearing, the board shall provide the nonrenewal notification by July 1 or such later date upon the written consent of the superintendent and teacher.~~

~~(n) Appeal. Any career employee who has been dismissed or demoted under G.S. 115C-325(e)(2), or under G.S. 115C-325(j2), or who has been suspended without pay under G.S. 115C-325(a)(4a), or any school administrator whose contract is not renewed in accordance with G.S. 115C-287.1, or any probationary teacher whose contract is not renewed under G.S. 115C-325(m)(2) shall have the right to appeal from the decision of the board to the superior court for the superior court district or set of districts as defined in G.S. 7A-41.1 in which the career employee is employed. This appeal shall be filed within a period of 30 days after notification of the decision of the board. The cost of preparing the transcript shall be determined under G.S. 115C-325(j2)(8) or G.S. 115C-325(j3)(10). A career employee who has been demoted or dismissed, or a school administrator whose contract is not renewed, who has not requested a hearing before the board of education pursuant to this section shall not be entitled to judicial review of the board's action.~~

(o) Resignation. –

...

(2) A ~~teacher, career or probationary,~~ career teacher who is not recommended for dismissal should not resign without the consent of the superintendent unless he or she has given at least 30 days' notice. If a teacher who is not recommended for dismissal does resign without giving at least 30 days' notice, the board may request that the State Board of Education revoke the teacher's license for the remainder of that school year. A copy of the request shall be placed in the teacher's personnel file.

(p) Section Applicable to Certain Institutions. – Notwithstanding any law or regulation to the contrary, this section shall apply to all persons who are employed as career teachers in teaching and related educational classes in the schools and institutions of the Departments of Health and Human Services and Public Instruction and the Divisions of Juvenile Justice and Adult Correction of the Department of Public Safety regardless of the age of the students.

(p1) Procedure for Dismissal of School Administrators and Teachers Employed in Low-Performing Residential Schools. –

(1) ~~Notwithstanding any other provision of this section or any other law, this~~ This subdivision shall govern the dismissal by the Secretary of Health and Human Services of teachers, principals, assistant principals, directors, supervisors, and other licensed personnel who are career employees and are assigned to a residential school that the State Board has identified as low-performing and to which the State Board has assigned an assistance team under Part 3A of Article 3 of Chapter 143B of the General Statutes. The Secretary shall dismiss a teacher, principal, assistant principal, director, supervisor, or other licensed personnel when the Secretary receives two consecutive evaluations that include written findings and recommendations regarding that person's inadequate performance from the assistance team.

These findings and recommendations shall be substantial evidence of the inadequate performance of the teacher or school administrator.

The Secretary may dismiss a teacher, principal, assistant principal, director, supervisor, or other licensed personnel when:

a. The Secretary determines that the school has failed to make satisfactory improvement after the State Board assigned an assistance team to that school under Part 3A of Article 3 of Chapter 143B of the General Statutes; and

b. That assistance team makes the recommendation to dismiss the teacher, principal, assistant principal, director, supervisor, or other licensed personnel for one or more grounds established in G.S. 115C-325(e)(1) for dismissal or demotion of a career employee.

Within 30 days of any dismissal under this subdivision, a teacher, principal, assistant principal, director, supervisor, or other licensed personnel may request a hearing before a panel of three members designated by the Secretary. The Secretary shall adopt procedures to ensure that due process rights are afforded to persons recommended for dismissal under this subdivision. Decisions of the panel may be appealed on the record to the Secretary, with further right of judicial review under Chapter 150B of the General Statutes.

...

(q) Procedure for Dismissal of ~~School Administrators and~~ Teachers Employed in Low-Performing Schools. –

~~(1) Notwithstanding any other provision of this section or any other law, this subdivision governs the State Board's dismissal of principals assigned to low-performing schools to which the Board has assigned an assistance team:~~

~~a. The State Board through its designee may, at any time, recommend the dismissal of any principal who is assigned to a low-performing school to which an assistance team has been assigned. The State Board through its designee shall recommend the dismissal of any principal when the Board receives from the assistance team assigned to that principal's school two consecutive evaluations that include written findings and recommendations regarding the principal's inadequate performance.~~

~~b. If the State Board through its designee recommends the dismissal of a principal under this subdivision, the principal shall be suspended with pay pending a hearing before a panel of three members of the State Board. The purpose of this hearing, which shall be held within 60 days after the principal is suspended, is to determine whether the principal shall be dismissed.~~

~~c. The panel shall order the dismissal of the principal if it determines from available information, including the findings of the assistance team, that the low performance of the school is due to the principal's inadequate performance.~~

~~d. The panel may order the dismissal of the principal if (i) it determines that the school has not made satisfactory improvement after the State Board assigned an assistance team to that school; and (ii) the assistance team makes the recommendation to dismiss the principal for one or more grounds established in G.S. 115C-325(e)(1) for dismissal or demotion of a career employee.~~

~~e. If the State Board or its designee recommends the dismissal of a principal before the assistance team assigned to the principal's school has evaluated that principal, the panel may order the dismissal of the principal if the panel determines from other available information that the low performance of the school is due to the principal's inadequate performance.~~

~~f. In all hearings under this subdivision, the burden of proof is on the principal to establish that the factors leading to the school's low performance were not due to the principal's inadequate performance. In all hearings under sub-subdivision d. of this subdivision, the burden of proof is on the State Board to establish that the school failed to make satisfactory improvement after an assistance team was assigned to the school and to establish one or more of the grounds established for dismissal or demotion of a career employee under G.S. 115C-325(e)(1).~~

~~g. In all hearings under this subdivision, two consecutive evaluations that include written findings and recommendations regarding that person's inadequate performance from the assistance team are substantial evidence of the inadequate performance of the principal.~~

~~h. The State Board shall adopt procedures to ensure that due process rights are afforded to principals under this subdivision. Decisions of the panel may be appealed on the record to the State Board, with further right of judicial review under Chapter 150B of the General Statutes.~~

(2) Notwithstanding any other provision of this section or any other law, this subdivision shall govern the State Board's dismissal of teachers, assistant principals, directors, and supervisors who are career employees assigned to schools that the State Board has identified as low-performing and to which the State Board has assigned an assistance team under Article 8B of this Chapter. The State Board shall dismiss a teacher, assistant principal, director, or supervisor when the State Board receives two consecutive evaluations that include written findings and recommendations regarding that person's inadequate performance from the assistance team. These findings and recommendations shall be substantial evidence of the inadequate performance of the teacher or school administrator.

The State Board may dismiss a teacher, assistant principal, director, or supervisor when:

a. The State Board determines that the school has failed to make satisfactory improvement after the State Board assigned an assistance team to that school under G.S. 115C-105.38; and

b. That assistance team makes the recommendation to dismiss the teacher, assistant principal, director, or supervisor for one or more grounds established in G.S. 115C-325(e)(1) for dismissal or demotion of a career teacher.

A teacher, assistant principal, director, or supervisor may request a hearing before a panel of three members of the State Board within 30 days of any dismissal under this subdivision. The State Board shall adopt procedures to ensure that due process rights are afforded to persons recommended for dismissal under this subdivision. Decisions of the panel may be appealed on

the record to the State Board, with further right of judicial review under Chapter 150B of the General Statutes.

...

(3) ~~The State Board of Education or a local board may terminate the contract of a school administrator dismissed under this subsection.~~ Nothing in this subsection shall prevent a local board from refusing to renew the contract of any person employed in a school identified as low-performing under G.S. 115C-105.37.

~~(4) Neither party to a school administrator contract is entitled to damages under this subsection.~~

(5) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this subsection."

TEACHER EMPLOYMENT CONTRACTS

SECTION 9.7.(a) Part 3A of Article 22 of Chapter 115C of the General Statutes, consisting of G.S. 115C-326.5, is recodified as Part 3B of Article 22 of Chapter 115C of the General Statutes. G.S. 115C-325.1 through G.S. 115C-325.13 are recodified as Part 3A of Article 22 of Chapter 115C of the General Statutes, to be entitled "Teacher Employment Contracts."

SECTION 9.7.(b) G.S. 115C-325.1 reads as rewritten:

"**§ 115C-325.1. Purpose; definitions.~~Definitions.~~**

(a) Purpose. – The purpose of this Part is to authorize a system of employment for teachers to provide maximum flexibility to local boards of education in regularly evaluating the performance of teachers and employing the most effective teachers in the public schools of the State. This system of employment is designed to further the following objectives:

(1) Ensure State and local funds to support the public schools shall be utilized in providing the greatest student outcomes in relation to the expenditure of those funds.

(2) Allow local boards of education to make teacher employment decisions that are driven by the specific needs of their students.

(3) Provide that employment decisions shall be based on teacher performance and that those decisions are independent from the consideration of the length of years a teacher has been employed as a teacher.

(4) Provide that teachers that are identified as effective in the classroom shall have the opportunity to be recognized, rewarded, and retained by local boards of education to ensure student growth and improved student outcomes.

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

(1) "Day" means calendar day. In computing any period of time, Rule 6 of the North Carolina Rules of Civil Procedure shall apply.

(2) "Demote" means to reduce the salary of a person who is classified or paid by the State Board of Education as a classroom teacher or as a school administrator during the ~~time~~term of the contract. The word "demote" does not include (i) a suspension without pay pursuant to G.S. 115C-325.5(a); (ii) the elimination or reduction of bonus payments, including merit-based supplements or a systemwide modification in the amount of any applicable local supplement; (iii) any reduction in salary that results from the elimination of a special duty, such as the duty of an athletic coach or a choral director; ~~or~~ (iv) any reduction of pay as compared to a prior term of

~~contract.~~contract; or (v) a statewide modification or reduction of the teacher salary schedules.

(3) "Disciplinary suspension" means a final decision to suspend a teacher or school administrator without pay for no more than 60 days under G.S. 115C-325.5(b).

(4) "Residential school" means a school operated by the Department of Health and Human Services that provides residential services to students pursuant to Part 3A of Article 3 of Chapter 143B of the General Statutes or a school operated pursuant to Article 9C of Chapter 115C of the General Statutes.

(5) "School administrator" means a principal, assistant principal, supervisor, or director whose major function includes the direct or indirect supervision of teaching or any other part of the instructional program, as provided in G.S. 115C-287.1(a)(3).

(6) "Teacher" means a person meeting each of the following requirements:

a. Who holds at least one of the following licenses issued by the State Board of Education:

1. A current standard professional educator's license.
2. A current lateral entry teaching license.
3. A regular, not expired, vocational license.

b. Whose major responsibility is to teach or directly supervise teaching or who is classified by the State Board of Education or is paid either as a classroom teacher or instructional support personnel.

c. Who is employed to fill a full-time, permanent position.

d. Who is not a career teacher as defined in G.S. 115C-325(a)(1c).

(7) "Year" ~~means a calendar year beginning July 1 and ending June 30.~~means, for purposes of computing time of employment as a teacher, no less than 120 workdays performed as a teacher in a full-time, permanent position in a school year. Workdays performed pending the outcome of a criminal history check as provided in G.S. 115C-332 are included in computing time as a teacher."

SECTION 9.7.(c) G.S. 115C-325.3 is amended by adding a new subsection to read:

"(a1) Contract Shall Be in Writing. – An employment contract between the local board of education and a teacher shall be in writing and shall include the following terms:

(1) Length of contract.

(2) Licensure requirements.

(3) A clause stating that teacher compensation for professional services performed pursuant to the contract shall be at a rate consistent with the North Carolina General Statutes, the salary schedule established by the State of North Carolina for the fiscal year in which the professional services are performed, and any local supplement that may apply. If a teacher is paid from local funds, the clause shall state that the teacher compensation shall be consistent with the local salary schedule adopted pursuant to G.S. 115C-302.1(h).

(4) A clause stating that the contract is subject to modifications as a result of subsequent legislative enactments."

SECTION 9.7.(d) G.S. 115C-325.10 reads as rewritten:

"**§ 115C-325.10. Application to certain institutions.**

Notwithstanding any law or regulation to the contrary, this Part shall apply to all persons employed in teaching and related educational classes in the schools and institutions of

the Departments of Health and Human Services and Public Instruction and the Divisions of Juvenile Justice and Adult Correction of the Department of Public ~~Safety,~~Safety who are not career teachers as defined in G.S. 115C-325(a)(1c), regardless of the age of the students."

SECTION 9.7.(e) Contracts for 2014-2015 School Year Shall Be for One Year Only. – For the 2014-2015 school year only and notwithstanding G.S. 115C-325.3(a), all contracts entered into pursuant to Part 3A of Article 22 of Chapter 115C of the General Statutes, except for four-year performance-based contracts entered into under Section 9.5 of this act, shall be for one year only.

CONFORMING CHANGES

SECTION 9.8.(a) G.S. 115C-105.25(b)(5b) reads as rewritten:

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

SECTION 9.8.(b) G.S. 115C-105.26(b)(2) reads as rewritten:

"(2) State rules and policies, except those pertaining to public school State salary schedules and employee benefits for school employees, the instructional program that must be offered under the Basic Education Program, the system of employment for public school teachers and administrators set out in G.S. 115C-287.1 and in Part 3 and Part 3A of Article 22 of this Chapter, health and safety codes, compulsory attendance, the minimum lengths of the school day and year, and the Uniform Education Reporting System."

SECTION 9.8.(c) G.S. 115C-105.37B(a)(2) reads as rewritten:

"(2) Restart model, in which the State Board of Education would authorize the local board of education to operate the school with the same exemptions from statutes and rules as a charter school authorized under Part 6A of Article 16 of this Chapter, or under the management of an educational management organization that has been selected through a rigorous review process. A school operated under this subdivision remains under the control of the local board of education, and employees assigned to the school are employees of the local school administrative unit with the protections provided by Part 3 or Part 3A of Article 22 of this Chapter."

SECTION 9.8.(d) G.S. 115C-276(l) reads as rewritten:

"(l) To Maintain Personnel Files and to Participate in Firing and Demoting of Staff. – The superintendent shall maintain in his or her office a personnel file for each teacher that contains complaints, commendations, or suggestions for correction or improvement about the teacher and shall participate in the firing and demoting of staff, as provided in Part 3 and Part 3A of Article 22 of this Chapter."

SECTION 9.8.(e) G.S. 115C-335(b) reads as rewritten:

"(b) Training. – The State Board, in collaboration with the Board of Governors of The University of North Carolina, shall develop programs designed to train principals and superintendents in the proper administration of the employee evaluations developed by the State Board. The Board of Governors shall use the professional development programs for public school employees that are under its authority to make this training available to all principals and superintendents at locations that are geographically convenient to local school administrative units. The programs shall include methods to determine whether an employee's

performance has improved student learning, the development and implementation of appropriate professional growth and mandatory improvement plans, the process for contract nonrenewal, and the dismissal process under Part 3 and Part 3A of Article 22 of this Chapter. The Board of Governors shall ensure that the subject matter of the training programs is incorporated into the masters in school administration programs offered by the constituent institutions. The State Board, in collaboration with the Board of Governors, also shall develop in-service programs for licensed public school employees that may be included in a mandatory improvement plan created under G.S. 115C-333(b) or G.S. 115C-333.1(b). The Board of Governors shall use the professional development programs for public school employees that are under its authority to make this training available at locations that are geographically convenient to local school administrative units."

EFFECT OF POTENTIAL LITIGATION

SECTION 9.9.(a) If any section or provision of Sections 9.1 through 9.9 of this act is enjoined or declared unconstitutional or invalid by a court of competent jurisdiction as it applies to the election made by certain classes of teachers to be compensated on the Professional Status Teacher Salary Schedule or the Career Status Teacher Salary Schedule, all such teachers subject to such injunction or declaration shall be compensated on the Career Status Teacher Salary Schedule. If a court of competent jurisdiction makes a final determination that such provision is constitutional and valid and all opportunities for appellate review of such determination are exhausted or abandoned, the following shall apply to teachers subject to the earlier order:

(1) A teacher who entered into a contract electing to be paid on the Professional Status Teacher Salary Schedule prior to the entry of the earlier order shall be paid on that schedule retroactive to July 1, 2014. A teacher who entered into a four-year performance-based contract shall receive the annual bonuses associated with that contract.

(2) A teacher who elects to enter into a contract electing to be paid on the Professional Status Teacher Salary Schedule within 30 days of entry of the final order shall be paid on that schedule retroactive to July 1, 2014. A teacher who enters into a four-year performance-based contract shall receive the annual bonuses associated with that contract.

(3) A teacher who elects not to enter into a contract and to be paid on the Career Status Teacher Salary Schedule shall continue to be paid in accordance on that schedule.

SECTION 9.9.(b) If any section or provision of Sections 9.1 through 9.9 of this act is enjoined or declared unconstitutional or invalid by a court of competent jurisdiction as it applies to the offer to and acceptance of four-year performance-based contracts by certain classes of teachers in accordance with Section 9.5 of this act or one-year contracts in accordance with Section 9.7 of this act, all such teachers subject to such injunction or declaration shall be compensated on the Career Status Teacher Salary Schedule. If a court of competent jurisdiction makes a final determination that such provision is constitutional and valid and all opportunities for appellate review of such determination are exhausted or abandoned, the following shall apply to teachers subject to the earlier order:

(1) A teacher who entered into a four-year performance-based contract electing to be paid on the Professional Status Teacher Salary Schedule prior to the entry of the earlier order shall be paid on that schedule retroactive to July 1, 2014, and shall receive the annual bonuses associated with that contract.

(2) A teacher who elects to enter into a four-year performance-based contract electing to be paid on the Professional Status Teacher Salary Schedule

within 30 days of entry of the final order shall be paid on that schedule retroactive to July 1, 2014, and shall receive the annual bonuses associated with that contract.

(3) A teacher who elects not to enter into a contract and to be paid on the Career Status Teacher Salary Schedule shall continue to be paid in accordance with that schedule.

SECTION 9.9.(c) If any section or provision of Sections 9.1 through 9.9 of this act is enjoined or declared unconstitutional or invalid by a court of competent jurisdiction as it applies to voluntary relinquishment of rights and claims related to longevity pay, career status, or computation of salary supplements by certain classes of teachers in accordance with Sections 9.1(a), 9.3, or 9.5 of this act, all such teachers subject to such injunction or declaration shall be compensated on the Career Status Teacher Salary Schedule. If a court of competent jurisdiction makes a final determination that such provision is constitutional and valid and all opportunities for appellate review of such determination are exhausted or abandoned, the following shall apply to teachers subject to the earlier order:

(1) A teacher who entered into a contract electing to be paid on the Professional Status Teacher Salary Schedule prior to the entry of the earlier order shall be paid on that schedule retroactive to July 1, 2014. A teacher who entered into a four-year performance-based contract shall receive the annual bonuses associated with that contract.

(2) A teacher who elects to enter into a contract electing to be paid on the Professional Status Teacher Salary Schedule within 30 days of entry of the final order shall be paid on that schedule retroactive to July 1, 2014. A teacher who enters into a four-year performance-based contract shall receive the annual bonuses associated with that contract.

(3) A teacher who elects not to enter into a contract and to be paid on the Career Status Teacher Salary Schedule shall continue to be paid in accordance on that schedule.

SECTION 9.9.(d) If any section or provision of Sections 9.1 through 9.9 of this act is enjoined or declared unconstitutional or invalid by a court of competent jurisdiction, on any basis other than provided in subsection (a), (b), or (c) of this section, all such teachers subject to such injunction or declaration shall be compensated on the Career Status Teacher Salary Schedule. If a court of competent jurisdiction makes a final determination that such provision is constitutional and valid and all opportunities for appellate review of such determination are exhausted or abandoned, the following shall apply to teachers subject to the earlier order:

(1) A teacher who entered into a contract electing to be paid on the Professional Status Teacher Salary Schedule prior to the entry of the earlier order shall be paid on that schedule retroactive to July 1, 2014. A teacher who entered into a four-year performance-based contract shall receive the annual bonuses associated with that contract.

(2) A teacher who elects to enter into a contract electing to be paid on the Professional Status Teacher Salary Schedule within 30 days of entry of the final order shall be paid on that schedule retroactive to July 1, 2014. A teacher who enters into a four-year performance-based contract shall receive the annual bonuses associated with that contract.

(3) A teacher who elects not to enter into a contract and to be paid on the Career Status Teacher Salary Schedule shall continue to be paid in accordance on that schedule.

INTERPRETATION OF THIS PART

SECTION 9.10. Except with respect to the requirements of G.S. 115C-325.3(a1), as enacted by this act, to create express written contracts as to the term of employment for teachers, Sections 9.1 through 9.9 of this act shall be construed to declare a policy that will be followed until the law is changed by the General Assembly. Sections 9.1 through 9.9 of this act shall not be construed to manifest a legislative intent to create private contract rights enforceable against the State or local school administrative units. The General Assembly reserves the right to alter, amend, or repeal Sections 9.1 through 9.9 of this act.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 9.11.(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 2014-2015 fiscal year commencing July 1, 2014.

2014-2015 Principal and Assistant Principal Salary Schedules

	Classification				
Years of Exp	Assistant	Prin I	Prin II	Prin III	Prin IV
Principal	(0-10)	(11-21)	(22-32)	(33-43)	
0-9	$3,828	-	-	-	-
10	$3,977	-	-	-	-
11	$4,123	-	-	-	-
12	$4,240	-	-	-	-
13	$4,323	$4,323	-	-	-
14	$4,377	$4,377	-	-	-
15	$4,434	$4,434	$4,489	-	-
16	$4,489	$4,489	$4,547	-	-
17	$4,547	$4,547	$4,606	$4,665	-
18	$4,606	$4,606	$4,665	$4,726	$4,788
19	$4,665	$4,665	$4,726	$4,788	$4,851
20	$4,726	$4,726	$4,788	$4,851	$4,918
21	$4,788	$4,788	$4,851	$4,918	$4,983
22	$4,851	$4,851	$4,918	$4,983	$5,050
23	$4,918	$4,918	$4,983	$5,050	$5,119
24	$4,983	$4,983	$5,050	$5,119	$5,188
25	$5,050	$5,050	$5,119	$5,188	$5,263
26	$5,119	$5,119	$5,188	$5,263	$5,335
27	$5,188	$5,188	$5,263	$5,335	$5,409
28	$5,263	$5,263	$5,335	$5,409	$5,483
29	$5,335	$5,335	$5,409	$5,483	$5,561
30	$5,409	$5,409	$5,483	$5,561	$5,641
31	$5,483	$5,483	$5,561	$5,641	$5,722
32	$5,561	$5,561	$5,641	$5,722	$5,794
33	$5,641	$5,641	$5,722	$5,794	$5,909
34	$5,722	$5,722	$5,794	$5,909	$6,027
35	$5,794	$5,794	$5,909	$6,027	$6,148
36	$5,909	$5,909	$6,027	$6,148	$6,271
37	-	$6,027	$6,148	$6,271	$6,396
38	-	-	$6,271	$6,396	$6,524
39	-	-	$6,396	$6,524	$6,654
40	-	-	-	$6,654	$6,787
41	-	-	-	$6,787	$6,923

42	-	-	-	-	$7,061

2014-2015 Principal and Assistant Principal Salary Schedules

	Classification			
Years of Exp (44-54)	Prin V (55-65)	Prin VI (66-100)	Prin VII (101+)	Prin VIII
0-19	$4,918	-	-	-
20	$4,983	-	-	-
21	$5,050	$5,119	-	-
22	$5,119	$5,188	$5,335	-
23	$5,188	$5,263	$5,409	$5,483
24	$5,263	$5,335	$5,483	$5,561
25	$5,335	$5,409	$5,561	$5,641
26	$5,409	$5,483	$5,641	$5,722
27	$5,483	$5,561	$5,722	$5,794
28	$5,561	$5,641	$5,794	$5,909
29	$5,641	$5,722	$5,909	$6,027
30	$5,722	$5,794	$6,027	$6,148
31	$5,794	$5,909	$6,148	$6,271
32	$5,909	$6,027	$6,271	$6,396
33	$6,027	$6,148	$6,396	$6,524
34	$6,148	$6,271	$6,524	$6,654
35	$6,271	$6,396	$6,654	$6,787
36	$6,396	$6,524	$6,787	$6,923
37	$6,524	$6,654	$6,923	$7,061
38	$6,654	$6,787	$7,061	$7,202
39	$6,787	$6,923	$7,202	$7,346
40	$6,923	$7,061	$7,346	$7,493
41	$7,061	$7,202	$7,493	$7,643
42	$7,202	$7,346	$7,643	$7,796
43	$7,346	$7,493	$7,796	$7,952
44	-	$7,643	$7,952	$8,111
45	-	$7,796	$8,111	$8,273
46+	-	-	$8,273	$8,438

SECTION 9.11.(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 9.11.(c) A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certificated employee of the public schools and an additional step for every three years of experience as a principal. 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 9.11.(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.

SECTION 9.11.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the North Carolina Human Resources Act.

SECTION 9.11.(f) If a principal is reassigned to a higher job classification because the principal is transferred to a school within a local school administrative unit with a larger number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the higher job classification.

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

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

SECTION 9.11.(g) Participants in an approved full-time masters in-school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the masters program. The stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time masters in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 9.11.(h) During the 2013-2015 fiscal biennium, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

SECTION 9.11.(i) Effective July 1, 2014, any assistant principal paid on years 0-8 on the State Salary Schedule in the 2013-2014 school year and employed on July 1, 2014, shall receive a nonrecurring salary bonus of eight hundred nine dollars ($809.00).

CENTRAL OFFICE SALARIES

SECTION 9.12. Section 35.13 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.13.(a)** The monthly salary ranges that follow, which apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers, shall ~~remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.~~be increased by five hundred dollars ($500.00) annually as follows:

School Administrator I	~~$3,349~~$3,391	~~$6,281~~$6,323
School Administrator II	~~$3,550~~$3,592	~~$6,662~~$6,704
School Administrator III	~~$3,769~~$3,811	~~$7,068~~$7,110
School Administrator IV	~~$3,920~~$3,962	~~$7,349~~$7,391
School Administrator V	~~$4,078~~$4,120	~~$7,647~~$7,689
School Administrator VI	~~$4,326~~$4,368	~~$8,109~~$8,151
School Administrator VII	~~$4,500~~$4,542	~~$8,436~~$8,478

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

"**SECTION 35.13.(b)** The monthly salary ranges that follow, which apply to public school superintendents, shall ~~remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.~~be increased beginning July 1, 2014, as follows:

Superintendent I	~~$4,777~~$4,819	~~$8,949~~$8,991
Superintendent II	~~$5,071~~$5,113	~~$9,490~~$9,532
Superintendent III	~~$5,380~~$5,422	~~$10,067~~$10,109
Superintendent IV	~~$5,710~~$5,752	~~$10,679~~$10,721
Superintendent V	~~$6,060~~$6,102	~~$11,330~~$11,372

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

"**SECTION 35.13.(c)** Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

"**SECTION 35.13.(d)** Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for under this section.

"**SECTION 35.13.(e)** The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

"**SECTION 35.13.(f)** The annual salaries of all permanent, full-time personnel paid from the Central Office Allotment shall ~~remain unchanged for the 2013-2015 fiscal biennium.~~be increased by five hundred dollars ($500.00)."

NONCERTIFIED PERSONNEL SALARIES

SECTION 9.13. Section 35.14 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.14.** The annual salary for permanent, full-time ~~and part-time~~ noncertified public school employees whose salaries are supported from the State's General Fund shall be ~~remain unchanged for the 2013-2015 fiscal biennium.~~increased by five hundred dollars ($500.00). Part-time, noncertified public school employees shall receive the increase authorized by this section on a prorated and equitable basis."

PART X. COMMUNITY COLLEGES

CONTINUE COMMUNITY COLLEGES PROGRAM AUDIT

SECTION 10.1. Section 10.15(a) of S.L. 2013-360 is repealed.

PROCESS FOR PERIODICALLY REVISING ENROLLMENT TIERS

SECTION 10.2. The State Board of Community Colleges shall develop a process for periodically reviewing and revising how courses and programs are classified into tiers in the enrollment funding model. The process shall be developed by March 1, 2015, and reported to the Office of State Budget and Management and the Fiscal Research Division of the North Carolina General Assembly.

The State Board of Community Colleges shall identify those courses and programs in high-need areas and may suggest any revisions to the model. These revisions shall be submitted as part of their budget requests for the 2017-2019 fiscal biennium.

FEES COLLECTED AND ASSESSED BY THE MANUFACTURING SOLUTIONS CENTER AND THE TEXTILE TECHNOLOGY CENTER

SECTION 10.3. The State Board of Community Colleges shall report, no later than January 15, 2015, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management on the structure of the fees assessed and the total fees collected by the Manufacturing Solutions Center at Catawba Valley Community College and by the Textile Technology Center at Gaston College during the 2012-2013 and 2013-2014 fiscal years.

PART XI. UNIVERSITIES

STRATEGIC PLAN AND DISTINGUISHED PROFESSOR ENDOWMENT FUND

SECTION 11.1.(a) Notwithstanding the provisions of G.S. 116-11 and G.S. 116-30.2, the Board of Governors and the campuses of the constituent institutions shall consider reducing State funds for centers and institutes, speaker series, and other nonacademic activities by up to fifteen million dollars ($15,000,000); if reductions are taken, then the Board of Governors may use those reductions to do either or both of the following:

(1) Provide a State match of up to ten million dollars ($10,000,000) for gifts from private sources for the Distinguished Professors Endowment Trust Fund.

(2) Expend up to five million dollars ($5,000,000) to implement provisions of The University of North Carolina Strategic Plan as set out in the report "Our Time, Our Future: The University of North Carolina Compact with North Carolina." These funds are in addition to the fifteen million dollars ($15,000,000) that may be expended pursuant to subsection (h) of Section 11.13 of S.L. 2013-360.

SECTION 11.1.(b) Notwithstanding the provisions of G.S. 116-41.13 through G.S. 116-41.19, for the 2014-2015 fiscal year, no State match shall be required to use donations and gifts that were or are intended by the donor as matching funds for a State appropriation for

distinguished professorships. If the terms of a particular donation or gift require a State match, then this subsection shall not apply without the written consent of the donor.

UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS

SECTION 11.2. Of the funds appropriated in this act to the Board of Governors of The University of North Carolina, the Board of Governors shall use twenty-nine million dollars ($29,000,000) to support UNC-related activities at the North Carolina Research Campus at Kannapolis.

UNC BUDGET REDUCTIONS

SECTION 11.3. Notwithstanding any other provisions of this act, no reduction in State funds, except reductions based on enrollment growth model changes, shall be allocated to any of the following:

(1) Any special responsibility constituent institution which has been granted a basic type designation of "Special Focus Institution" under the Carnegie Classification of Institutions of Higher Education.

(2) Any special responsibility constituent institution which has been granted a basic type designation of "Baccalaureate Colleges–Arts & Sciences" under the Carnegie Classification of Institutions of Higher Education.

(3) Any constituent high school of The University of North Carolina.

REPORT ON INSTITUTIONAL TRUST FUNDS

SECTION 11.4. G.S. 116-36.1(e) reads as rewritten:

"(e) Each institution shall submit such reports or other information concerning its trust fund accounts as may be required by the ~~Board.~~Board and by the Director of the Budget."

REPORT ON ACADEMIC SUMMER BRIDGE

SECTION 11.5. No later than November 1, 2014, the Board of Governors of The University of North Carolina shall report to the Office of State Budget and Management and the Joint Legislative Education Oversight Committee on the impact of Academic Summer Bridge programs on student outcomes. At a minimum, the report shall include information by institution on graduation rates, average time to degree, and student academic performance at multiple intervals over a four-year course of study.

UNC/DEVELOP PLAN TO DISSOLVE CONSTITUENT INSTITUTIONS WITH LARGE DECLINE IN STUDENT ENROLLMENT

SECTION 11.6. The Board of Governors of The University of North Carolina shall study the feasibility of dissolving any constituent institution whose fall full-time equivalent student enrollment declined by more than twenty percent (20%) between the 2010-2011 fiscal year and the 2013-2014 fiscal year and shall develop a plan for its dissolution. The Board of Governors shall report its findings and recommendations, including the plan for dissolution, to the 2015 General Assembly.

OPERATION OF 4-H CAMPS AND USE OF VARIOUS SITES OF DEFUNCT 4-H CAMPS AND TRANSFER 4-H CAMP SERTOMA/MOORE SPRINGS TO THE STATE PARKS SYSTEM.

SECTION 11.7.(a) Part 5 of Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-43.20. Operation of 4-H camps.**

(a) North Carolina State University shall not close the 4-H camps listed in subdivisions (1) through (3) of this subsection. Further, North Carolina State University shall continue to operate each of those camps as 4-H camps and to offer programs and services at the sites of each of those camps at a level that is at least equivalent to the programs and services offered at each site as of June 30, 2013. The following three 4-H camps are to continue and are to be operated as 4-H camps as provided by this subsection:

(1) Eastern 4-H Center located in Columbia, NC.

(2) Millstone 4-H Camp located near Ellerbe, NC.

(3) Betsy-Jeff Penn 4-H Educational Center located near Reidsville, NC.

(b) The 4-H camps that were located at the sites listed in subdivisions (1) and (2) of this subsection have ceased to operate as 4-H camps. At the request of the board of county commissioners of any county that is the site of one of the defunct 4-H camps listed in this subsection, North Carolina State University shall consult with the board regarding actions that may be taken to reopen the 4-H camp in that county and other options that may be available for the use of the site.

Within 90 days after any consultation with a board of county commissioners conducted pursuant to this subsection, North Carolina State University shall submit a written report to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division regarding the feasibility of reopening the site as a 4-H camp and any other options considered for the use of the site.

The list of defunct 4-H camps follows:

(1) Anita-Alta 4-H Camp in the Pisgah National Forest in Lenoir, NC.

(2) Swannanoa 4-H Camp located at Swannanoa, NC.

(c) North Carolina State University shall take all practicable measures to operate the 4-H camps in a manner that will generate a positive fund balance in the institutional trust funds that account for the activities of the 4-H camps."

SECTION 11.7.(b) Article 7 of Chapter 146 of the General Statutes is amended by adding a new section to read:

"**§ 146-30.1. Application of net proceeds of disposition or use of real property allocated to the 4-H Camping Program.**

(a) Limitation. – Notwithstanding G.S. 146-30 or any other provision of law, and subject to the limitations contained in any applicable deed, the net proceeds of any disposition of, use of, or activity on real property allocated to the 4-H Camping Program shall be used solely for the operation of the 4-H Camping Program, for the acquisition of real property for the 4-H Camping Program, or for the funding of an endowment to support these purposes. These proceeds shall not be used to pay any debt or other financial obligation owed to a State agency that arose prior to the effective date of this section.

(b) Definition of Net Proceeds. – For purposes of this section, the term "net proceeds" shall have the same meaning as in G.S. 146-30.

(c) No Supplanting of General Fund Support. – It is the intent of the General Assembly that appropriations for the 4-H Camping Program not be reduced as a result of the realization of proceeds under this section. Instead, the General Assembly intends that the amount of appropriations be determined as if no proceeds had been realized under this section. The Director of the Budget shall not decrease the recommended continuation budget requirements for the 4-H Camping Program as a result of proceeds being realized under this section.

(d) Proceeds Must Be Appropriated. – Nothing in this section shall be construed to appropriate the proceeds described in this section."

SECTION 11.7.(c) If on the effective date of this section the net proceeds of any use of, or activity on, real property allocated to the 4-H Camping Program are being used in a

manner prohibited by G.S. 146-30.1, then notwithstanding that section they may continue to be used in that manner.

SECTION 11.7.(d) The Department of Administration shall reallocate all of the approximately 716 acres of State-owned real property that is part of Camp Sertoma/Moore Springs property to the Department of Environment and Natural Resources. The General Assembly authorizes the Department of Environment and Natural Resources to add this property to the State Parks System as provided in G.S. 113-44.14(b).

SECTION 11.7.(e) Of the funds appropriated by this act for the 2014-2015 fiscal year to the Board of Governors of The University of North Carolina for North Carolina State University the sum of seven hundred twenty-five thousand dollars ($725,000) in recurring funds shall be allocated equally among all operating 4-H camps, including any currently defunct 4-H camp that reopens and operates as a 4-H camp. The funds allocated under this section shall be used for the operation, repair, and renovation of operating 4-H camps.

STUDY FINANCIAL AID PAYMENT SCHEDULE TO INCENTIVIZE THIRTY COMPLETED HOURS PER YEAR

SECTION 11.8. Section 11.15(h) of S.L. 2013-360 reads as rewritten:

"**SECTION 11.15.(h)** The State Education Assistance ~~Authority shall structure its payment schedule~~ Authority, in consultation with The University of North Carolina, the North Carolina Community College System, and the North Carolina Independent Colleges and Universities, shall study ways to structure its financial aid payment schedules to encourage students to complete an average of 30 credit hours per academic year. The State Education Assistance Authority shall report to the Joint Legislative Education Oversight Committee by ~~March 1, 2014,~~ October 1, 2015, regarding the ~~measures implemented by the Authority pursuant to this subsection.~~outcomes of this study."

UNC FACULTY TUITION WAIVER

SECTION 11.9.(a) G.S. 116-143(d) reads as rewritten:

"(d) Notwithstanding the above provision relating to the abolition of free tuition, the Board of Governors of The University of North Carolina may, in its discretion, provide regulations under which a full-time faculty member of the rank of full-time instructor or above, and any full-time staff member of The University of North Carolina may during the period of normal employment enroll for not more than two courses per year in The University of North Carolina free of charge for ~~tuition,~~ tuition and fees, provided such enrollment does not interfere with normal employment obligations and further provided that such enrollments are not counted for the purpose of receiving general fund appropriations."

SECTION 11.9.(b) This section applies to the 2014-2015 fall academic semester and each subsequent academic semester.

STATE EDUCATION ASSISTANCE AUTHORITY TO ASSUME RESPONSIBILITY FOR NORTH CAROLINA TEACHING FELLOWS SCHOLARSHIP LOANS

SECTION 11.10.(a) The Office of State Budget and Management shall transfer to the State Education Assistance Authority the cash balance remaining in the Teaching Fellows Trust Fund as of December 31, 2014. The funds shall be taken from Budget Code 63501 unless otherwise determined by the Office of State Budget and Management. The Teaching Fellows Commission shall make scholarship loan awards for the 2015 spring academic semester prior to the transfer of the cash balance from the Teaching Fellows Trust Fund. The Office of State Budget and Management shall work with the State Education Assistance Authority to determine the schedule for implementing the transfer of funds; however, the transfer of funds required by this section shall be completed no later than December 31, 2014.

SECTION 11.10.(b) Article 23 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-209.27. Administration of scholarships previously awarded by Teaching Fellows Program.**

(a) The Authority shall, as of January 1, 2015, administer all outstanding scholarship loans previously awarded by the former Teaching Fellows Commission and subject to repayment under the former North Carolina Teaching Fellows Program.

(b) Scholarship loans previously awarded by the Teaching Fellows Commission by notes payable to the Commission shall be deemed payable to the Authority, as the successor in interest to the Teaching Fellows Commission, by the same terms stated in the note.

(c) The Authority, as administrator for the Teaching Fellows Program, may use up to seventy-five thousand dollars ($75,000) annually of the fund balance for costs associated with administration of the Teaching Fellows Program.

(d) All funds received by the Authority in association with its administration of the Teaching Fellows Program, including all funds received as repayment of scholarship loans, and all interest earned on these funds shall be deposited into the Forgivable Education Loans for Service Fund established in G.S. 116-209.45."

SECTION 11.10.(c) The Teaching Fellows Commission shall deliver to the State Education Assistance Authority, in a format acceptable to the Authority, complete electronic and paper records on all outstanding scholarship loans previously awarded, but not canceled by service or otherwise satisfied in full as of the date of delivery, including records of applicable teaching service performed to that date, no later than November 15, 2014. Prior to the transfer of any such outstanding scholarship loan and related records the Teaching Fellows Commission shall discharge its reporting obligations under G.S. 147-86.26 and specifically confirm for the Authority that no account subject to write-off in accordance with the Statewide Accounts Receivable Program has been transferred under this section.

REPORT ON COLLEGE FOUNDATION OF NORTH CAROLINA SUSTAINABILITY

SECTION 11.11. No later than December 1, 2014, the State Education Assistance Authority shall report to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly on its progress toward funding operations of the College Foundation of North Carolina entirely from non-General Fund sources. This report shall include all of the following:

(1) The status of fundraising efforts to date.
(2) A detailed plan and time line for generating additional revenues.
(3) Estimated expenditures and revenues by type for the next four fiscal years.
(4) Potential reduction measures and alternative funding options should General Fund appropriations not be provided in the next biennium.

TUITION ASSISTANCE TO VETERANS WHO PARTICIPATE IN THE YELLOW RIBBON PROGRAM AND THEIR SPOUSES AND DEPENDENT RELATIVES

SECTION 11.12.(a) Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-143.8. Tuition assistance for certain veterans and their dependents.**

(a) The following definitions apply in this section:

(1) Institution of higher education. – Has the same meaning as in G.S. 116-143.1(a)(1).

(2) Yellow Ribbon Program. – Yellow Ribbon G.I. Education Enhancement Program, 38 U.S.C. § 3317.

(b) The Board of Governors of The University of North Carolina shall annually enter into an agreement with the United States Secretary of Veterans Affairs for one or more of the constituent institutions to participate in the Yellow Ribbon Program. The State Board of Community Colleges shall annually enter into an agreement with the United States Secretary of Veterans Affairs for one or more of the community colleges to participate in the Yellow Ribbon Program. The agreements shall include all of the following terms:

(1) A grant of ninety percent (90%) of the cost of tuition and mandatory fees not otherwise covered shall be provided for every eligible veteran or eligible spouse or dependent relative of a veteran who is enrolled or will be enrolled as an undergraduate student at a constituent institution or as a student at a community college.

(2) To be eligible for grants under the Yellow Ribbon Program, a student must meet all program requirements established by the federal government. In addition, to be eligible for a Yellow Ribbon grant in which the school share of the grant is paid with State appropriation, a student must be enrolled as an undergraduate student at a constituent institution or as a student at a North Carolina community college.

(c) This section is not intended to prohibit constituent institutions from using private funds to provide Yellow Ribbon grants for students enrolled in master's, or doctoral level programs.

(d) The General Assembly encourages private institutions of higher education in North Carolina to participate in the Yellow Ribbon Program."

SECTION 11.12.(b) It is the intent of the General Assembly to establish two reserve funds for the purpose of forward funding tuition assistance to students who participate in the Yellow Ribbon Program. Therefore, the General Assembly establishes the two following reserve funds:

(1) There is established the UNC Yellow Ribbon Reserve to be managed by the Board of Governors of The University of North Carolina. Of the funds appropriated by this act to the Board of Governors, the sum of four million eight hundred sixty-three thousand two hundred seventy-six dollars ($4,863,276) shall be allocated to the UNC Yellow Ribbon Reserve and shall be held in reserve for the 2014-2015 fiscal year. Beginning with the 2015-2016 fiscal year, the funds in the UNC Yellow Ribbon Reserve shall be used to fund undergraduate tuition assistance to participants in the Yellow Ribbon Program for the 2015-2016 academic year and each subsequent academic year.

(2) There is established the Community College Yellow Ribbon Reserve to be managed by the State Board of Community Colleges. Of the funds appropriated by this act to the Community Colleges System Office, the sum of one million dollars ($1,000,000) shall be allocated to the Community College Yellow Ribbon Reserve and shall be held in reserve for the 2014-2015 fiscal year. Beginning with the 2015-2016 fiscal year, the funds in the Community College Yellow Ribbon Reserve shall be used to fund tuition assistance to participants in the Yellow Ribbon Program for the 2015-2016 academic year and each subsequent academic year.

SECTION 11.12.(c) The Board of Governors and the State Board of Community Colleges shall each report to the Joint Legislative Education Oversight Committee by January 1, 2015, regarding their planned participation in the Yellow Ribbon Program for the 2015-16 academic year. Each report shall include the following information:

(1) The number and identity of constituent institutions or community colleges that will participate in the Yellow Ribbon Program.
(2) The methodology used by each governing board to select the institutions of higher education that will participate in the Yellow Ribbon Program.
(3) For each institution that will participate, the maximum number of students and the maximum award amount per student.
(4) A list of the institutions of higher education that will not participate in the Yellow Ribbon Program and the reason each institution is not participating.

SECTION 11.12.(d) Except as otherwise provided, subsection (a) of this section applies to the 2015-2016 academic year and each subsequent academic year.

OPTOMETRY/FORGIVABLE EDUCATION LOANS FOR SERVICE

SECTION 11.13. In implementing the Forgivable Education Loans for Service program authorized under G.S. 116-209.45, the State Education Assistance Authority shall adopt rules and polices necessary to ensure that the annual loan amount for a student attending an optometry program at an eligible institution is twenty-eight thousand dollars ($28,000), except that the annual loan amount shall not exceed the annual cost of attendance of the program in which the student is enrolled.

In establishing the criteria for loan forgiveness, the State Education Assistance Authority shall consider establishing a service schedule that rewards students practicing in an optometry health professional shortage area as determined by the Health Resources and Services Administration of the US Department of Health and Human Services.

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

HHS COMPETITIVE GRANTS PROCESS REVISIONS

SECTION 12A.1. Section 12A.2 of S.L. 2013-360 reads as rewritten:

"**FUNDING FOR NONPROFIT ORGANIZATIONS/ESTABLISH COMPETITIVE GRANTS PROCESS**

"**SECTION 12A.2.(a)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of nine million five hundred twenty-nine thousand one hundred thirty-four dollars ($9,529,134) in recurring funds for ~~each year of the 2013-2015 fiscal biennium,~~the 2013-2014 fiscal year and the sum of nine million three hundred three thousand nine hundred eleven dollars ($9,303,911) in recurring funds for the 2014-2015 fiscal year, the sum of three hundred seventeen thousand four hundred dollars ($317,400) in nonrecurring funds for each year of the 2013-2015 fiscal biennium, and the sum of three million eight hundred fifty-two thousand five hundred dollars ($3,852,500) appropriated in Section 12J.1 of this act in Social Services Block Grant funds for each year of the 2013-2015 fiscal biennium shall be used to allocate funds for nonprofit organizations.

...

"**SECTION 12A.2.(d)** It is the intent of the General Assembly that, beginning fiscal year 2014-2015, the Department implement a competitive grants process for nonprofit funding. To that end, the Department shall develop a plan that establishes a competitive grants process to be administered by the Division of Central Management and Support. The Department shall develop a plan that, at a minimum, includes each of the following:

(1) A request for application (RFA) process to allow nonprofits to apply for and receive State funds on a competitive basis.

(2) A requirement that nonprofits match a minimum of ten percent (10%) of the total amount of the grant award.
(3) A requirement that the Secretary prioritize grant awards to those nonprofits that are able to leverage non-State funds in addition to the grant award.
(4) A process that awards grants to nonprofits ~~dedicated to providing~~that have the capacity to provide services on a statewide basis and that support any of the following State health and wellness initiatives:
a. A program targeting advocacy, support, education, or residential services for persons diagnosed with autism.
~~b. A comprehensive program of education, advocacy, and support related to brain injury and those affected by brain injury.~~
c. A system of residential supports for those afflicted with substance abuse addiction.
d. A program of advocacy and supports for individuals with intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly.
e. Supports and services to children and adults with developmental disabilities or mental health diagnoses.
f. A food distribution system for needy individuals.
g. The provision and coordination of services for the homeless.
h. The provision of services for individuals aging out of foster care.
i. Programs promoting wellness, physical activity, and health education programming for North Carolinians.
j. A program focused on enhancing vision screening through the State's public school system.
k. Provision for the delivery of after-school services for mentoring at-risk youth.
l. The provision of direct services for amyotrophic lateral sclerosis (ALS) and those diagnosed with the disease.
m. The provision of assistive information technology services for blind and disabled persons.
(5) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

...

"**SECTION 12A.2.(h)** For fiscal year 2014-2015 only, from the sum of nine million three hundred three thousand nine hundred eleven dollars ($9,303,911) referred to in subsection (a) of this section, the Department shall allocate the sum of three hundred seventy-five thousand dollars ($375,000) to the Big Brothers Big Sisters of the Triangle, Inc., for the purpose of mentoring at-risk youth. Big Brothers Big Sisters of the Triangle, Inc., shall be required to seek future funding through the competitive grants process in accordance with subsection (d) of this section."

FUNDS FOR STATEWIDE HEALTH INFORMATION EXCHANGE

SECTION 12A.2.(a) It is the intent of the General Assembly:
(1) To maximize receipt of federal funds for administration and support of the statewide health information exchange network (HIE Network).
(2) To allow the North Carolina Health Information Exchange (NC HIE), the nonprofit corporation responsible for overseeing and administering the HIE Network, to receive the State's share of available federal funds for

administration and support of the HIE Network in order to reduce the operating costs of the HIE Network by an amount sufficient to allow for the elimination or reduction of the participation fee the NC HIE currently imposes on hospitals required to connect to the HIE Network pursuant to G.S. 90-413.3A.

(3) Beginning with the 2015-2016 fiscal year, to make the Department of Health and Human Services, Division of Central Management and Support, responsible for using State funds to draw down available matching federal funds for administration and support of the HIE Network.

SECTION 12A.2.(b) From the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for the health information exchange for the 2014-2015 fiscal year, the Department shall allocate to the North Carolina Health Information Exchange, a nonprofit corporation, an amount sufficient to represent the State share for the maximum amount of approved federal matching funds for allowable Medicaid administrative costs related to the HIE Network.

SINGLE SYSTEM OF MEDICAID CLAIM ADJUDICATION FOR ENTITIES UNDER CONTRACT WITH THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

SECTION 12A.3.(a) Section 12A.4(j) of S.L. 2013-360 reads as rewritten:

"**SECTION 12A.4.(j)** The Department shall plan and implement system modifications necessary to enable entities under contract with the Department to perform Medicaid claim adjudication in the replacement MMIS. The Department shall implement these system modifications by the earlier of ~~January 1, 2015,~~ July 1, 2017, or prior to renewing any contract currently in effect with an entity required to perform Medicaid claim adjudication in the replacement MMIS pursuant to this section. Upon implementation of these system modifications, the Department shall require all Medicaid claim adjudication to be performed by the replacement MMIS, including all Medicaid claim adjudication performed by entities under contract with the Department. The Department may require entities under contract with the Department to contract directly with the State's Medicaid fiscal agent to provide technical support for Medicaid claim adjudication performed by the replacement MMIS for these entities, subject to prior approval of contract terms by the Department. The Department may charge entities under contract with the Department a fee not to exceed the amount necessary to cover the full operating cost of Medicaid claim adjudication performed by the replacement MMIS for these entities."

SECTION 12A.3.(b) Section 12A.4(k) of S.L. 2013-360, as amended by Section 4.11 of S.L. 2013-363, reads as rewritten:

"**SECTION 12A.4.(k)** Subsection (j) of this section becomes effective ~~January 1, 2015.~~January 1, 2016."

SECTION 12A.3.(c) The Department of Health and Human Services shall develop a plan to implement a single system of Medicaid claim adjudication compatible with the replacement Medicaid Management Information System (MMIS), to be used by all entities under contract with the Department until the Department implements system modifications necessary to enable these entities to perform Medicaid claim adjudication in the replacement MMIS. The Department shall submit the plan to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than May 1, 2015.

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

CHILD CARE SUBSIDY RATES/REVISE CO-PAYMENTS AND ELIGIBILITY CRITERIA

SECTION 12B.1. Section 12B.3 of S.L. 2013-360 reads as rewritten:

"CHILD CARE SUBSIDY RATES

"SECTION 12B.3.(a) ~~The~~ Beginning September 1, 2014, the maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be ~~seventy-five percent (75%) of the State median income, adjusted for family size.~~determined based on a percentage of the federal poverty level as follows:

AGE	INCOME PERCENTAGE LEVEL
0-5	200%
6-12	133%

The eligibility for any child with special needs, including a child who is 13 years of age or older, shall be two hundred percent (200%) of the federal poverty level.

"SECTION 12B.3.(b) ~~Fees~~ Beginning September 1, 2014, fees for families who are required to share in the cost of care shall be established based on ~~a~~ ten percent (10%) of gross family ~~income and adjusted for family size. Fees shall be determined as follows:~~income. Co-payments shall not be prorated for part-time care.

~~FAMILY SIZE~~	~~PERCENT OF GROSS FAMILY INCOME~~
~~1-3~~	~~10%~~
~~4-5~~	~~9%~~
~~6 or more~~	~~8%~~

"SECTION 12B.3.(b1) No later than January 1, 2015, the Department of Health and Human Services, Division of Child Development and Early Education, shall revise its child care subsidy policy to include in the policy's definition of "income unit" the following:

(1) A stepparent and the stepparent's child, if applicable.

(2) A nonparent relative caretaker, and the caretaker's spouse and child, if applicable, when the parent of the child receiving child care subsidy does not live in the home with the child.

...

"SECTION 12B.3.(h) Payment for subsidized child care services provided with ~~Work First~~ Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

...."

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS/CODIFY TANF MAINTENANCE OF EFFORT REQUIREMENT

SECTION 12B.2. G.S. 143B-168.15(g) reads as rewritten:

"(g) Not less than thirty percent (30%) of the funds spent in each year of each local partnership's direct services allocation shall be used to expand child care subsidies. To the extent practicable, these funds shall be used to enhance the affordability, availability, and quality of child care services as described in this section. The North Carolina Partnership may increase this percentage requirement up to a maximum of fifty percent (50%) when, based upon a significant local waiting list for subsidized child care, the North Carolina Partnership determines a higher percentage is justified. Local partnerships shall spend an amount for child care subsidies that provides at least fifty-two million dollars ($52,000,000) for the Temporary Assistance to Needy Families (TANF) maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement."

STUDY CHILD CARE SUBSIDY FOR 11- AND 12-YEAR OLDS

SECTION 12B.3.(a) The Department of Health and Human Services, Division of Child Development and Early Education, shall study child care subsidy for 11- and 12-year olds. The Division shall study (i) available options for 11- and 12- year olds for before and after school care, (ii) available resources other than child care subsidy to pay for before and after school care, and (iii) the average cost of care for 11- and 12- year olds.

SECTION 12B.3.(b) The Division shall report its findings and recommendations to the Joint Legislative Committee on Health and Human Services and the Fiscal Research Division no later than November 30, 2014.

REVISE CHILD CARE ALLOCATION FORMULA

SECTION 12B.4. Section 12B.4 of S.L. 2013-360 reads as rewritten:

"**CHILD CARE ALLOCATION FORMULA**

"**SECTION 12B.4.(a)** The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than ~~seventy-five percent (75%) of the State median income.~~the applicable federal poverty level percentage set forth in Section 12B.3(a) of this act, as amended.

(2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

(3) For fiscal years 2013-2014 and 2014-2015, the Division of Child Development and Early Education shall base the formula identified in subdivision (1) of this subsection on the same data source used for the 2012-2013 fiscal year.

(4) The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2013-2014 and 2014-2015 fiscal years.

"**SECTION 12B.4.(b)** The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county. Beginning with any funding reallocated in the 2013-2014 fiscal year, reallocated funds shall become part of a county's allocation formula in future fiscal years and, beginning with the 2014-2015 fiscal year, shall apply to both increased and decreased allocations."

SUBPART XII-C. DIVISION OF SOCIAL SERVICES

CHILD PROTECTIVE SERVICES IMPROVEMENT INITIATIVE

SECTION 12C.1.(a) Findings and Intent. – The General Assembly makes the following findings:

(1) Child Protective Services' policy from the Department of Health and Human Services, Division of Social Services, recommends that the average child protective services caseload be no greater than 10 families at any time for

workers performing child protective services assessments and 10 families at any time for staff providing in-home services. However, data suggests that in 43 of the counties in this State, 21 have a caseload size of over 15 cases per worker; and further, in nine of those 21 counties, there is an average caseload size of over 20 cases per worker.

(2) During the 2013-2014 fiscal year, county departments of social services lost federal funding for child protective services under the Temporary Assistance of Needy Families (TANF) Block Grant and Title IV-E funding. However, the number of Child Protective Services investigations has grown by twenty percent (20%) from fiscal year 2002 to fiscal year 2012.

(3) There is no current, statewide data available on the performance of county departments of social services regarding child protective services.

(4) There exists the potential for a conflict of interest to arise when a county department of social services has been appointed as guardian for both (i) a child who is the subject of a report of abuse, neglect, or dependency that would be investigated by Child Protective Services and (ii) for the parent or legal guardian of the child.

It is the intent of the General Assembly to (i) reduce caseload size for Child Protective Services' workers to the recommended standard, (ii) provide adequate resources for county departments of social services to provide child protective services for abused, neglected, and dependent children, (iii) provide for a comprehensive evaluation of various functions and funding regarding child protective services, and (iv) study ways to reduce conflicts of interest regarding guardianship and child protective services. To that end, the General Assembly supports the initiatives and the allocation of funds for child welfare services as described in this section.

SECTION 12C.1.(b) Funds for Child Protective Services. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of eight million three hundred twenty-six thousand six hundred twenty-seven dollars ($8,326,627) shall be allocated to provide additional child protective services workers at county departments of social services to reduce caseloads to the recommended standard.

SECTION 12C.1.(c) Funds for In-Home Services. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of four million five hundred thousand dollars ($4,500,000) shall be allocated for Child Welfare in-home services to provide and coordinate interventions and services that focus on child safety and protection, family preservation, and the prevention of further abuse or neglect.

SECTION 12C.1.(d) Funds for Oversight of Child Welfare Services. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of seven hundred fifty thousand dollars ($750,000) shall be allocated to fund nine positions to the Division to enhance oversight of child welfare services in county departments of social services. These positions shall be used to monitor, train, and provide technical assistance to the county departments of social services to ensure children and families are provided services that address the safety, permanency, and well-being of children served by child welfare services.

SECTION 12C.1.(e) Pilot Program. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of three hundred thousand dollars ($300,000) shall be used to establish and implement a child protective services pilot program. The funds shall be used to enhance coordination of services and information among county departments of social services, local law enforcement agencies, the court system, guardian ad litem programs, and other agencies as deemed appropriate by the

Department. The Department shall determine the number of sites that may participate in the pilot program and include regions that are geographically diverse.

The Division shall make a progress report on the pilot program to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division no later than March 1, 2015. The Division shall make a final report of its findings and recommendations on the pilot program to the Joint Legislative Oversight Committee on Health and Human Services no later than March 1, 2016.

SECTION 12C.1.(f) Statewide Evaluation. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of seven hundred thousand dollars ($700,000) shall be used to provide for a comprehensive, statewide evaluation of the State's child protective services system. The Division of Social Services shall contract for an independent evaluation of the system, which evaluation shall include developing recommendations on the following:

(1) The performance of county departments of social services as related to child protective services.
(2) Caseload sizes.
(3) The administrative structure of the child protective services system in the State.
(4) Any funding needs.
(5) Child protective services' worker turnover.
(6) Monitoring and oversight of county departments of social services.

The Division shall report the findings and recommendations from the evaluation to the Joint Legislative Oversight Committee on Health and Human Services no later than January 1, 2016.

SECTION 12C.1.(g) Study Conflicts of Interest/Public Guardianship and Child Protective Services. – The Department of Health and Human Services, Division of Social Services, shall study the issue of conflicts of interest in child welfare cases as related to public guardianship. In conducting the study, the Department shall consider the following regarding addressing potential conflicts of interest:

(1) Creating internal firewalls to prevent information sharing and influence among staff members involved with the conflicting cases.
(2) Creating a formal or an informal "buddy system" allowing a county with a conflict to refer a case to a neighboring county.
(3) Referring the guardianship to a corporate guardian until the child welfare case is resolved.
(4) Having the Department assume responsibility for either the guardianship or the child welfare case.
(5) Recommending legislation to permit the clerk the option to appoint a public agency or official, other than the Director of Social Services, to serve as a disinterested public agent in exceptional circumstances only.
(6) Any other issues specific to this matter the Department deems appropriate.

The Division shall submit a final report of its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division no later than February 1, 2015.

CLARIFY WORK FIRST FAMILY ASSISTANCE INCOME LEVELS

SECTION 12C.2. G.S. 108A-27.01 reads as rewritten:

"**§ 108A-27.01. Income eligibility and payment level for Work First Family Assistance.**

The maximum net family annual income eligibility standards for Work First Family Assistance are ~~the same standards of need for eligibility for the categorically needy under the Medicaid Program.~~as provided in the table below. The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need."

Family Size	Income Level
1	$ 4,344
2	5,664
3	6,528
4	7,128
5	7,776
6	8,376
7	8,952
8	9,256"

EASTERN BAND OF CHEROKEE INDIANS/ASSUMPTION BY TRIBE OF VARIOUS HUMAN SERVICES

SECTION 12C.3.(a) The purpose of this section is to enable the Eastern Band of Cherokee Indians to assume responsibility for certain social services, healthcare benefit programs, ancillary services, including Medicaid administrative and service related functions, and related reimbursements.

SECTION 12C.3.(b) Beginning October 1, 2014, the Eastern Band of Cherokee Indians shall begin assuming the responsibility for the Supplemental Nutrition Assistance Program (SNAP). When the Eastern Band of Cherokee Indians assumes responsibility for SNAP, then any State statutes, portions of statutes, or rules relating to the provision of social services regarding SNAP services by a county department of social services for members of the Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions, administration, and funding requirements relating to those social services are thereby delegated to the Eastern Band of Cherokee Indians.

No later than October 1, 2015, and with the exception of services related to special assistance, childcare, and adult care homes, the Eastern Band of Cherokee Indians shall assume responsibility for other programs as described under G.S. 108A-25(e), enacted in subsection (c) of this section. When the Eastern Band of Cherokee Indians assumes responsibility for any of those other programs, then any State statutes, portions of statutes, or rules relating to the provision of services for those programs by a county department of social services for members of the Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions, administration, and funding requirements relating to those programs are thereby delegated to the Eastern Band of Cherokee Indians.

SECTION 12C.3.(c) G.S. 108A-25 reads as rewritten:

"**§ 108A-25. Creation of ~~programs.~~programs; assumption by federally recognized tribe of programs.**

...

(e) When any federally recognized Native American tribe within the State assumes responsibility for any social services, healthcare benefit programs, and ancillary services, including Medicaid administrative and service functions, that are otherwise the responsibility of a county under State law, then, notwithstanding any other provision of law, the county shall be relieved of the legal responsibility related to the tribe's assumption of those services."

SECTION 12C.3.(d) G.S. 108A-87 reads as rewritten:

"**§ 108A-87. Allocation of nonfederal shares.**

(a) The nonfederal share of the annual cost of each public assistance and social services program and related administrative costs may be divided between the State and counties as determined by the General Assembly and in a manner consistent with federal laws and regulations.

(b) The nonfederal share of the annual cost of public assistance and social services programs and related administrative costs provided to Indians living on federal reservations held in trust by the United States on their behalf shall be borne entirely by the State.

(c) Notwithstanding subsections (a) and (b) of this section, when the Eastern Band of Cherokee Indians assumes responsibility for a program described under G.S. 108A-25(e), the following shall occur:

(1) Nonfederal matching funds designated to Jackson and Swain counties to serve the Eastern Band of Cherokee Indians for that program previously borne by the State shall be allocated directly to the Eastern Band of Cherokee Indians rather than to those counties.

(2) Any portion of nonfederal matching funds borne by counties for public assistance and social services programs and related administrative costs shall be borne by the Eastern Band of Cherokee Indians."

SECTION 12C.3.(e) The Department of Health and Human Services, Division of Medical Assistance, shall submit to the Centers of Medicare and Medicaid Services (CMS) any Medicaid state plan amendments necessary to effectuate the changes required by this section no later than October 1, 2014. The state plan amendments shall have an effective date no later than October 1, 2015.

SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES

ELIGIBILITY FOR STATE-COUNTY SPECIAL ASSISTANCE PROGRAM

SECTION 12D.1.(a) G.S. 108A-41(b) reads as rewritten:

"(b) Assistance shall be granted to any person ~~who:~~who meets all of the following criteria:

(1) Meets one of the following:

a. Is 65 years of age ~~and older, is~~ or older.

b. Is between the ages of 18 and 65, and is permanently and totally disabled or is legally blind pursuant to ~~G.S. 111-11; and~~G.S. 111-11.

(2) Meets one of the following:

a. ~~Has~~ Applies for assistance prior to November 1, 2014, and has both (i) insufficient income ~~or~~ and (ii) insufficient other resources to provide a reasonable subsistence compatible with decency and health as determined by the rules and regulations of the Social Services ~~Commission; and~~Commission in effect at the time of application.

b. Applies for assistance on or after November 1, 2014, and has both (i) income at or below one hundred percent (100%) of the federal poverty level guidelines published by the United States Department of Health and Human Services and (ii) insufficient other resources to provide a reasonable subsistence compatible with decency and health as determined by the rules and regulations of the Social Services Commission.

(3) Is one of the following:

a. A resident of North Carolina for at least 90 days immediately prior to receiving this ~~assistance;~~assistance.

~~b. A person coming to North Carolina to join a close relative who has resided in North Carolina for at least 180 consecutive days immediately prior to the person's application. The close relative shall furnish verification of his or her residency to the local department of social services at the time the applicant applies for special assistance. As used in this sub-subdivision, a close relative is the person's parent, grandparent, brother, sister, spouse, or child; or~~

c. A person discharged from a State facility who was a patient in the facility as a result of an interstate mental health ~~compact.~~ compact that requires the State to continue treating the person within the State. As used in this sub-subdivision the term State facility is a facility listed under G.S. 122C-181."

SECTION 12D.1.(b) This section shall not affect the eligibility of State-County Special Assistance applicants approved to receive State-County Special Assistance benefits prior to November 1, 2014.

STATE-COUNTY SHARE OF COSTS FOR SPECIAL ASSISTANCE PROGRAM

SECTION 12D.2. G.S. 143B-139.5 reads as rewritten:

"**§ 143B-139.5. Department of Health and Human Services; adult care State/county share of ~~costs; maintenance of State/county budget allocations~~ costs for State-County Special Assistance programs.**

State funds available to the Department of Health and Human Services shall pay fifty percent (50%), and the counties shall pay fifty percent (50%) of the authorized rates for care in adult care homes including area mental health agency-operated or contracted-group homes. ~~The Department shall maintain the State's appropriation to the State-County Special Assistance program at one hundred percent (100%) of the State certified budget enacted by the General Assembly for the 2012-2013 fiscal year.~~ The Department shall use ~~these appropriated funds for~~ the State's appropriation to the State-County Special Assistance ~~program,~~ program for this program, for the State-County Special Assistance in-home program, and for rental assistance. ~~Each county department of social services shall maintain its allocation to the State-County Special Assistance program at one hundred percent (100%) of the county funds budgeted for this program for the 2011-2012 fiscal year.~~ Each county shall use ~~these~~ county funds budgeted for the State-County Special Assistance ~~program,~~ program for this program, for the State-County Special Assistance in-home program, and for rental assistance."

EXAMINATION OF WAYS TO IMPROVE THE PUBLIC GUARDIANSHIP SYSTEM

SECTION 12D.3.(a) The Department of Health and Human Services (Department), Division of Aging and Adult Services, shall collaborate with the Administrative Office of the Courts to develop a plan regarding the Department's evaluation of complaints pertaining to wards under the care of publicly funded guardians in order to ensure that, in addition to current requirements, the complaint process incorporates a face-to-face observation of the ward, an interview with the ward, or both. The plan shall include a requirement that an individual with experience in understanding the unique needs and abilities of the ward be assigned to conduct the observation or interview.

SECTION 12D.3.(b) The Department shall continue utilizing existing safeguards regarding guardians as paid service providers. In addition, the Division of Aging and Adult Services shall consult with the clerks of superior court, local management entities that have been approved as managed care organizations, the North Carolina Bar Association Section on Elder Law, and any other interested groups to develop a model plan for transitioning a ward to an alternative guardianship arrangement when an individual guardian of the person becomes

unable or unwilling to serve. The model plan shall focus on ways to prevent the appointment of a public guardian.

SECTION 12D.3.(c) The Department shall continue to study whether utilization of care coordination services would provide needed oversight to safeguard against conflicts of interest when guardians serve as paid providers.

SECTION 12D.3.(d) The Department shall submit a final report of its findings and recommendations for each of the issues described in subsections (a) through (c) of this section to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than October 1, 2014.

STATUS REPORTS FILED BY CORPORATIONS OR DISINTERESTED PUBLIC AGENTS SERVING AS GUARDIANS FOR INCOMPETENT WARDS

SECTION 12D.4.(a) G.S. 35A-1202(14) reads as rewritten:

"(14) "Status report" means the report required by G.S. 35A-1242 to be filed by the general guardian or guardian of the person. ~~A status report shall include a report of a recent medical and dental examination of the ward by one or more physicians or dentists, a report on the guardian's performance of the duties set forth in this Chapter and in the clerk's order appointing the guardian, and a report on the ward's condition, needs, and development. The clerk may direct that the report contain other or different information. The report may also contain, without limitation, reports of mental health or mental retardation professionals, psychologists, social workers, persons in loco parentis, a member of a multidisciplinary evaluation team, a designated agency, a disinterested public agent or agency, a guardian ad litem, a guardian of the estate, an interim guardian, a successor guardian, an officer, official, employee or agent of the Department of Health and Human Services, or any other interested persons including, if applicable to the ward's situation, group home parents or supervisors, employers, members of the staff of a treatment facility, or foster parents.~~"

SECTION 12D.4.(b) G.S. 35A-1242 reads as rewritten:

"**§ 35A-1242. Status reports for incompetent wards.**

(a) Any corporation or disinterested public agent that is guardian of the person for an incompetent person, within six months after being appointed, shall file an initial status report with ~~the designated agency, if there is one, or with the clerk.~~ the clerk and submit a copy of the initial status report to the designated agency, if there is one. Such guardian shall file a second status report with ~~the designated agency or~~ the clerk one year after being appointed, and subsequent reports annually thereafter. The clerk may order any other guardian of the person to file status reports. If a guardian required by this section to file a status report is employed by the designated agency, the guardian shall file any required status report with ~~both the designated agency and the clerk.~~ the clerk and submit a copy of the status report to the designated agency.

(a1) Each status report shall include all of the following:

(1) A report of recent medical and dental examinations of the ward by one or more physicians and dentists.

(2) A report on the guardian's performance of the duties set forth in this Chapter and in the clerk's order appointing the guardian.

(3) A report on the ward's residence, education, employment, and rehabilitation or habilitation.

(4) A report of the guardian's efforts to restore competency.

(5) A report of the guardian's efforts to seek alternatives to guardianship.

(6) If the guardian is a disinterested public agent or corporation, a report of the efforts to identify alternative guardians.

(7) The guardian's recommendations for implementing a more limited guardianship, preserving for the ward the opportunity to exercise rights that are within the ward's comprehension and judgment.

(8) Any additional reports or information required by the clerk.

(a2) The guardian may include in each status report additional information pertaining to the ward's best interests.

(b) Each status report shall be filed under the guardian's oath or affirmation that the report is complete and accurate so far as ~~he~~ the guardian is informed and can determine.

(c) A clerk or designated agency that receives a status report shall not make the status report available to anyone other than the guardian, the ward, the court, or State or local human ~~resource~~ services agencies providing services to the ward.

(d) The clerk, on the clerk's own motion, or any interested party, may file a motion in the cause pursuant to G.S. 35A-1207 with the clerk in the county where the guardianship is docketed to request modification of the order appointing the guardian or guardians or for consideration of any matters contained in the status report."

SECTION 12D.4.(c) This section becomes effective October 1, 2014.

SUBPART XII-E. DIVISION OF PUBLIC HEALTH

CHILDREN'S DEVELOPMENTAL SERVICES AGENCIES

SECTION 12E.1. Section 12E.4 of S.L. 2013-360 reads as rewritten:

"~~**SECTION 12E.4.**~~**SECTION 12E.4.(a)** In order to achieve the reduced amount of State funds appropriated in this act for the Children's Developmental ~~Service~~ Services Agencies (CDSAs) program, the Department of Health and Human Services, Division of Public Health, ~~may~~ shall close ~~up to~~ four State-operated CDSAs, effective ~~July 1, 2014.~~ January 1, 2015. The Department shall retain the CDSA located in the City of Morganton and the CDSAs with the highest caseloads of children residing in rural and medically underserved areas. ~~If the Department elects to close one or more CDSAs pursuant to this section, it~~ The Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than ~~March 1, 2014,~~ March 1, 2015, identifying the CDSAs selected for closure.

"**SECTION 12E.4.(b)** For the 2014-2015 fiscal year, the Department shall maintain the same eligibility requirements for the CDSA program that were in effect on June 30, 2013."

REDIRECTION OF SCHOOL NURSE FUNDING INITIATIVE TO TIER 1 COUNTIES

SECTION 12E.2. Section 12E.3 of S.L. 2013-360 reads as rewritten:

"**SECTION 12E.3.(a)** All funds appropriated in this act for the School Nurse Funding Initiative for the 2014-2015 fiscal year shall be distributed only to local health departments located in counties designated as Tier 1 counties by the North Carolina Department of Commerce. These funds shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. ~~Communities~~ All Tier 1 counties shall maintain their current level of effort and funding for school nurses. These funds shall not be used to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

(1) School nurse-to-student ratio.

(2) Percentage of students eligible for free or reduced meals.

(3) Percentage of children in poverty.

(4) Per capita income.
(5) Eligibility as a low-wealth county.
(6) Mortality rates for children between one and 19 years of age.
(7) Percentage of students with chronic illnesses.
(8) Percentage of county population consisting of minority persons.

"**SECTION 12E.3.(b)** The Division of Public Health shall ensure that school nurses ~~funded with State funds~~ located in counties designated as Tier 1 counties, who are funded by appropriations for the School Nurse Funding Initiative for the 2014-2015 fiscal year (i) do not assist in any instructional or administrative duties associated with a school's curriculum and (ii) perform all of the following with respect to school health programs:

(1) Serve as the coordinator of the health services program and provide nursing care.
(2) Provide health education to students, staff, and parents.
(3) Identify health and safety concerns in the school environment and promote a nurturing school environment.
(4) Support healthy food services programs.
(5) Promote healthy physical education, sports policies, and practices.
(6) Provide health counseling, assess mental health needs, provide interventions, and refer students to appropriate school staff or community agencies.
(7) Promote community involvement in assuring a healthy school and serve as school liaison to a health advisory committee.
(8) Provide health education and counseling and promote healthy activities and a healthy environment for school staff.
(9) Be available to assist the county health department during a public health emergency.

"**SECTION 12E.3.(c)** Section 6.9(b) of S.L. 2011-145, as amended by Section 6.2 of S.L. 2012-142, is repealed."

INCREASED FEE FOR PRIVATE WELL-WATER TESTING

SECTION 12E.3.(a) G.S. 130A-5(16) reads as rewritten:

"(16) To charge a fee of up to ~~fifty-five dollars ($55.00)~~ seventy-four dollars ($74.00) for analyzing private well-water samples sent to the State Laboratory of Public Health by local health departments. The fee shall be imposed only for analyzing samples from newly constructed and existing wells. The fee shall be computed annually by the Director of the State Laboratory of Public Health by analyzing the previous year's testing at the State Laboratory of Public Health, and applying the amount of the total cost of the private well-water testing, minus State appropriations that support this effort. The fee includes the charge for the private well-water panel test kit."

SECTION 12E.3.(b) Subsection (a) of this section becomes effective July 1, 2014, and applies to private well-water samples analyzed on or after that date.

TRANSFER OF ON-SITE WATER PROTECTION BRANCH FROM DIVISION OF PUBLIC HEALTH TO DIVISION OF WATER RESOURCES, DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

SECTION 12E.4.(a) The On-Site Water Protection Branch of the Environmental Section of the Division of Public Health within the Department of Health and Human Services, is hereby transferred to the Division of Water Resources within the Department of Environmental and Natural Resources, by a Type I transfer, as defined in G.S. 143A-6, where it will be known as the On-Site Water Protection Section.

SECTION 12E.4.(b) G.S. 90A-51(2a) reads as rewritten:

"(2a) "Environmental health practice" means the provision of environmental health services, including administration, organization, management, education, enforcement, and consultation regarding environmental health services provided to or for the public. These services are offered to prevent environmental hazards and promote and protect the health of the public in the following areas: food, lodging, and institutional sanitation; on-site wastewater treatment and disposal; public swimming pool sanitation; childhood lead poisoning prevention; well permitting and inspection; tattoo parlor sanitation; and all other areas of environmental health requiring the delegation of authority by the Division of Public Health of the Department of Health and Human Services or the On-Site Water Protection Section of the Division of Water Resources of the Department of Environment and Natural Resources to State and local environmental health professionals to enforce rules adopted by the Commission for Public ~~Health.~~Health or the Environmental Management Commission. The definition also includes local environmental health professionals enforcing rules of local boards of health for on-site wastewater systems and wells."

SECTION 12E.4.(c) G.S. 90A-55(a) reads as rewritten:

"(a) Board Membership. – The Board shall consist of ~~12~~ nine members who shall serve staggered terms: the Secretary of ~~Health and Human Services,~~Environment and Natural Resources or the Secretary's duly authorized representative, one public-spirited citizen, ~~one environmental sanitation educator from an accredited college or university, one local health director,~~ a representative of the Division of Public Health of the Department of Health and Human Services, and ~~seven~~ six practicing environmental health ~~specialists~~ specialists, including one environmental sanitation educator from an accredited college or university, and one local health director, who qualify by education and experience for registration under this ~~Article, six of whom~~Article. The six members who are practicing environmental health specialists shall represent the Western, Piedmont, and Eastern Regions of the State as described more specifically in the rules adopted by the Board.

SECTION 12E.4.(d) Transition of Membership of the Board of Environmental Health Specialist Examiners. –

(1) The terms of all members of the Board of Environmental Health Specialist Examiners as of the effective date of this act shall expire on July 31, 2014. A new Board of nine members shall be appointed consistent with the requirements specified in G.S. 90A-55(a), as amended by subsection (c) of this section.

(2) Notwithstanding the provisions of G.S. 90A-55(b), the initial term of office for the following persons appointed to the Board of Environmental Health Specialist Examiners shall be two years: (i) one public-spirited citizen, (ii) a representative of the Division of Public Health of the Department of Health and Human Services, and (iii) three practicing environmental health specialists. At the end of these initial two-year appointments, the term of office for their successors shall be four years. The remaining members of the Board shall be appointed for an initial term of four years and the term of office for their successors shall be four years. Initial terms shall begin on August 1, 2014, and expire on July 31 of the year of expiration as set forth in this subdivision.

SECTION 12E.4.(e) G.S. 90A-71(4) reads as rewritten:

"(4) "Department" means the Department of ~~Health and Human Services.~~Environment and Natural Resources."

SECTION 12E.4.(f) G.S. 90A-81(b) reads as rewritten:

"(b) Arbitration. – The Board may establish a voluntary arbitration procedure to resolve complaints concerning a certified contractor or inspector or any work performed by a certified contractor or inspector, or conflicts involving any certified contractor or inspector and ~~the Division of Public Health of~~ the Department or a local health department."

SECTION 12E.4.(g) G.S. 130A-4(c) reads as rewritten:

"(c) The Secretary of Environment and Natural Resources shall administer and enforce the provisions of ~~Articles 9 and 10~~Articles 9, 10, and 11 of this Chapter and the rules of the Commission.

SECTION 12E.4.(h) G.S. 130A-17(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Articles 9 and 10~~Articles 9, 10, and 11 of this Chapter."

SECTION 12E.4.(i) G.S. 130A-18(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Articles 9 and 10~~Articles 9, 10, and 11 of this Chapter."

SECTION 12E.4.(j) G.S. 130A-19(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Articles 9 and 10~~Articles 9, 10, and 11 of this Chapter."

SECTION 12E.4.(k) G.S. 130A-20(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Articles 9 and 10~~Articles 9, 10, and 11 of this Chapter."

SECTION 12E.4.(l) G.S. 130A-22(c) reads as rewritten:

"(c) The Secretary of Environment and Natural Resources may impose an administrative penalty on a person who willfully violates Article 11 of this Chapter, rules adopted by the Commission pursuant to Article 11 or any condition imposed upon a permit issued under Article 11. An administrative penalty may not be imposed upon a person who establishes that neither the site nor the system may be improved or a new system installed so as to comply with Article 11 of this Chapter. Each day of a continuing violation shall constitute a separate violation. The penalty shall not exceed fifty dollars ($50.00) per day in the case of a wastewater collection, treatment and disposal system with a design daily flow of no more than 480 gallons or in the case of any system serving a single one-family dwelling. The penalty shall not exceed three hundred dollars ($300.00) per day in the case of a wastewater collection, treatment and disposal system with a design daily flow of more than 480 gallons which does not serve a single one-family dwelling."

SECTION 12E.4.(m) G.S. 130A-23(e) reads as rewritten:

"(e) The Secretary of Environment and Natural Resources shall have all of the applicable rights enumerated in this section to enforce the provisions of ~~Articles 9 and 10~~Articles 9, 10, and 11 of this Chapter."

SECTION 12E.4.(n) G.S. 130A-24(e) reads as rewritten:

"(e) The appeals procedures enumerated in this section shall apply to appeals concerning the enforcement of rules, the imposition of administrative penalties, or any other action taken by the Department of Environment and Natural Resources pursuant to ~~Articles 8, 9, 10, 11, and 12~~Articles 9, 10, and 11 of this Chapter."

SECTION 12E.4.(o) G.S. 130A-34.1(a) reads as rewritten:

"(a) The Local Health Department Accreditation Board is established within the North Carolina Institute for Public Health. The Board shall be composed of 17 members appointed by the Secretary of the Department of Health and Human Services as follows:

(1) Four shall be county commissioners recommended by the North Carolina Association of County Commissioners, and four shall be members of a local board of health as recommended by the Association of North Carolina Boards of Health.

(2) Three local health directors.

(3) ~~Three~~ Two staff members from the Division of Public Health, Department of Health and Human Services.

(4) ~~Repealed by Session Laws 2011-145, s. 13.3(zz), effective July 1, 2011.~~One staff member from the Division of Environmental Health, recommended by the Secretary of Environment and Natural Resources.

(5) Three at large."

SECTION 12E.4.(p) G.S. 130A-334(1) is recodified as G.S. 130A-334(1a).

SECTION 12E.4.(q) G.S. 130A-334 (1a) is recodified as G.S. 130A-334(1b) and reads as rewritten:

"~~(1a)~~(1b) "Department" means the Department of ~~Health and Human Services.~~Environmental and Natural Resources."

SECTION 12E.4.(r) G.S. 130A-334 is amended by adding a new subdivision to read:

"(1) "Commission" means the Environmental Management Commission."

SECTION 12E.4.(s) G.S. 130A-335(b) reads as rewritten:

"(b) ~~All wastewater~~Wastewater systems including all of the following shall be regulated by the Department under rules adopted by the ~~Commission except for the following wastewater systems that shall be regulated by the Department under rules adopted by the Environmental Management~~ Commission:

(1) Wastewater collection, treatment, and disposal systems designed to discharge effluent to the land surface or surface waters.

(2) Wastewater systems designed for groundwater remediation, groundwater injection, or landfill leachate collection and disposal.

(3) Wastewater systems designed for the complete recycle or reuse of industrial process wastewater.

(4) Gray water systems as defined in G.S. 143-350."

SECTION 12E.4.(t) G.S. 130A-335(h) reads as rewritten:

"(h) Except as provided in this subsection, a chemical or portable toilet may be placed at any location where the chemical or portable toilet can be operated and maintained under sanitary conditions. A chemical or portable toilet shall not be used as a replacement or substitute for a water closet or urinal where a water closet or urinal connected to a permanent wastewater treatment system is required by the North Carolina State Building Code, except that a chemical or portable toilet may be used to supplement a water closet or urinal during periods of peak use. A chemical or portable toilet shall not be used as an alternative to the repair of a water closet, urinal, or wastewater treatment system. It shall be unlawful to discharge sewage or other waste from a chemical or portable toilet used for human waste except into a wastewater system that has been approved by the Department under rules adopted by the Commission ~~or by the Environmental Management Commission~~ or at a site that is permitted by the Department under G.S. 130A-291.1."

SECTION 12E.4.(u) 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.

PROGRAM EVALUATION STUDY OF CHIEF MEDICAL EXAMINER'S OFFICE

SECTION 12E.5. The Joint Legislative Program Evaluation Oversight Committee shall consider including in the 2014-2015 Work Plan for the Program Evaluation Division of the General Assembly a study on ways to improve North Carolina's medical examiner system. The study shall include (i) an evaluation of the Office of the Chief Medical Examiner within the Epidemiology Section of the Department of Health and Human Services, Division of Public Health, and that Office's policies and procedures with respect to death investigations and (ii) recommendations for best practices in death investigations to achieve greater efficiencies.

SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES

TRAUMATIC BRAIN INJURY FUNDING

SECTION 12F.1. Of the funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2014-2015 fiscal year, the sum of two million three hundred seventy-three thousand eighty-six dollars ($2,373,086) shall be used exclusively to support traumatic brain injury (TBI) services as follows:

(1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars ($359,218) shall be used to fund contracts with the Brain Injury Association of North Carolina and Carolinas Rehabilitation.

(2) The sum of seven hundred ninety-six thousand nine hundred thirty-four dollars ($796,934) shall be used to support residential programs across the State that are specifically designed to serve individuals with TBI.

(3) The sum of one million two hundred sixteen thousand nine hundred thirty-four dollars ($1,216,934) shall be used to support requests submitted by individual consumers for assistance with residential support services, home modifications, transportation, and other requests deemed necessary by the consumer's local management entity and primary care physician.

CLOSURE OF WRIGHT SCHOOL

SECTION 12F.2.(a) The Department of Health and Human Services shall not allow any new admissions or readmissions to the Wright School after July 1, 2014. The Department shall, in consultation with local management entities that are approved to operate as managed care organizations, develop a plan to transition all students enrolled at the Wright School to other appropriate educational and treatment settings.

SECTION 12F.2.(b) By September 30, 2014, the Department shall permanently cease operations at the Wright School.

SECTION 12F.2.(c) G.S. 122C-181(a)(5)b. is repealed effective October 1, 2014.

REPORT ON STRATEGIES FOR IMPROVING MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 12F.3.(a) The Department of Health and Human Services (Department) shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1, 2014, that includes all of the following components:

(1) A strategy for improving communication and coordination among all divisions within the Department that administer funds or programs related to the delivery of behavioral health services, especially regarding the most appropriate and efficient uses of public and private inpatient behavioral health services. The Department shall include as part of its strategy a process to address shortages and deficiencies identified in the annual State Medical Facilities Plan.

(2) A plan developed in collaboration with local management entities that have been approved to operate as managed care organizations (LME/MCOs) to increase access to, and availability of, community-based outpatient crisis and emergency services for the stabilization and treatment of individuals experiencing mental health, developmental disability, or substance abuse crises in settings other than local hospital emergency departments and State-operated psychiatric hospitals.

(3) A plan to ensure that a comprehensive array of outpatient treatment and crisis prevention and intervention services are available and accessible to children, adolescents, and adults in every LME/MCO catchment area. The plan shall ensure that an adequate number of crisis stabilization units are available in each LME/MCO catchment area.

(4) Findings and recommendations for increasing the inventory of inpatient psychiatric and substance abuse services within the State. In developing its findings and recommendations, the Department shall examine the advantages and disadvantages of increasing this inventory of services through (i) additional State-operated facilities, (ii) community hospital beds, (iii) United States Department of Veterans Affairs beds, and (iv) community-based services that decrease the need for inpatient treatment.

(5) A plan for offering hospitals and other entities incentives to apply for licenses to begin offering new inpatient behavioral health services, or to begin operating existing licensed beds that are currently unstaffed, or both.

(6) Recommendations on the use of the existing Cherry Hospital buildings after patients and operations are relocated to the replacement facility. In developing its findings and recommendations, the Department shall conduct a study that includes development of an inventory and assessment of the condition of every building located on the existing Cherry Hospital campus. The study shall include an examination of the feasibility of using the existing Cherry Hospital facility to provide community-based and facility-based behavioral health services, including additional child and adolescent inpatient beds.

(7) A method by which the Division of Health Service Regulation can begin tracking and separately reporting no later than January 1, 2015, on the inventory of inpatient behavioral health beds for children ages six through 12 and for adolescents over age 12.

(8) A status update on the implementation of each component of the 2008 Mental Health Commission Workforce Development Plan.

SECTION 12F.3.(b) The Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 1, 2015, that includes all of the following components:

(1) A comprehensive strategy, developed in collaboration with stakeholders deemed relevant by the Department, to address the dearth of licensed child

and adolescent inpatient psychiatric beds throughout the State. The strategy shall:

a. Ensure that an adequate inventory of child and adolescent beds are available in each LME/MCO catchment area.

b. Include the development and implementation of a child and adolescent psychiatric bed registry to provide real-time information on the number of beds available at each licensed inpatient facility in the State.

(2) Recommendations for meaningful outcome measures to be implemented by State-operated alcohol and drug abuse treatment centers to assess the impact of inpatient treatment on an individual's substance use following discharge from a State-operated alcohol and drug abuse treatment center. The recommendations shall include a proposed time line for implementation of these outcome measures.

SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION

TECHNICAL CORRECTION TO CERTIFICATE OF NEED EXEMPTION FOR REPLACEMENT OF PREVIOUSLY APPROVED EQUIPMENT

SECTION 12G.1.(a) G.S. 131E-184(f) reads as rewritten:

"(f) The Department shall exempt from certificate of need review the purchase of any replacement equipment that exceeds the two million dollar ($2,000,000) threshold set forth in ~~G.S. 131E-176(22)~~ G.S. 131E-176(22a) if all of the following conditions are met:

(1) The equipment being replaced is located on the main campus.

(2) The Department has previously issued a certificate of need for the equipment being replaced. This subdivision does not apply if a certificate of need was not required at the time the equipment being replaced was initially purchased by the licensed health service facility.

(3) The licensed health service facility proposing to purchase the replacement equipment shall provide prior written notice to the Department, along with supporting documentation to demonstrate that it meets the exemption criteria of this subsection."

SECTION 12G.1.(b) This section is effective when it becomes law.

HEALTH CARE COST REDUCTION AND TRANSPARENCY ACT REVISIONS

SECTION 12G.2. G.S. 131E-214.13 reads as rewritten:

"**§ 131E-214.13. Disclosure of prices for most frequently reported DRGs, CPTs, and HCPCSs.**

(a) The following definitions apply in this Article:

(1) Ambulatory surgical facility. – A facility licensed under Part 4 of Article 6 of this Chapter.

(2) Commission. – The North Carolina Medical Care Commission.

(3) Health insurer. – ~~As defined in G.S. 108A-55.4, provided that "health insurer" shall not include self-insured plans and group health plans as defined in section 607(1) of the Employee Retirement Income Security Act of 1974.~~Includes self-insured plans, group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, [29 U.S.C. § 1167(1)]), service benefit plans, managed care organizations, or other parties that are, by statute, contract, or agreement, legally responsible for

payment of a claim for a health care item or service as a condition of doing business in the State.

(4) Hospital. – A medical care facility licensed under Article 5 of this Chapter or under Article 2 of Chapter 122C of the General Statutes.

(5) Public or private third party. – Includes the State, the federal government, employers, health insurers, third-party administrators, and managed care organizations.

(b) Beginning with the quarter ending June 30, 2014, and quarterly thereafter, each hospital shall provide to the Department of Health and Human Services, utilizing electronic health records software, the following information about the 100 most frequently reported admissions by DRG for inpatients as established by the ~~Commission:~~Department:

(1) The amount that will be charged to a patient for each DRG if all charges are paid in full without a public or private third party paying for any portion of the charges.

(2) The average negotiated settlement on the amount that will be charged to a patient required to be provided in subdivision (1) of this subsection.

(3) The amount of Medicaid reimbursement for each DRG, including claims and pro rata supplemental payments.

(4) The amount of Medicare reimbursement for each DRG.

(5) For each of the five largest health insurers providing payment to the hospital on behalf of insureds and teachers and State employees, the range and the average of the amount of payment made for each DRG. Prior to providing this information to the Department, each hospital shall redact the names of the health insurers and any other information that would otherwise identify the health insurers.

A hospital shall not be required to report the information required by this subsection for any of the 100 most frequently reported admissions where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

(c) The Commission shall adopt rules on or before March 1, 2014, to ensure that subsection (b) of this section is properly implemented and that hospitals report this information to the Department in a uniform manner. The rules shall include all of the following:

(1) The method by which the Department shall determine the 100 most frequently reported DRGs for inpatients for which hospitals must provide the data set out in subsection (b) of this section.

(2) Specific categories by which hospitals shall be grouped for the purpose of disclosing this information to the public on the Department's Internet Web site.

(d) Beginning with the quarter ending September 30, 2014, and quarterly thereafter, each hospital and ambulatory surgical facility shall provide to the Department, utilizing electronic health records software, information on the total costs for the 20 most common surgical procedures and the 20 most common imaging procedures, by volume, performed in hospital outpatient settings or in ambulatory surgical facilities, along with the related CPT and HCPCS codes. Hospitals and ambulatory surgical facilities shall report this information in the same manner as required by subdivisions (b)(1) through (5) of this section, provided that hospitals and ambulatory surgical facilities shall not be required to report the information required by this subsection where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

(e) The Commission shall adopt rules on or before June 1, 2014, to ensure that subsection (d) of this section is properly implemented and that hospitals and ambulatory surgical facilities report this information to the Department in a uniform manner. The rules shall include the ~~list of~~ method by which the Department shall determine the 20 most common surgical procedures and the 20 most common imaging ~~procedures, by volume, performed in a hospital outpatient setting and those performed in an ambulatory surgical facility, along with the related CPT and HCPCS codes.~~procedures for which the hospitals must provide the data set out in subsection (d).of this section.

(f) Upon request of a patient for a particular DRG, imaging procedure, or surgery procedure reported in this section, a hospital or ambulatory surgical facility shall provide the information required by subsection (b) or subsection (d) of this section to the patient in writing, either electronically or by mail, within three business days after receiving the request.

(g) G.S. 150B-21.3 does not apply to rules adopted under this section. A rule adopted under this section becomes effective on the last day of the month following the month in which the rule is approved by the Commission."

STUDY CONCERNING EXPANSION OF HEALTH CARE COST REDUCTION AND TRANSPARENCY ACT TO ADDITIONAL HEALTH CARE PROVIDERS

SECTION 12G.3. By December 1, 2014, the Department of Health and Human Services shall study and submit a written report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division summarizing its recommendations for extending North Carolina's Health Care Cost Reduction and Transparency Act of 2013 (the Act) to additional health care providers. The report shall identify all of the following:

(1) Recommended categories of additional health care providers that should be subject to the requirements of the Act.

(2) Recommended data to be collected for the purpose of transparency from each category of identified health care providers.

(3) Recommended exemptions, if any, from certain requirements of the Act for each category of identified health care providers.

(4) Recommended effective dates for the applicability of the Act to each category of identified health care providers.

MORATORIUM ON HOME CARE AGENCY LICENSES FOR IN-HOME AIDE SERVICES

SECTION 12G.4.(a) Notwithstanding the provisions of the Home Care Agency Licensure Act set forth in Part 3 of Article 6 of Chapter 131E of the General Statutes or any rules adopted pursuant to that Part, the Department of Health and Human Services shall not issue any licenses for home care agencies as defined in G.S. 131E-136(2) that intend to offer in-home aide services. This prohibition does not apply to companion and sitter services and shall not restrict the Department from doing any of the following:

(1) Issuing a license to a certified home health agency as defined in G.S. 131E-176(12) that intends to offer in-home aide services.

(2) Issuing a license to an agency that needs a new license for an existing home care agency being acquired.

(3) Issuing a license for a new home care agency in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to care is necessary in that area.

SECTION 12G.4.(b) This section shall not expire until the General Assembly enacts legislation to lift the moratorium established by this section.

MORATORIUM ON SPECIAL CARE UNIT LICENSES

SECTION 12G.5.(a) Section 12G.1(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 12G.1.(a)** ~~For the period beginning July 31, 2013, and ending July 1, 2016,~~ Notwithstanding the provisions of Article 1 of Chapter 131D of the General Statutes, Article 6 of Chapter 131E of the General Statutes, and any rules adopted pursuant to these Articles, the Department of Health and Human Services, Division of Health Service Regulation (Department), shall not issue any licenses for special care units as defined in G.S. 131D-4.6 and G.S. 131E-114. This prohibition shall not restrict the Department from doing any of the following:

(1) Issuing a license to a facility that is acquiring an existing special care unit.

(2) Issuing a license for a special care unit in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to this type of care is necessary in that ~~area during the three-year moratorium imposed by this section.~~area.

(3) Processing all completed applications for special care unit licenses received by the Division of Health Service Regulation along with the applicable license fee prior to June 1, 2013.

(4) Issuing a license to a facility that was in possession of a certificate of need as of July 31, 2013, that included authorization to operate special care unit beds."

SECTION 12G.5.(b) Section 12G.1(a) of S.L. 2013-360, as amended by subsection (a) of this section, shall not expire until the General Assembly enacts legislation to lift the moratorium established by that Section.

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

MEDICAID REORGANIZATION TO WORK TOWARDS REFORM

SECTION 12H.1.(a) It is the intent of the General Assembly to transfer the Medicaid and NC Health Choice programs to a new state entity that will define a new, more successful direction for the programs and that will be able to focus more clearly on the operation of the programs. Specifically, the Medicaid program shall move away from unmanaged fee-for-service towards a system that manages care. To that end, Medicaid shall include all dimensions of care for a recipient through full-risk, provider-led and non-provider-led, capitated health plans. Such full-risk capitated health plans shall include all aspects of care, without exceptions, so that the State will bear only the risk of enrollment numbers and enrollment mix.

The governance structure of the new State entity shall include a board. In the short-term, the new State entity shall do the following:

(1) Strategically design a program that meets the primary goal of providing budget predictability as well as the following goals:
   a. Controls the growth of program expenditures.
   b. Reduces programmatic spending, both on payments to providers of services or insurance and on administrative spending.
   c. Provides "whole person" care.
   d. Establishes provider accountability for budget and program outcomes, while integrating quality into the basic payment model.
   e. Maintains administrative accountability for budget and program outcomes.

f. Ensures transparency of reporting, provider information, decision making, and administrative functions.
g. Ensures recipient access to appropriate care and services.

(2) Carefully select individuals to serve in the key leadership positions within the new State entity.
(3) Develop a detailed timeline for a reform.
(4) Propose statutory changes or other legal authorization to allow the reform to be implemented.
(5) Prepare draft State Plan Amendments and waivers necessary to effectuate the reform.
(6) Design a robust information technology infrastructure, including a strategy to transfer existing data and resources at the Department of Health and Human Services to the new entity.

SECTION 12H.1.(b) The Department of Health and Human Services shall cease any activities related to implementing Medicaid reform based on its proposed accountable care organization (ACO) model.

SECTION 12H.1.(c) Funds appropriated elsewhere in this act to the Department of Health and Human Services, Division of Medical Assistance, for Medicaid reform shall be transferred to the Office of State Budget and Management, which shall then transfer the funds to the appropriate new entity that is contemplated in subsection (a) of this section. Such funds may be used only for Medicaid reorganization and reform and, notwithstanding the State Budget Act, may not be used for any other purpose such as funding any shortfalls in the Medicaid program.

REINSTATE MEDICAID ANNUAL REPORT

SECTION 12H.2. The Department of Health and Human Services, Division of Medical Assistance, shall reinstate the publication of the Medicaid Annual Report and accompanying tables, which was discontinued after 2008. The Division shall publish the report and tables on its Web site and shall not publish copies in print.

ADJUSTMENTS TO MEDICAID ELIGIBILITY

SECTION 12H.3.(a) Effective January 1, 2015, the following adjustments are made to eligibility for the Medicaid Program:

(1) Categorical coverage for recipients of the optional state supplemental program State-County Special Assistance is eliminated.
(2) Coverage for the medically needy is eliminated, except those categories that the State is prohibited from eliminating by the maintenance of effort requirement of the Patient Protection and Affordable Care Act. Effective October 1, 2019, coverage for all medically needy categories is eliminated.

SECTION 12H.3.(b) It is the intent of the General Assembly to reduce optional coverage for certain aged, blind, and disabled persons effective July 1, 2015, while meeting the State's obligation under the Americans with Disabilities Act and the United States Supreme Court decision in *Olmstead v. L.C. ex rel. Zimring*, 527 U.S. 581 (1999). No later than March 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall submit to the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services a draft waiver or other proposal that limits Medicaid coverage for the aged, blind, and disabled to the minimum required to meet mandatory requirements of the Medicaid program and the Americans with Disabilities Act. The Department may submit drafts of the waiver to the Centers for Medicare

and Medicaid Services (CMS) to solicit feedback but shall not submit the waiver for CMS approval until authorized by the General Assembly.

MODIFY INTENSIVE IN-HOME SERVICE

SECTION 12H.4. No later than October 1, 2014, the Department of Health and Human Services, Division of Medical Assistance, shall modify the service definition for the Intensive In-Home Service to reflect a team-to-family ratio of one Intensive In-Home team to 12 families for both the Medicaid and NC Health Choice programs.

STUDY ADDITIONAL 1915(c) WAIVER

SECTION 12H.5. The Department of Health and Human Services, Division of Medical Assistance, shall design and draft a 1915(c) wavier that meets the following requirements:

(1) The waiver should create 1,000 new slots each year for 3 years, to serve a total of 3,000 additional adults with developmental disabilities from January 1, 2016, to June 30, 2019.

(2) The budget for each slot should be capped at twenty thousand dollars ($20,000) per plan year per beneficiary, and slots will target individuals on the registry of unmet needs.

(3) The slots should be managed as part of the LME/MCO managed care system.

The Department shall report the draft waiver, other findings, and any other options or recommendations to best serve the additional adults with developmental disabilities on the registry of unmet needs to the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services by March 1, 2015. The Department may submit drafts of the waiver to the Centers for Medicare and Medicaid Services (CMS) to solicit feedback but shall not submit the waiver for CMS approval until authorized by the General Assembly.

TRAUMATIC BRAIN INJURY WAIVER

SECTION 12H.6. The Department of Health and Human Services, Division of Medical Assistance, shall design and draft a waiver to add a new service package for Medicaid eligibles with traumatic brain injury (TBI). This draft waiver may be based on an update to the 2010 report on a waiver to serve individuals with traumatic brain injury. The Department shall report the draft waiver, other findings, and any other options to provide Medicaid services to those suffering from TBI to the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services by February 1, 2015. The Department may submit drafts of the waiver to the Centers for Medicare and Medicaid Services (CMS) to solicit feedback but shall not submit the waiver for CMS approval until authorized by the General Assembly.

FREEZE NURSING HOME CASE MIX INDEX

SECTION 12H.7. Section 12H.13(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 12H.13.(b)** Effective July 1, 2013, any rate methodologies that contain an automatic inflationary or increase factor shall not increase above the rate in effect on June 30, 2013, unless the rate is otherwise increased by the General Assembly. Interim hospital outpatient services' percentage of cost used for payment shall be adjusted to compensate for expected inflation that hospitals would be eligible for, and cost settlement will only be up to the percentage in subsection (e) of this section. The following rates are excluded from this subsection: Federally Qualified Health Centers, Rural Health Centers, critical access hospitals,

State-Operated services, Hospice, Part B and D Premiums, third-party and HMO premiums, drugs, MCO capitation payments, and nursing home direct care services case mix index increases. Notwithstanding the foregoing, the exclusion from this subsection for nursing home direct care services case mix index increases expires January 1, 2015, and the rate for nursing home direct care services case mix shall not increase above the rate in effect on December 31, 2014."

DRUG REIMBURSEMENT USING AVERAGE ACQUISITION COST

SECTION 12H.8.(a) The Department of Health and Human Services, Division of Medical Assistance, shall adopt an average acquisition cost methodology for brand and generic drug ingredient pricing to be effective beginning on January 1, 2015. The drug ingredient pricing methodology shall be consistent with new federal requirements or, if the new federal requirements have not yet been finalized by October 1, 2014, consistent with the draft federal requirements. In adopting a new drug ingredient pricing methodology, the Department shall also adjust the rates for dispensing drugs as follows:

(1) Raise dispensing fees so that the average acquisition cost ingredient pricing plus the dispensing fees, net of any drug rebates, generates nine hundred seventy-five thousand dollars ($975,000) in savings in General Fund appropriations.

(2) Maintain a distinction between the dispensing fees for preferred and brand drugs.

SECTION 12H.8.(b) The Department of Health and Human Services, Division of Medical Assistance, shall issue a request for proposals (RFP) for a contractor to perform a statewide drug dispensing fee study to begin on July 1, 2015. The Department shall, no later than May 1, 2015, submit a cost estimate of such a study (i) to the chairs of the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee for Health and Human Services and (ii) to the Fiscal Research Division.

MENTAL HEALTH DRUG MANAGEMENT

SECTION 12H.9.(a) Effective January 1, 2015, Section 12H.13(g) of S.L. 2013-360, as amended by Section 4.4 of S.L. 2013-363, is repealed.

SECTION 12H.9.(b) Effective January 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall impose prior authorization requirements, when such prior authorization requirements are cost-effective, or other restrictions on medications prescribed to Medicaid and Health Choice recipients for the treatment of mental illness that are sufficient to produce twelve million dollars ($12,000,000), net of rebates, in recurring annual savings to General Fund appropriations to the Medicaid program. Notwithstanding the foregoing, because of the effective date of this section, savings in fiscal year 2014-2015 shall be six million dollars ($6,000,000).

SECTION 12H.9.(c) No later than October 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall report to the Joint Legislative Oversight Committee on Health and Human Services on the Department's fiscal year 2014-2015 savings from making the changes required by subsection (b) of this section.

PERSONAL CARE SERVICES MANAGEMENT

SECTION 12H.10.(a) The Department of Health and Human Services, Division of Medical Assistance, shall implement the rate reduction specified in Section 2 of S.L. 2013-306 retroactively to October 1, 2013, by recouping all payments in excess of the rate approved in the State plan amendment required in Section 3 of the Session Law. The Department shall then

additionally recoup the three percent (3%) reduction required by Section 12H.18(b) of S.L. 2013-360.

SECTION 12H.10.(b) Effective July 1, 2014, the Department of Health and Human Services, Division of Medical Assistance, shall further reduce the rate paid for personal care services (PCS) in order to remain within the fiscal year 2013-2014 certified budget for PCS, code 1310, North Carolina Accounting System code 536144, in the Division of Medical Assistance fund 14445. In calculating the reduced rate, the Department shall anticipate usage growth for fiscal year 2014-2015 and factor that rate into the calculation. Any State plan amendments required to implement this section shall not be subject to the 90 day prior submission requirement of G.S. 108A-54.1A(e).

SECTION 12H.10.(c) The Joint Legislative Oversight Committee on Health and Human Services shall engage a contractor to study issues related to reforming and redesigning personal care services (PCS) while meeting the State's obligations under the Americans with Disabilities Act and the United States Supreme Court's decision in *Olmstead v. L.C. ex rel. Zimring*, 527 U.S. 581 (1999). The study shall examine the following issues:

(1) What categories of Medicaid recipients are currently receiving PCS, and in what settings are they being served?

(2) What is the total number of Medicaid recipients receiving PCS in each category, and what is the anticipated growth in each category?

(3) What is the current cost of serving Medicaid recipients in each setting, and specifically, the sources of public funding utilized to serve those individuals?

(4) What alternative, more cost-effective assistance models could be implemented for each category of Medicaid recipient?

(5) Specifically, whether more cost-effective assistance could be offered through the new 1915(i) State plan home- and community-based services and 1915 waiver options for each category of Medicaid recipient.

(6) Recommendations regarding what outcomes the redesigned program should be designed to achieve.

(7) Other areas as deemed appropriate by the chairs of the Joint Legislative Oversight Committee on Health and Human Services.

No later than December 1, 2015, the contractor shall report the results and recommendations of the study to the Joint Legislative Oversight Committee on Health and Human Services. The Department of Health and Human Services shall give the contractor full access to all data necessary to complete the study and the report. The Department of Health and Human Services shall make payments to the contractor hired by the Joint Legislative Oversight Committee on Health and Human Services from the two hundred thousand dollars ($200,000) appropriated elsewhere in this budget for this contract as well as from federal Medicaid matching funds available for this contract.

ADULT CARE HOME COST REPORTING

SECTION 12H.11. The Department of Health and Human Services shall require compliance with the adult care home cost reporting requirements set forth in G.S. 131D-4.2. The Department shall make available the data collected from the cost reporting in a character-separated values (CSV) plain text format or other file format that may easily be imported into software used for spreadsheets, databases, and data analytics.

CREATE STATEWIDE HOSPITAL BASE RATE

SECTION 12H.12.(a) Section 12H.20(b) of S.L. 2013-360 is repealed.

SECTION 12H.12.(b) Effective January 1, 2015, the individualized base rates for hospital inpatient services under the Medicaid and NC Health Choice programs are hereby replaced with a single statewide base rate for hospital inpatient services equal to the sum of two thousand seven hundred eighty-eight dollars ($2,788) or the statewide median rate on June 30, 2014, whichever is less. This subsection does not apply to the UNC Health Care System or Vidant Medical Center, which was previously known as Pitt County Memorial Hospital, and their base rates shall not be included in the calculation of the statewide median rate.

SUPPLEMENTAL PAYMENTS TO ELIGIBLE MEDICAL PROFESSIONAL PROVIDERS

SECTION 12H.13.(a) Effective July 1, 2014, supplemental payments that increase reimbursement to the average commercial rate for certain eligible medical providers described in the Medicaid State Plan, Attachment 4.19-B, Section 5, Pages 2 and 3, shall be modified to limit the number of eligible medical professional providers as follows:

(1) 375 with the East Carolina University (ECU) Brody School of Medicine,
(2) 1,176 with the University of North Carolina at Chapel Hill (UNC) Faculty Physicians,
(3) 14 with the UNC Hospitals Pediatric Clinic,
(4) 75 with UNC Physicians Network,
(5) 18 with Chatham Hospital.

The Department of Health and Human Services shall not make any other modifications to the portion of the Medicaid State Plan referenced in this section, except as provided herein.

SECTION 12H.13.(b) Beginning on December 31, 2014, and annually thereafter, UNC and ECU shall submit an annual report based on their preceding fiscal year to the Joint Legislative Oversight Committee on Health and Human Services containing all of the following information for each individual provider for whom this supplemental payment is received:

(1) For each service provided by the provider and for which the supplemental payment is received, the location where the service was provided, including county, municipality, and zip code.
(2) The percentage of the provider's total time spent serving Medicaid recipients annually that is for services provided at locations other than the ECU Brody School of Medicine, the Firetower Medical Office, or the UNC School of Medicine.
(3) The amount of Medicaid reimbursement for each service for which a supplemental payment was made for services provided by the provider.
(4) The percentage of the provider's time spent in clinical practice, the percentage of time spent teaching, and the percentage of time engaging in research on an annual basis.

SECTION 12H.13.(c) The entities receiving the supplemental payments addressed in subsection (a) of this section shall transfer an amount to the Department of Health and Human Services, Division of Medical Assistance, sufficient to ensure that after reducing the transfer by twenty-eight and eighty-five hundredths percent (28.85%) there are funds for the State share necessary to make the supplemental payments. That twenty-eight and eighty-five hundredths percent (28.85%) shall be retained by the State for the Medicaid program.

SECTION 12H.13.(d) Any state plan amendments required to implement this section shall not be subject to the 90-day prior submission requirement of G.S. 108A-54.1A(e).

REPEAL SHARED SAVINGS PROGRAM; MAINTAIN CERTAIN RATE REDUCTIONS

SECTION 12H.14.(a) All subsections of Section 12H.18 of S.L. 2013-360, except for subsection (b), are repealed.

SECTION 12H.14.(b) Section 12H.18(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 12H.18.(b)** During the 2013-2015 fiscal biennium, the Department of Health and Human Services shall ~~withhold~~reduce by three percent (3%) ~~of~~the payments for the following services rendered to Medicaid and NC Health Choice recipients on or after January 1, 2014:

...

~~Funds from payments withheld under this section that are budgeted to be shared with providers shall not revert to the General Fund.~~"

SECTION 12H.14.(c) Effective January 1, 2015, Section 12H.18(b) of S.L. 2013-360, as amended by subsection (b) of this section, reads as rewritten:

"**SECTION 12H.18.(b)** During the 2013-2015 fiscal biennium, the Department of Health and Human Services shall reduce by three percent (3%) the payments for the following services rendered to Medicaid and NC Health Choice recipients on or after January 1, 2014:

(1) Inpatient hospital.
(2) Physician, excluding primary care until January 1, 2015.
(3) Dental.
~~(4) Optical services and supplies.~~
~~(5) Podiatry.~~
~~(6) Chiropractors.~~
~~(7) Hearing aids.~~
(8) Personal care services.
(9) Nursing homes.
(10) Adult care homes.
(11) Dispensing drugs."

PUBLISH MEDICAID PAYMENTS TO PROVIDERS

SECTION 12H.15.(a) For payments made in fiscal year 2013-2014 and for subsequent fiscal years, the Department of Health and Human Services, Division of Medical Assistance, shall publish on its Web site comprehensive information on Medicaid payments made to providers. The information shall be updated annually within three months of the close of a State fiscal year to include payments for that fiscal year. The information published shall include all of the following for each individual providing Medicaid services:

(1) Name of the individual providing the service.
(2) Location of service provider's principal place of business.
(3) Location of provided services, listed with both municipality and county. If an individual provides services in multiple locations, then those shall be specified and the items in subdivisions (6) through (10) of this subsection shall be provided for each location.
(4) Practice name, hospital name, or other business name with which the individual providing service is affiliated.
(5) Type of service provider and practice area.
(6) Number of Medicaid patients seen.
(7) Number of visits with Medicaid patients.
(8) Number of procedures performed or items furnished for Medicaid patients.
(9) Amount of Medicaid service payments received.
(10) Amount of Medicaid supplemental payments received.

(11) Amount of Medicaid settlement payments received.
(12) Amount of Medicaid recoupments.

The information shall be published in a character-separated values (CSV) plain text format or other file format that may easily be imported into software used for spreadsheets, databases, and data analytics. The Department shall ensure that no protected patient information be published.

SECTION 12H.15.(b) The Department of Health and Human Services, Division of Medical Assistance, shall begin discussions with the UNC School of Public Health or any other appropriate party of an educational or nonprofit nature to perform analytics on the information or to generate an interactive Web site to access the information contained within the data required to be reported under subsection (a) of this section. Such a Web site should be designed to exceed the functionality of South Carolina's HealthViz Medicaid statistics Web site.

STUDY PHYSICIAN ASSESSMENT

SECTION 12H.16. The Department of Health and Human Services, in consultation with the North Carolina Medical Society and any other appropriate groups, shall study the imposition of an assessment on physicians as part of the federally authorized Medicaid assessment program. The study shall consider the opportunities to increase funding to the Medicaid program and to providers by collecting additional State funds to leverage additional federal funding. The Department shall report its findings and recommendations to the Joint Legislative Oversight Committee on Health and Human Services by December 1, 2014.

INCREASE HOSPITAL ASSESSMENT RETENTION BY STATE

SECTION 12H.17.(a) G.S. 108A-121(8) reads as rewritten:

"(8) State's annual Medicaid payment. – For an assessment collected under this Article, an amount equal to ~~twenty-five and nine-tenths percent (25.9%)~~ twenty-eight and eighty-five one hundredths percent (28.85%) of the total amount collected under the assessment."

SECTION 12H.17.(b) G.S. 108A-128 reads as rewritten:

"**§ 108A-128. Payment for providers formerly subject to this Article.**

If a hospital provider (i) is exempt from both the equity and UPL assessments under this Article, (ii) makes an intergovernmental transfer (IGT) to the Department of Health and Human Services to be used to draw down matching federal funds, and (iii) has acquired, merged, leased, or managed another provider on or after March 25, 2011, then the hospital provider shall transfer to the State an additional amount, which shall be retained by the State. The additional amount shall be ~~twenty-five and nine-tenths percent (25.9%)~~ a percentage of the amount of funds that (i) would be transferred to the State through such an IGT and (ii) are to be used to match additional federal funds that the hospital provider is able to receive because of the acquired, merged, leased, or managed provider. That percentage shall be the same percentage provided in the definition of "State's annual Medicaid payment" under G.S. 108-121."

ASSESSMENT FOR LME/MCOS

SECTION 12H.18. The Secretary of Health and Human Services shall implement a Medicaid assessment program for local management entities/managed care organizations (LME/MCOs) at a rate of three and one-half percent (3.5%). The Department of Health and Human Services shall retain for the Medicaid program sixty-five percent (65%) of the amount collected from the assessment program. Collections shall be based on payments to the LME/MCOs for services performed on or after July 1, 2014. Any assessment funds not retained

by the Department shall be used to draw federal Medicaid matching funds for implementing increased rates or new reimbursement plans for the LME/MCOs.

Receipts from this assessment program are hereby appropriated for the 2014-2015 fiscal year, as well as for any future fiscal years, for the purposes set out in this section.

REPEAL PLANNED CCNC PAYMENT OF PMPMs

SECTION 12H.19. It is the intent of the General Assembly that the structure of per member per month (PMPM) payments or other payments to providers participating in Community Care of North Carolina (CCNC) programs be considered as a part of any Medicaid reform plan for the State. Therefore, Section 12H.22 of S.L. 2013-360 is repealed.

CCNC CONTRACT ADJUSTMENTS

SECTION 12H.20.(a) It is the intent of the General Assembly to grant agency to the new Medicaid entity, which is contemplated in Section 12H.1 of this act, to act on behalf of the Department of Health and Human Services, Division of Medical Assistance, with respect to the authority to terminate without cause contract #28023 on 30 days written notice to North Carolina Community Care Networks, Inc., (CCNC).

SECTION 12H.20.(b) The Department of Health and Human Services shall not exercise the option to renew contract #28023 with CCNC, which contract expires on December 31, 2015.

SECTION 12H.20.(c) The Department of Health and Human Services shall not enter into any new contract with CCNC that would have a termination date after December 31, 2015.

ADDITIONAL NOTICE ON SPAs

SECTION 12H.21.(a) G.S. 108A-54.1A reads as rewritten:

"**§ 108A-54.1A. Amendments to Medicaid State Plan and Medicaid Waivers.**

...

(d) No fewer than 10 days prior to submitting an amendment to the State Plan to the federal government, the Department shall post the amendment on its Web site and notify the members of the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division that the amendment has been posted. This requirement shall not apply to draft or proposed amendments submitted to the federal government for comments but not submitted for approval. The amendment shall remain posted on the Department's Web site at least until the plan has been approved, rejected, or withdrawn. If the authority for submitting the amendment to the State Plan is pursuant to subdivision (3), (4), (5), or (6) of subsection (b) of this section, then, prior to submitting an amendment to the federal government, the Department shall submit to the General Assembly members receiving notice under this subsection and to the Fiscal Research Division an explanation of the amendment, the need for the amendment, and the federal time limits required for implementation of the amendment.

(e) The Department shall submit an amendment to the State Plan to the federal government by a date sufficient to provide the federal government adequate time to review and approve the amendment so the amendment may be effective by the date required by the directing authority in subsection (b) of this section. Additionally, if a change is made to the Medicaid program by the General Assembly and that change requires an amendment to the State Plan, then the amendment shall be submitted at least 90 days prior to the effective date of the change as provided in the legislation.

(f) Any public notice required under 42 C.F.R. 447.205 shall, in addition to any other posting requirements under federal law, be posted on the Department's Web site. Upon posting such a public notice, the Department shall notify the members of the Joint Legislative

Oversight Committee on Health and Human Services and the Fiscal Research Division that the public notice has been posted. Public notices shall remain posted on the Department's Web site."

SECTION 12H.21.(b) G.S. 108A-55(c) reads as rewritten:

"(c) The Department shall reimburse providers of services, equipment, or supplies under the Medical Assistance Program in the following amounts:

(1) The amount approved by the ~~Health Care Financing Administration~~Centers for Medicare & Medicaid Services (CMS) of the United States Department of Health and Human Services, if ~~that Administration~~CMS approves an exact reimbursement ~~amount;~~amount.

(2) The amount determined by application of a method approved by the ~~Health Care Financing Administration~~Centers for Medicare & Medicaid Services (CMS) of the United States Department of Health and Human Services, if ~~that Administration~~CMS approves the method by which a reimbursement amount is determined, and not the exact amount.

The Department shall establish the methods by which reimbursement amounts are determined in accordance with Chapter 150B of the General Statutes. A change in a reimbursement amount becomes effective as of the date for which the change is approved by the ~~Health Care Financing Administration~~Centers for Medicare & Medicaid Services (CMS) of the United States Department of Health and Human Services.~~The Department shall report to the Fiscal Research Division of the Legislative Services Office and to the Senate Appropriations Committee on Human Resources and the House of Representatives Appropriations Subcommittee on Human Resources or the Joint Legislative Oversight Committee on Health and Human Services on any change in a reimbursement amount at the same time as it sends out public notice of this change prior to presentation to the Health Care Financing Administration.~~"

SECTION 12H.21.(c) By repealing language in subsection (b) of this section related to giving to the General Assembly notice of a public notice, it is not the intent of the General Assembly to remove the required notice of the changes to reimbursement amounts for services, equipment, or supplies. Rather, it is the intent that those notices be given pursuant to G.S. 108A-54.1A(f), rather than pursuant to both G.S. 108A-54.1A(f) and G.S. 108A-55(c).

SECTION 12H.21.(d) This section becomes effective July 1, 2014, and the amendment to G.S. 108A-54.1A(e) applies to State Plan Amendments with effective dates on or after October 1, 2014.

COMPREHENSIVE PROGRAM INTEGRITY CONTRACT

SECTION 12H.22.(a) Effective March 1, 2015, the new Medicaid entity, which is contemplated in Section 12H.1 of this act, shall issue a request for proposals for one contract to become effective on September 1, 2015, for the following program integrity functions:

(1) Postpayment reviews
(2) Data analytics
(3) Medical necessity reviews
(4) Investigation
(5) Recovery Audit Contracts
(6) Prepayment review

SECTION 12H.22.(b) The Department of Health and Human Services shall not enter into any contract involving the program integrity functions listed in subsection (a) of this section that would have a termination date after September 1, 2015.

SECTION 12H.22.(c) This section shall not apply to program integrity functions performed by LME/MCOs.

SECTION 12H.22.(d) The program integrity contract described in this section shall not be subject to review by the State Chief Information Officer pursuant to Section 7.7(a) of S.L. 2013-360. .

RETURN BURDEN OF PROOF TO PROVIDERS IN MEDICAID APPEALS

SECTION 12H.23.(a) G.S. 108C-12(d) reads as rewritten:

"(d) Burden of Proof. – The ~~Department~~ petitioner shall have the burden of proof in appeals of Medicaid providers or applicants concerning an adverse determination."

SECTION 12H.23.(b) This section is effective when it becomes law, and applies to contested cases filed at the Office of Administrative Hearings on or after that date.

WITHHOLDING OVERPAYMENTS TO MEET FEDERAL PAYBACK REQUIREMENTS

SECTION 12H.24. G.S. 108C-5 reads as rewritten:

"**§ 108C-5. Payment suspension and audits utilizing extrapolation.**

(a) The Department may suspend payments to a provider in accordance with the requirements and procedures set forth in 42 C.F.R. § 455.23.

(b) In addition to the procedures for suspending payment set forth at 42 C.F.R. § 455.23, the Department may also suspend payment to any provider that (i) owes a final overpayment, assessment, or fine to the Department and has not entered into an approved payment plan with the Department or (ii) has had its participation in the Medicaid or Health Choice programs suspended or terminated by the Department. For purposes of this section, a suspension or termination of participation does not become final until all administrative appeal rights have been exhausted and shall not include any agency decision that is being contested at the Department or the Office of Administrative Hearings or in Superior Court provided that the Superior Court has entered a stay pursuant to the provisions of G.S. 150B-48.

(b1) The Department shall withhold payment to any North Carolina Medicaid provider or Health Choice provider for whom the Division of Medical Assistance, or its vendor, has identified an overpayment in a written notice to the provider. Withholding shall begin on the 75th day after the day the notice of overpayment is mailed and shall continue during the pendency of any appeal until the overpayment becomes a final overpayment. For purposes of this subsection, withholding during any month shall not exceed the amount of any interest required by law plus eleven and one-tenth percent (11.1%) of the sum of the total overpayment amount identified in the notice of overpayment and any penalty required by law. If the Department subsequently reduces the identified overpayment in writing, withholding during any subsequent month shall not exceed the amount of any interest required by law plus eleven and one-tenth percent (11.1%) of the sum of the total reduced identified overpayment and any penalty required by law. Total withholdings shall not exceed the total amount of the overpayment plus any penalty and interest charges required by law. If the total amount withheld exceeds the final overpayment plus interest and penalty required by law, the Department shall pay the provider the amount withheld in excess of the final overpayment plus penalty and interest. Upon request by the provider and for good cause shown, the Department is authorized to approve a payment plan for a provider to pay an overpayment, pursuant to subsection (g) of this section. Absent a showing of good cause for repayment to be made over a period of more than one year, the Department shall take all necessary and appropriate action to recover overpayments within 365 days of the date the notice of overpayment was mailed to the provider.

(c) For providers who owe a final overpayment, assessment, or fine to the Department, the payment suspension shall begin the thirty-first day after the overpayment, assessment, or

fine becomes final. The payment suspension shall not exceed the amount owed to the Department, including any applicable penalty and interest charges.

(d) Providers whose participation in the Medicaid or Health Choice programs has been suspended or terminated shall have all payments suspended beginning on the thirty-first day after the suspension or termination becomes final.

(e) The Department shall consult with the N.C. Departments of Treasury and Revenue and other State departments and agencies to determine if a provider owes debts or fines to the State. The Department may collect any of these debts owed to the State subsequent to consideration by the Department of the financial impact upon the provider and the impact upon access to the services provided by the provider.

(f) When issuing payment suspensions and withholdings in accordance with this Chapter, the Department may suspend or withhold payment to all providers which share the same IRS Employee Identification Number or corporate parent as the provider or provider site location which owes the final overpayment, overpayment, assessment, or fine. The Department shall give 30 days advance written notice to all providers which share the same IRS Employee Identification Number or corporate parent as the provider or provider site location of the intention of the Department to implement a payment ~~suspension.~~suspension or withholding.

(g) The Department is authorized to approve a payment plan for a provider to pay a final overpayment, overpayment, assessment, or fine including interest and any penalty. The payment plan can include a term of up to 24 months. The Department shall establish in rule the conditions of such provider payment plans. Nothing in this subsection shall prevent the provider and the Department from mutually agreeing to modifications of a payment plan.

(h) All payments suspended or withheld in accordance with this Chapter shall be applied toward any final overpayment, assessment, or fine owed to the Department.

...."

APPEALS OF INTERLOCUTORY ORDERS OF THE OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 12H.25.(a) G.S. 1A-1 is amended by adding a new Article to read as follows:

"Article 9.

"Extraordinary Writs.

"**Rule 90. Certiorari.**

(a) Scope of the Writ; Review of the Judgments, Decisions, and Orders of the Office of Administrative Hearings. – The writ of certiorari may be issued in appropriate circumstances by the Superior Court to permit review of the judgments, decisions, and orders of the Office of Administrative Hearings when no right of appeal from an interlocutory order exists.

(b) Petition for Writ; to Which Superior Court Addressed. – Application for the writ of certiorari shall be made by filing a petition therefor with the clerk of the superior court division to which appeal of right might lie from a final decision of the Office of Administrative Hearings in the contested case for which issuance of the writ is sought.

(c) Same; Filing and Service; Content. – The petition shall be filed without unreasonable delay and shall be accompanied by proof of service upon all other parties. The petition shall contain a statement of the facts necessary to an understanding of the issues presented by the application, a statement of the reasons why the writ should issue, and certified copies of the judgment, decision, order, or opinion or parts of the record which may be essential to an understanding of the matters set forth in the petition. The petition shall be verified by counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk will docket the petition.

(d) Response; Determination by Court. – Within 10 days after service of the petition any party may file a response thereto with supporting affidavits or certified portions of the record not filed with the petition. Filing shall be accompanied by proof of service upon all other parties. The court for good cause shown may shorten the time for filing a response. Determination will be made on the basis of the petition, the response, and any supporting papers. No briefs or oral argument will be received or allowed unless ordered by the court upon its own initiative.

"**Rule 91. Mandamus and Prohibition.**

(a) Petition for Writ; to Which Superior Court Addressed. – Applications for the writs of mandamus or prohibition directed to an administrative law judge shall be made by filing a petition therefor with the clerk of the superior court division to which appeal of right might lie from a final decision entered in the contested case for which issuance of the writ is sought.

(b) Same; Filing and Service; Content. – The petition shall be filed without unreasonable delay after the action by the Office of Administrative Hearings sought to be prohibited or compelled has been undertaken, or has occurred, or has been refused, and shall be accompanied by proof of service on the respondent administrative law judge or administrative law judges and on all other parties to the action. The petition shall contain a statement of the facts necessary to an understanding of the issues presented by the application, a statement of the issues presented and of the relief sought, a statement of the reasons why the writ should issue, and certified copies of any order or opinion or parts of the record that may be essential to an understanding of the matters set forth in the petition. The petition shall be verified by counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk shall docket the petition.

(c) Response; Determination by Court. – Within 10 days after service of the petition the respondent or any party may file a response thereto with supporting affidavits or certified portions of the record not filed with the petition. Filing shall be accompanied by proof of service upon all other parties. The court for good cause shown may shorten the time for filing a response. Determination will be made on the basis of the petition, the response, and any supporting papers. No briefs or oral argument will be received or allowed unless ordered by the court upon its own initiative.

"**Rule 92. Supersedeas.**

(a) Pending Review of Office of Administrative Hearings Judgments, Decisions, and Orders. – Application may be made to the appropriate superior court for a writ of supersedeas to stay the execution or enforcement of any judgment, decision, order, or other determination of the Office of Administrative Hearings which is not automatically stayed by the taking of appeal when an appeal has been taken or a petition for mandamus, prohibition, or certiorari has been filed to obtain review of the judgment, decision, order, or other determination and (i) a stay order or entry has been sought by the applicant by deposit of security or by motion at the Office of Administrative Hearings and such order or entry has been denied or vacated by the trial tribunal or (ii) extraordinary circumstances make it impracticable to obtain a stay by deposit of security or by application to the Office of Administrative Hearings for a stay order.

(b) Petition; Filing and Service; Content. – The petition shall be filed with the clerk of the superior court division to which appeal of right might lie from a final decision of the Office of Administrative Hearings in the contested case for which issuance of the writ is sought. The petitions shall be accompanied by proof of service upon all other parties. The petition shall be verified by counsel or the petitioner. Upon receipt of the required docket fee, the clerk will docket the petition. For stays of the judgments of the Office of Administrative Hearings, the petition shall contain a statement that a stay has been sought in the Office of Administrative Hearings and denied or vacated or shall contain facts showing that it was impracticable there to seek a stay. For stays of any judgment, the petition shall contain (i) a statement of any facts

necessary to an understanding of the basis upon which the writ is sought and (ii) a statement of reasons why the writ should issue in justice to the applicant. The petition may be accompanied by affidavits and by any certified portions of the record pertinent to its consideration. It may be included in a petition to the superior court for certiorari, mandamus, or prohibition.

(c) Response; Determination by Court. – Within 10 days after service of the petition, any party may file a response thereto with supporting affidavits or certified portions of the record not filed with the petition. Filing shall be accompanied by proof of service upon all other parties. The court for good cause shown may shorten the time for filing a response. Determination will be made on the basis of the petition, the response, and any supporting papers. No briefs or oral argument will be received or allowed unless ordered by the court upon its own initiative.

(d) Temporary Stay. – Upon the filing of a petition for supersedeas, the applicant may apply, either within the petition or by separate paper, for an order temporarily staying enforcement or execution of the judgment, decision, order, or other determination pending decision by the court upon the petition for supersedeas. If application is made by separate paper, it shall be filed and served in the manner provided for the petition for supersedeas in Rule 92(b). The court for good cause shown in such a petition for temporary stay may issue such an order ex parte."

SECTION 12H.25.(b) Article 4 of Chapter 150B of the General Statutes is amended by adding a new section to read:

"**§ 150B-53. Writs.**

Any party to a contested case may petition for writs of certiorari, mandamus, prohibition, or supersedeas in the manner prescribed in Rules 90, 91, and 92 of the North Carolina Rules of Civil Procedure."

SECTION 12H.25.(c) This section is effective when it becomes law, and applies to judgments, decisions, and orders of the Office of Administrative Hearings entered on or after that date.

CLARIFY NOTICE OF EXTRAPOLATED OVERPAYMENTS

SECTION 12H.26.(a) G.S. 108C-5(i) reads as rewritten:

"(i) Prior to extrapolating the results of any audits, the Department shall demonstrate and inform the provider that (i) the provider failed to substantially comply with the requirements of State or federal law or regulation or (ii) the Department has a credible allegation of fraud concerning the provider. Nothing in the subsection shall be construed to prohibit the Department from identifying the extrapolated overpayment amount in the same notice that meets the requirements of this subsection."

SECTION 12H.26.(b) G.S. 108C-5 is amended by adding a new subsection to read:

"(t) Nothing in this Chapter shall be construed to prohibit the Department from utilizing a contractor to send notices to providers on behalf of the Department."

MODIFICATIONS TO RECIPIENT APPEALS

SECTION 12H.27.(a) G.S. 108A-70.9A(d) reads as rewritten:

"(d) Appeals. – Except as provided by this section and G.S. 108A-70.9B, a request for a hearing to appeal an adverse determination of the Department under this section is a contested case subject to the provisions of Article 3 of Chapter 150B of the General Statutes. The recipient ~~shall~~ may request a hearing only within ~~30 days of~~ the time period beginning upon the mailing of the notice required by subsection (c) of this section and ending on the effective date of the adverse determination, which shall be the period for appeal. In order to request a hearing, a recipient must ~~by sending~~ file an appeal request form ~~to~~ with OAH and the ~~Department.~~

Department within the period for appeal. If the recipient does not request a hearing during the period for appeal, the recipient shall be deemed to have waived any right of appeal, and OAH shall deny any hearing request filed outside the period for appeal. Upon demonstration during any contested case that the hearing request was filed outside the period for appeal, OAH shall dismiss the contested case. Where a request for hearing concerns the reduction, modification, or termination of Medicaid services, including the failure to act upon a timely request for reauthorization with reasonable promptness, upon the receipt of a timely appeal, the Department shall reinstate the services to the level or manner prior to action by the Department as permitted by federal law or regulation. The Department shall immediately forward a copy of the notice to OAH electronically. The information contained in the notice is confidential unless the recipient appeals. OAH may dispose of the records after one year. The Department may not influence, limit, or interfere with the recipient's decision to request a hearing."

SECTION 12H.27.(b) G.S. 108A-70.9B reads as rewritten:

"**§ 108A-70.9B. Contested Medicaid cases.**

...

(c) Mediation. – Upon receipt of an appeal request form as provided by G.S. 108A-70.9A(e) or other clear request for a hearing by a Medicaid recipient, OAH shall immediately notify the Mediation Network of North Carolina, which shall contact the recipient within five days to offer mediation in an attempt to resolve the dispute. If mediation is accepted, the mediation must be completed within 25 days of submission of the request for appeal. Upon completion of the mediation, the mediator shall inform OAH and the Department within 24 hours of the resolution by facsimile or electronic messaging. If the parties have resolved matters in the mediation, OAH shall dismiss the case. OAH shall not conduct a hearing of any contested Medicaid case until it has received notice from the mediator assigned that either: (i) the mediation was unsuccessful, or (ii) the petitioner has rejected the offer of mediation, or (iii) the petitioner has failed to appear at a scheduled mediation. ~~Nothing in this subsection shall restrict the right to a contested case hearing.~~If the recipient accepts an offer of mediation and then fails to meaningfully participate without good cause, OAH shall dismiss the contested case.

(d) Burden of Proof. – The recipient has the burden of proof ~~to show entitlement to a requested benefit or the propriety of requested agency action when the agency has denied the benefit or refused to take the particular action. The agency has the burden of proof when the appeal is from an agency determination to impose a penalty or to reduce, terminate, or suspend a previously granted benefit. The party with the burden of proof on any issue~~ on all issues submitted to OAH for a Medicaid contested case hearing and has the burden of going ~~forward, and the~~ forward. The administrative law judge shall not make any ruling on the preponderance of evidence until the close of all evidence.

...."

SECTION 12H.27.(c) G.S. 108D-15(i) reads as rewritten:

...

(i) Mediation. – Upon receipt of an appeal request form as provided by G.S. 108D-15(f) or other clear request for a hearing by an enrollee, OAH shall immediately notify the Mediation Network of North Carolina, which shall contact the enrollee within five days to offer mediation in an attempt to resolve the dispute. If mediation is accepted, the mediation must be completed within 25 days of submission of the request for appeal. Upon completion of the mediation, the mediator shall inform OAH and the LME/MCO within 24 hours of the resolution by facsimile or electronic messaging. If the parties have resolved matters in the mediation, OAH shall dismiss the case. OAH shall not conduct a hearing of any contested case involving a dispute of a managed care action until it has received notice from the mediator assigned that either (i) the mediation was unsuccessful, (ii) the petitioner has rejected the offer

of mediation, or (iii) the petitioner has failed to appear at a scheduled mediation. ~~Nothing in this subsection shall restrict the right to a contested case hearing.~~If the enrollee accepts an offer of mediation and then fails to meaningfully participate without good cause, OAH shall dismiss the contested case."

SECTION 12H.27.(d) This section is effective October 1, 2014, and applies to appeals notices of adverse determination mailed on or after that date and appeals of notices of resolution mailed on or after that date.

REPORT ON FUNDING OF STATE MEDICAL SCHOOLS

SECTION 12H.28. The University of North Carolina System, working with the appropriate constituent institutions and health systems, shall report to the Joint Legislative Oversight Committee on Health and Human Services on how the medical schools are funded. The report shall include a detailed explanation of the sources of all income within both a current and historical context, noting any changes in funding sources and amounts over time. The report required by this section is due by October 1, 2014.

REMOVE P.A.C.E. ENROLLMENT CAP

SECTION 12H.29. The Department of Health and Human Services, Division of Medical Assistance, shall remove the enrollment cap for the Program of All-inclusive Care for the Elderly (PACE), which enrollment cap the Department instated effective April 1, 2014.

SUBPART XII-I. MISCELLANEOUS

CONTROL OF DATA DISCLOSED TO THE NORTH CAROLINA HEALTH INFORMATION EXCHANGE BY REQUIRED PARTICIPANTS

SECTION 12I.1.(a) G.S. 90-413.3A(b) reads as rewritten:

"(b) Any hospital, as defined in ~~G.S. 131E-76(c),~~ G.S. 131E-76(3) that has an electronic health record system shall connect to the ~~NC HIE~~ HIE Network and submit individual patient demographic and clinical data on services paid for with Medicaid funds, based upon the findings set forth in subsection (a) of this section and notwithstanding the voluntary nature of the NC HIE under G.S. 90-413.2. The NC HIE shall give the Department of Health and Human Services and professional staff of the Fiscal Research, Bill Drafting, Research, and Program Evaluation Divisions of the General Assembly real-time access to data and information ~~contained in the NC HIE.~~disclosed through the HIE Network."

SECTION 12I.1.(b) G.S. 90-413.3A is amended by adding a new subsection to read:

"(c) Any data disclosed through the HIE Network pursuant to subsection (b) of this section shall be and will remain the sole property of the State. Any data or product derived from the data disclosed to the HIE Network pursuant to subsection (b) of this section, including a consolidation or analysis of the data, shall be and will remain the sole property of the State. The NC HIE shall not allow proprietary information it receives pursuant to this section to be used by any person or entity for commercial purposes."

SECTION 12I.1.(c) In order to ensure the successful, uninterrupted operation of the statewide health information exchange network (HIE Network), the Department of Health and Human Services (Department) shall develop a transition plan for transferring the responsibilities imposed on the NC HIE under Article 29A of the General Statutes to another entity in the event the NC HIE is unable or unwilling to continue overseeing and administering the HIE Network. The Department shall develop the plan in consultation with the Office of Information Technology Services and the NC HIE, and submit the plan to the Joint Legislative

Oversight Committee on Health and Human Services and the Fiscal Research Division no later than February 1, 2015.

ESTABLISHMENT OF JOINT LEGISLATIVE STUDY COMMISSION ON TRAUMATIC BRAIN INJURY

SECTION 12I.2.(a) There is created the Joint Legislative Study Commission on the Service Needs of Individuals with Traumatic Brain Injury (TBI). The purpose of the Commission is to study and make recommendations about the service needs of individuals with TBI.

SECTION 12I.2.(b) The Commission shall consist of 15 members as follows:

(1) Five members appointed by the Speaker of the House of Representatives with the following qualifications:
   a. Two members of the House of Representatives.
   b. One licensed physician with experience assessing and treating adults who have suffered TBI.
   c. One neuropsychologist with experience assessing and treating individuals with TBI.
   d. One adult survivor of TBI.

(2) Five members appointed by the President Pro Tempore of the Senate with the following qualifications:
   a. Two members of the Senate.
   b. One operator of a rehabilitation facility for adults with TBI.
   c. One representative of the Veterans Administration with knowledge and experience in the range of TBI services available to members of the military and veterans.
   d. One parent of a child survivor of TBI.

(3) The Secretary of the Department of Health and Human Services, or the Secretary's designee.

(4) The Director of the Division of Medical Assistance, or the Director's designee.

(5) The Executive Director of the North Carolina Brain Injury Council, or the Executive Director's designee.

(6) The Executive Director of Community Care of North Carolina, or the Executive Director's designee.

(7) One Chief Executive Officer (CEO) of a local management entity that has been approved to operate the 1915(b)/(c) Medicaid Waiver, who is currently managing services for children and adults with TBI, or the CEO's designee, appointed jointly by the cochairs of the Commission.

SECTION 12I.2.(c) The Commission shall have two cochairs, one designated by the Speaker of the House of Representatives and one designated by the President Pro Tempore of the Senate from among their respective appointees. The Commission shall meet upon the call of the cochairs. Any vacancy on the Commission shall be filled by the original appointing authority. A quorum shall consist of a majority of the total membership of the Commission.

SECTION 12I.2.(d) The Commission shall study all of the following issues:

(1) Existing TBI services and any deficiencies in service array, quality of services, accessibility, and availability of services across each age group of persons with TBI regardless of the age at which the trauma occurred.

(2) Existing TBI-specific service definitions for children and adults who receive services through federally funded programs, including Medicaid, federal block grants, and the Veterans Administration; through State-funded

programs, including the Traumatic Brain Injury Trust Fund; through county-funded programs; and through other funding sources, as well as the need for additional or revised service definitions to meet the specific needs of those with TBI.

(3) Current reimbursement rates tied to settings that treat adults with TBI, and the adequacy of these reimbursement rates.

(4) Current accessibility to TBI services, service information, educational materials, and family resources; and any deficiencies that need to be addressed.

(5) Current status of TBI-specific screening, assessment, triage, and service referrals for children, adults, and veterans; and any deficiencies that need to be addressed.

(6) This State's current organizational model for providing comprehensive needs assessment, information management, policy development, service delivery, monitoring, and quality assurance for children and adults with TBI as compared to TBI organizational structures in other states; and specific organizational models to manage services for persons with TBI that are well coordinated for all citizens, including veterans.

(7) Any other matters related to TBI services for children, adults, veterans, and their families.

SECTION 12I.2.(e) Members of the Commission shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Commission, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4. The Commission may meet in the Legislative Building or the Legislative Office Building.

With approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist the Commission in its work. Upon the direction of the Legislative Services Commission, the Director of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Commission. The expenses for clerical employees shall be borne by the Commission. The Commission may contract for consultants or hire employees in accordance with G.S. 120-32.02.

SECTION 12I.2.(f) The Commission shall submit a final report of its findings and recommendations, including any proposed legislation, to the 2016 Regular Session of the 2015 General Assembly no later than May 1, 2016. The Commission shall terminate upon the filing of its final report.

PED STUDY CONCERNING ALCOHOL AND SUBSTANCE ABUSE EDUCATION AND PREVENTION INITIATIVE TO BE FUNDED BY LOCAL ALCOHOLIC BEVERAGE CONTROL BOARDS.

SECTION 12I.3.(a) The Joint Legislative Program Evaluation Oversight Committee shall consider including in the 2014-2015 Work Plan for the Program Evaluation Division of the General Assembly a study of the benefits and disadvantages to the State of requiring local Alcoholic Beverage Control boards to (i) cease payments effective July 1, 2015, to the Department of Health and Human Services under G.S. 18B-805(b)(3) for alcoholism or substance abuse research, treatment, or education and (ii) redirect these payments to the North Carolina Alcoholic Beverage Control Commission, effective July 1, 2015, for an alcohol and substance abuse education and prevention initiative.

SECTION 12I.3.(b) If the Joint Legislative Program Evaluation Oversight Committee adds the study described in subsection (a) to its 2014-2015 Work Plan, the Program Evaluation Division shall submit its findings and recommendations to the Joint Legislative

Program Evaluation Oversight Committee and the Fiscal Research Division no later than February 1, 2015.

SUBPART XII-J. DHHS BLOCK GRANTS

REVISE DHHS BLOCK GRANTS

SECTION 12J.1. Section 12J.1 of S.L. 2013-360 reads as rewritten:

"**DHHS BLOCK GRANTS**

"**SECTION 12J.1.(a)** Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2015, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS		**FY2013-2014**	**FY2014-2015**
Local Program Expenditures			
Division of Social Services			
01.	Work First Family Assistance	$ 60,285,413	$ 60,285,413
02.	Work First County Block Grants	82,485,495	82,485,495
03.	Work First Electing Counties	2,352,521	2,352,521
04.	Adoption Services – Special Children Adoption Fund	2,026,877	2,026,877
05.	Child Protective Services – Child Welfare Workers for Local DSS	9,412,391	9,412,391
06.	Child Welfare Collaborative	632,416	632,416
06A.	Foster Care Services		1,385,152
Division of Child Development and Early Education			
07.	Subsidized Child Care Program	57,172,097~~55,409,695~~	54,054,806
08.	Swap Child Care Subsidy	6,352,644	6,352,644
08A.	Pre-K Swap Out		7,195,807
Division of Public Health			
09.	Teen Pregnancy Initiatives	2,500,000	2,500,000
DHHS Administration			
10.	Division of Social Services	2,482,260	2,482,260

11.	Office of the Secretary	34,042	34,042
Transfers to Other Block Grants			
Division of Child Development and Early Education			
12.	Transfer to the Child Care and Development Fund	71,773,001	71,773,001
13.	Transfer to Social Services Block Grant for Child Protective Services--Child Welfare Training in Counties	1,300,000	1,300,000
14.	Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
15.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001	4,148,001
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS		**$307,997,158**	**~~$306,234,756~~$313,460,826**
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS			
Local Program Expenditures			
Division of Social Services			
01.	Work First County Block Grants	$ 5,580,925	$ 5,580,925
02.	Work First Electing Counties	25,692	25,692
Division of Child Development and Early Education			
03.	Subsidized Child Care	6,549,469	~~6,549,469~~11,679,394
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		**$12,156,086**	**~~$ 12,156,086~~$ 17,286,011**
SOCIAL SERVICES BLOCK GRANT			
Local Program Expenditures			
Divisions of Social Services and Aging and Adult Services			
01.	County Departments of Social Services		

		(Transfer from TANF $4,148,001)	$ 29,422,137	~~$ 29,422,137~~$ 27,427,015
02.		Child Protective Services (Transfer from TANF)	5,040,000	5,040,000
03.		State In-Home Services Fund	1,943,950	1,943,950
04.		Adult Protective Services	1,245,363	1,245,363
05.		State Adult Day Care Fund	1,994,084	1,994,084
06.		Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	563,868	563,868
07.		Special Children Adoption Incentive Fund	462,600	462,600
08.		Child Protective Services – Child Welfare Training for Counties (Transfer from TANF)	1,300,000	1,300,000
09.		Home and Community Care Block Grant (HCCBG)	1,696,888	1,696,888
10.		Child Advocacy Centers	375,000	375,000
11.		Guardianship	3,978,360	3,978,360
12.		UNC Cares Contract	229,376	~~229,376~~57,344
~~13.~~		~~Foster Care Services~~	~~1,385,152~~	~~1,385,152~~
	Division of Central Management and Support			
14.		DHHS Competitive Block Grants for Nonprofits	3,852,500	3,852,500
	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services			
15.		Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Abuse Services – Adult	4,030,730	4,030,730
DHHS Program Expenditures				
	Division of Services for the Blind			
16.		Independent Living Program	3,361,323	3,361,323
	Division of Health Service Regulation			

17.	Adult Care Licensure Program	381,087	381,087
18.	Mental Health Licensure and Certification Program	190,284	190,284
DHHS Administration			
19.	Division of Aging and Adult Services	577,745	577,745
20.	Division of Social Services	559,109	559,109
21.	Office of the Secretary/Controller's Office	127,731	127,731
22.	Division of Child Development	13,878	13,878
23.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	27,446	27,446
24.	Division of Health Service Regulation	118,946	118,946
TOTAL SOCIAL SERVICES BLOCK GRANT		**$ 62,877,557**	**~~$ 62,877,557~~$ 59,325,251**
LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT			
Local Program Expenditures			
Division of Social Services			
01.	Low-Income Energy Assistance Program (LIEAP)	$ 50,876,440	$ 50,876,440
02.	Crisis Intervention Program (CIP)	33,866,195	33,866,195
Local Administration			
Division of Social Services			
03.	County DSS Administration	6,757,731	6,757,731
DHHS Administration			
04.	Office of the Secretary/DIRM	412,488	412,488
05.	Office of the Secretary/Controller's Office	18,378	18,378
Transfers to Other State Agencies			
Department of Environment and Natural Resources (DENR)			

06.	Weatherization Program	14,947,789~~14,947,789~~	12.473.090
07.	Heating Air Repair and Replacement Program (HARRP)	7,193,873	~~7,193,873~~6.636.633
08.	Local Residential Energy Efficiency Service Providers – Weatherization	37,257	~~37,257~~692.950
09.	Local Residential Energy Efficiency Service Providers – HARRP	338,352	~~338,352~~312.227
10.	DENR Administration – Weatherization	37,257	~~37,257~~692.950
11.	DENR Administration – HARRP	338,352	~~338,352~~312.226
	Department of Administration		
12.	N.C. Commission on Indian Affairs	87,736	87,736
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		**$ 114,911,848**	**~~$ 114,911,848~~$113,139,044**
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT			
Local Program Expenditures			
	Division of Child Development and Early Education		
01.	Child Care Services (Smart Start $7,000,000)	$ 156,566,345	~~$ 158,328,747~~$168.536.136
02.	Electronic Tracking System	3,000,000	3,000,000
03.	Transfer from TANF Block Grant for Child Care Subsidies	71,773,001	71,773,001
04.	Quality and Availability Initiatives (TEACH Program $3,800,000)	24,262,402	~~22,500,000~~24.168.551
DHHS Administration			
	Division of Child Development and Early Education		
05.	DCDEE Administrative Expenses	6,000,000	~~6,000,000~~7.677.977
	Division of Social Services		
06.	Local Subsidized Child Care Services Support	13,274,413	13,274,413

Division of Central Administration			
07.	DHHS Central Administration – DIRM Technical Services	775,000	775,000
08.	Central Regional Maintenance		202,000
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		**$ 275,651,161**	**~~$ 275,651,161~~$289,407,078**
MENTAL HEALTH SERVICES BLOCK GRANT			
Local Program Expenditures			
01.	Mental Health Services – Adult	$ 10,717,607	~~$ 10,717,607~~
02.	Mental Health Services – Child	5,121,991	~~5,121,991~~3,619,833
03.	Administration	200,000	200,000
04.	Mental Health Services – Adult/Child		12,398,643
05.	Crisis Solutions Initiative – Critical Time Intervention		750,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		**$ 16,039,598**	**~~$ 16,039,598~~$ 16,968,476**
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT			
Local Program Expenditures			
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services			
~~01.~~	~~Substance Abuse Services – Adult~~	~~$ 14,960,371~~	~~$ 14,960,371~~
~~02.~~	~~Substance Abuse Treatment Alternative for Women~~	~~6,050,300~~	~~6,050,300~~
03.	Substance Abuse – HIV and IV Drug	3,919,723	3,919,723
~~04.~~	~~Substance Abuse Prevention – Child~~	~~7,186,857~~	~~7,186,857~~
04A.	Substance Abuse Prevention		8,669,284
~~05.~~	~~Substance Abuse Services – Child~~	~~4,190,500~~	~~4,190,500~~
05A.	Substance Abuse Services – Treatment for Children/Adults		31,125,883

05B.	Veteran's Crisis – DOA Veterans Affairs Call-in Crisis Center		250,000
06.	Administration	454,000	454,000
	Division of Public Health		
~~07.~~	~~Risk Reduction Projects~~	~~575,654~~	~~575,654~~
~~08.~~	~~Aid to Counties~~	~~190,295~~	~~190,295~~
08A.	HIV Testing for Individuals in Substance Abuse Treatment		765,949
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		**$ 37,527,700**	**~~$ 37,527,700~~$ 45,184,839**
MATERNAL AND CHILD HEALTH BLOCK GRANT			
Local Program Expenditures			
	Division of Public Health		
01.	Children's Health Services (Safe Sleep Campaign $45,000)	$ 8,042,531	~~$ 8,042,531~~$ 7,574,703
02.	Women's Health (March of Dimes $350,000; Teen Pregnancy Prevention Initiatives $650,000; Perinatal Quality Collaborative $350,000; 17P Project $52,000; Carolina Pregnancy Care Fellowship ~~$250,000;~~$300,000; Nurse-Family Partnership $509,018)	8,532,935	~~8,532,935~~8,095,148
03.	Oral Health	44,901	44,901
DHHS Program Expenditures			
	Division of Public Health		
04.	Children's Health Services	1,301,504	~~1,301,504~~1,300,578
05.	Women's Health – Maternal Health	105,419	~~105,419~~105,361
06.	State Center for Health Statistics	164,487	~~164,487~~156,230
07.	Health Promotion – Injury and Violence Prevention	89,374	~~89,374~~84,919

DHHS Administration			
Division of Public Health			
08.	Division of Public Health Administration	573,108	~~573,108~~552,571
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		**$ 18,854,259**	**~~$ 18,854,259~~$ 17,914,411**
PREVENTIVE HEALTH SERVICES BLOCK GRANT			
Local Program Expenditures			
01.	Physical Activity and Prevention	$ 1,186,142	~~$ 1,186,142~~$ 2,079,945
02.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	169,730	~~169,730~~173,476
DHHS Program Expenditures			
Division of Public Health			
03.	HIV/STD Prevention and Community Planning	145,819	145,819
04.	Oral Health Preventive Services	46,302	46,302
05.	Laboratory Services – Testing, Training, and Consultation	10,980	~~10,980~~21,012
06.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	199,634	199,634
07.	Heart Disease and Stroke Prevention	162,249	~~162,249~~187,693
08.	Performance Improvement and Accountability	213,971	~~213,971~~855,075
09.	Physical Activity and Nutrition	38,000	~~38,000~~68,073
10.	State Center for Health Statistics	61,406	~~61,406~~144,749
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		**$ 2,234,233**	**~~$ 2,234,233~~$ 3,921,778**
COMMUNITY SERVICES BLOCK GRANT			
Local Program Expenditures			
Office of Economic Opportunity			

01.	Community Action Agencies	$ 22,402,724	~~$ 22,402,724~~$ 24,168,417
02.	Limited Purpose Agencies	1,244,596	~~1,244,596~~1,342,690
DHHS Administration			
03.	Office of Economic Opportunity	1,244,596	~~1,244,596~~1,342,690
TOTAL COMMUNITY SERVICES BLOCK GRANT		**$ 24,891,916**	**~~$ 24,891,916~~$ 26,853,797**

"GENERAL PROVISIONS

"SECTION 12J.1.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

(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 12J.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases 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 develop a plan to adjust the block grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for fiscal years 2013-2014 and 2014-2015, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy program to pay for child care in four- or five-star rated facilities for four-year-old ~~children.~~children and shall not be used to supplant State funds.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division.

"**SECTION 12J.1.(d)** Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2015, according to the schedule enacted for State fiscal years 2013-2014 and 2014-2015 or until a new schedule is enacted by the General Assembly.

"**SECTION 12J.1.(e)** All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

"**SECTION 12J.1.(e1)** Except as otherwise provided, the Department of Health and Human Services shall have flexibility to transfer funding between the Temporary Assistance to Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block Grant so long as the total allocation for the line items within those block grants remains the same.

"TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

"**SECTION 12J.1.(f)** The sum of eighty-two million four hundred eighty-five thousand four hundred ninety-five dollars ($82,485,495) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

"**SECTION 12J.1.(g)** The sum of two million four hundred eighty-two thousand two hundred sixty dollars ($2,482,260) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used to support administration of TANF-funded programs.

"**SECTION 12J.1.(h)** The sum of nine million four hundred twelve thousand three hundred ninety-one dollars ($9,412,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for each year of the 2013-2015 fiscal biennium for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

Counties shall maintain their level of expenditures in local funds for Child Protective Services workers. Of the Block Grant funds appropriated for Child Protective Services workers, the total expenditures from State and local funds for fiscal years 2013-2014 and 2014-2015 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

"**SECTION 12J.1.(i)** The sum of two million twenty-six thousand eight hundred seventy-seven dollars ($2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for each year of the 2013-2015 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division

of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

"**SECTION 12J.1.(j)** The sum of six hundred thirty-two thousand four hundred sixteen dollars ($632,416) appropriated in this section to the Department of Health and Human Services in TANF funds for each year of the 2013-2015 fiscal biennium shall be used to continue support for the Child Welfare Collaborative.

"**SOCIAL SERVICES BLOCK GRANT**

"**SECTION 12J.1.(k)** The sum of twenty-nine million four hundred twenty-two thousand one hundred thirty-seven dollars ($29,422,137) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for ~~each year of the 2013-2015 fiscal biennium~~the 2013-2014 fiscal year and the sum of twenty-seven million four hundred twenty-seven thousand fifteen dollars ($27,427,015) appropriated in this section in the Social Services Block Grant for the 2014-2015 fiscal year shall be used for county block grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

"**SECTION 12J.1.(l)** The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.
(2) Provide training for residential child caring facilities.
(3) Provide for various other child welfare training initiatives.

"**SECTION 12J.1.(m)** The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

"**SECTION 12J.1.(n)** Social Services Block Grant funds appropriated for the Special Childrens Adoption Incentive Fund will require a fifty percent (50%) local match.

"**SECTION 12J.1.(o)** The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

"**SECTION 12J.1.(p)** The sum of three million eight hundred fifty-two thousand five hundred dollars ($3,852,500) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Central Management and Support, shall be used for DHHS competitive block grants pursuant to Section 12A.2 of this act for each

year of the 2013-2015 fiscal biennium. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

"**SECTION 12J.1.(q)** The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers and are exempt from the provisions of 10A NCAC 71R .0201(3).

"**SECTION 12J.1.(r)** The sum of three million nine hundred seventy-eight thousand three hundred sixty dollars ($3,978,360) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support (i) existing corporate guardianship contracts during the 2013-2014 and 2014-2015 fiscal years and (ii) guardianship contracts transferred to the State from local management entities or managed care organizations during the 2013-2014 and 2014-2015 fiscal years.

"**LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT**

"**SECTION 12J.1.(s)** Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

"**SECTION 12J.1.(t)** The sum of fifty million eight hundred seventy-six thousand four hundred forty dollars ($50,876,440) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services.

County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year. The outreach plan shall comply with the following:

(1) Ensure that eligible households are made aware of the available assistance with particular attention paid to the elderly population age 60 and above and disabled persons receiving services through the Division of Aging and Adult Services.

(2) Include efforts by the county department of social services to contact other State and local governmental entities and community-based organizations to (i) offer the opportunity to provide outreach and (ii) receive applications for energy assistance.

(3) Be approved by the local board of social services or human services board prior to submission.

"**CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

"**SECTION 12J.1.(u)** Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

"**SECTION 12J.1.(v)** If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

"SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

"**SECTION 12J.1.(v1)** The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2014-2015 fiscal year shall be allocated to the Department of Administration, Division of Veterans Affairs, to establish a call-in center to assist veterans in locating service benefits and crisis services. The call-in center shall be staffed by certified veteran peers within the Division of Veterans Affairs and trained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

"MATERNAL AND CHILD HEALTH BLOCK GRANT

"**SECTION 12J.1.(w)** 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 2013-2014 fiscal year or the 2014-2015 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 12J.1.(x)** The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program."

PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

PLANT SCIENCES RESEARCH AND INNOVATION INITIATIVE

SECTION 13.1.(a) The funds appropriated by this act to the Department of Agriculture and Consumer Services for the Plant Sciences Research initiative shall be transferred to North Carolina State University to develop a formal proposal and economic needs assessment for establishment of a public/private partnership between the University, other academic institutions, private companies in the agribusiness and bioscience sectors, and State regulatory agencies for the following amounts and purposes: (i) the sum of three hundred fifty thousand dollars ($350,000) for a partnership to be known as the "Plant Sciences Research and Innovation Initiative and (ii) the sum of two hundred fifty thousand dollars ($250,000) for a partnership to be known as the "Food Processing Initiative."

SECTION 13.1.(b) North Carolina State University shall submit a copy of the proposal and report to the Agriculture and Forestry Awareness Study Commission on the results of the economic needs assessment by January 1, 2015.

STATE FAIR ADMISSION

SECTION 13.2.(a) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

...

(26) The Board of Agriculture in the Department of Agriculture and Consumer Services with respect to annual admission fees for the State Fair. The Board shall annually post the admission fee schedule on its Web site and provide notice of the fee schedule, along with a citation to this section, to all persons named on the mailing list maintained pursuant to G.S. 150B-21.2(d)."

SECTION 13.2.(b) This section is effective when it becomes law.

AGRICULTURAL WELL DEVELOPMENT AS CRITERIA FOR AGRICULTURAL WATER RESOURCES ASSISTANCE PROGRAM FUNDING

SECTION 13.3.(a) G.S. 139-60(c)(3) reads as rewritten:

"(3) Establish criteria to allocate funds to local soil and water conservation districts. The criteria shall include the development of agricultural wells. In considering agricultural well development, the Commission shall take into account the impact of new well placement upon the wells of adjoining and surrounding landowners."

SECTION 13.3.(b) This section is effective when it becomes law.

"GOT TO BE NC" MARKETING CAMPAIGN TO BE THE OFFICIAL AGRICULTURAL MARKETING CAMPAIGN FOR THE STATE

SECTION 13.4.(a) G.S. 106-550 reads as rewritten:

"**§ 106-550. Policy as to promotion of use of, and markets for, farm products.**

(a) It is declared to be in the interest of the public welfare that the North Carolina farmers who are producers of livestock, poultry, field crops and other agricultural products, including cattle, sheep, broilers, turkeys, commercial eggs, peanuts, cotton, potatoes, sweet potatoes, peaches, apples, berries, vegetables and other fruits of all kinds, as well as bulbs and flowers and other agricultural products having a domestic or foreign market, shall be permitted and encouraged to act jointly and in cooperation with growers, handlers, dealers and processors of such products in promoting and stimulating, by advertising and other methods, the increased production, use and sale, domestic and foreign, of any and all of such agricultural commodities. The provisions of this Article, however, shall not include the agricultural products of tobacco, strawberries, strawberry plants, porcine animals, or equines, with respect to which separate provisions have been made.

(b) The "Got to be NC" marketing campaign of the Department of Agriculture and Consumer Services shall be the official agricultural marketing campaign for the State."

SECTION 13.4.(b) This section is effective when it becomes law.

CREATE FARMERS MARKETS ENTERPRISE FUND

SECTION 13.5. Article 1 of Chapter 106 of the General Statutes is amended by adding a new section to read:

"**§ 106-6.4. State Farmers Markets Fund.**

The North Carolina Farmers Markets Fund is established as an enterprise fund within the Department of Agriculture and Consumer Services. The Fund shall consist of the operating budget and all receipts generated from farmers markets operated by the Department. For the purpose of maximizing agricultural activity, the Commissioner of Agriculture shall have the flexibility to allocate funds among the farmers markets operated by the Department."

CHANGE COUNTY CONTRIBUTION RATE FOR SUPPLEMENTARY FORESTRY FUNDING BY DACS

SECTION 13.6. G.S. 106-898 reads as rewritten:

"**§ 106-898. Duties of forest rangers; payment of expenses by State and counties.**

(a) Forest rangers shall have charge of measures for controlling forest fires, protection of forests from pests and diseases, and the development and improvement of the forests for maximum production of forest products; shall post along highways and in other conspicuous places copies of the forest fire laws and warnings against fires, which shall be supplied by the Commissioner; shall patrol and man lookout towers and other points during dry and dangerous seasons under the direction of the Commissioner; and shall perform such other acts and duties as shall be considered necessary by the Commissioner in the protection, development and improvement of the forested area of each of the counties within the State. No county may be held liable for any part of the expenses thus incurred unless specifically authorized by the board of county commissioners under prior written agreement with the Commissioner; appropriations for meeting the county's share of such expenses so authorized by the board of county commissioners shall be provided annually in the county budget. For each county in which financial participation by the county is authorized, the Commissioner shall keep or cause to be kept an itemized account of all expenses thus incurred and shall send such accounts periodically to the board of county commissioners of said county; upon approval by the board of the correctness of such accounts, the county commissioners shall issue or cause to be issued a warrant on the county treasury for the payment of the county's share of such expenditures, said payment to be made within one month after receipt of such statement from the Commissioner. Appropriations made by a county for the purposes set out in Articles 75, 76, 78, and 82 of this Chapter in the cooperative forest protection, development and improvement work are not to replace State and federal funds which may be available to the Commissioner for the work in said county, but are to serve as a supplement thereto. ~~Funds appropriated to the Department for a fiscal year for the purposes set out in Articles 75, 76, 78, and 82 of this Chapter shall not be expended in a county unless that county shall contribute at least twenty-five percent (25%) of the total cost of the forestry program.~~

(b) The Commissioner shall annually calculate the current sales ratio adjusted total taxable property values for each county for the purpose of determining cost-share requirements for each county. Counties shall be responsible for providing the cost-share requirements for expenses associated with county forest services based on the following:

County Sales Ratio Adjusted

Total Taxable Property	**County Cost-Share**
Less than $8 billion	40%
$8 billion or more, but less than $20 billion	50%
$20 billion or greater	60%

Funds appropriated to the Department for a fiscal year for the purposes set out in Articles 75, 76, 78, and 82 of this Chapter shall not be expended in a county unless that county contributes the cost-share requirement determined by the Commissioner pursuant to this subsection."

UNC TRANSFER FOR USE OF DACS RESEARCH STATIONS

SECTION 13.7. The University of North Carolina shall annually transfer to the Department of Agriculture and Consumer Services an amount calculated pursuant to this section for research projects conducted on research stations administered by the Department. For research conducted by an employee, foundation, or affiliate of The University of North

Carolina, the amount to be transferred is equal to the greater of (i) one hundred thousand dollars ($100,000) or (ii) the sum of the following:

(1) For research conducted that is not funded from State funds, an amount equal to fifty percent (50%) of the total facilities and administrative receipts collected for the project; and

(2) For research conducted that is funded from State funds, an amount equal to five percent (5%) of the total research project cost.

(3) For research conducted that is partially funded with State funds, the sum of (i) fifty percent (50%) of the total facilities and administrative receipts collected by the UNC System for the portion of the project funded from non-State funds, and (ii) five percent (5%) of the State funds contributed to the project.

If the research is conducted by an entity unaffiliated with The University of North Carolina and is not funded with State funds, the Department may use its discretion to determine the amount to be collected for the project.

DACS RESEARCH STATIONS

SECTION 13.8. G.S. 106-6.3 reads as rewritten:

"**§ 106-6.3. Create special revenue fund for research stations.**

The Research Stations Fund is established as a special revenue fund within the Department of Agriculture and Consumer Services, Division of Research Stations. This Fund shall consist of receipts from the sale of commodities produced on the Department's research stations and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance exceeding one million dollars ($1,000,000) ~~remaining~~ in this Fund at the end of any fiscal year shall ~~not revert.~~revert to the General Fund. The Department ~~may~~ shall use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in research stations operated by the Department's Research ~~Station~~ Stations Division. Expenditures from this Fund shall not be used for agricultural research stations administered by other State agencies."

DACS AGWRAP & AG COST SHARE SPENDING

SECTION 13.9. Section 13.3(a)(2) of S.L. 2013-360 reads as rewritten:

"(2) Five hundred thousand dollars ($500,000) for ~~each fiscal year of the~~ ~~2013~~2014-2015 ~~biennium~~ fiscal year to the North Carolina Agricultural Water Resources Assistance Program or the Agriculture Cost Share Program for Nonpoint Source Pollution Control to fund projects in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, Yancey."

CERTIFICATION OF PRIVATE PESTICIDE APPLICATORS

SECTION 13.10.(a) G.S. 143-440(b) reads as rewritten:

"(b) The Board may include in any such restricted use regulation the time and conditions of sale, distribution, or use of such restricted use pesticides, may prohibit the use of any restricted use pesticide for designated purposes or at designated times; may require the purchaser or user to certify that restricted use pesticides will be used only as labeled or as further restricted by regulation; may require the certification and recertification of private applicators, and charge a fee of up to ten dollars ($10.00), with the fee set at a level to make the certification/recertification program self-supporting, and, after opportunity for a hearing, may suspend, revoke or modify the certification for violation of any provision of this Article, or any

rule or regulation adopted thereunder; may adopt rules to classify private applicators; and may, if it deems it necessary to carry out the provisions of this Part, require that any or all restricted use pesticides shall be purchased, possessed, or used only under permit of the Board and under its direct supervision in certain areas and/or under certain conditions or in certain quantities or concentrations except that any person licensed to sell such pesticides may purchase and possess such pesticides without a permit. The Board may require all persons issued such permits to maintain records as to the use of the restricted use pesticides. The Board may authorize the use of restricted use pesticides by persons licensed under the North Carolina Structural Pest Control Act without a permit. A nonrefundable fee of ten dollars ($10.00) shall be charged for each examination required by this section. This examination fee is in addition to the certification or recertification fee, and any other fee authorized pursuant to any other provision of Article 4C of Chapter 106 of the General Statutes."

SECTION 13.10.(b) This section is effective when it becomes law.

INCREASE FEES ASSOCIATED WITH NATIONAL POULTRY IMPROVEMENT PLAN

SECTION 13.11. G.S. 106-543 reads as rewritten:

"**§ 106-543. Requirements of national poultry improvement plan must be met.**

(a) All baby chicks, turkey poults and hatching eggs produced, sold or offered for sale shall originate in flocks that meet the requirements of the national poultry improvement plan as administered by the North Carolina Department of Agriculture and Consumer Services and the regulations issued by authority of this Article for the control of pullorum disease and other infectious diseases provided that nothing in this Article shall require any hatchery to adopt the national poultry improvement plan.

(b) The Department of Agriculture and Consumer Services shall charge the following fees for certification in the national poultry improvement plan:

(1) An initial certification fee of fifty dollars ($50.00), plus ten cents (10¢) per bird.

(2) An annual recertification fee of ten dollars ($10.00), plus ten cents (10¢) per bird."

DACS AGRICULTURAL CENTER GROWTH STUDY

SECTION 13.12.(a) The Department of Agriculture and Consumer Services shall study and recommend alternatives for the existing operating models of the Western North Carolina Agricultural Center, the Southeastern Agricultural Events Center, and the Senator Bob Martin Agricultural Center. In conducting the study, the Department shall consider alternative models that allow the Centers to operate without, or with substantially reduced, State funding. The alternative funding models shall consider increasing receipts from increased fees, alternative funding streams, reduced costs, or a combination of these methods. At a minimum, the Department shall study and report on the feasibility and budgetary impact of the following:

(1) Reduction of costs, including, but not limited to:

a. Pooling of funding between the Agricultural Centers, including all receipts generated from events hosted at the Centers.

b. Contracting with private vendors to operate all or part of one or more of the Agricultural Centers.

c. Partnering with or consolidating offices with other State agencies to locate their regional offices within suitable portions of Agricultural Center property.

d. Reducing staffing or service levels.

e. Eliminating programs and facilities that fail to generate net revenue.

(2) Increasing revenue generation, including, but not limited to:
a. Adding attractions and services that increase the number of visitors and revenue to the Agricultural Centers.
b. Establishing or increasing user fees and admission charges.
c. Partnering with other State, local, and private entities to draw new visitors to the Agricultural Centers.
d. Leasing or transferring eligible facilities to other governmental entities.

SECTION 13.12.(b) If the Department is unable to identify an operating model for the Agricultural Centers that allows the Centers to operate without State funding, the Department shall (i) provide an analysis of the anticipated market value of the Centers' assets and property, (ii) seek input from respective local government units regarding any potential interest in acquiring those assets and property, and (iii) document responses from local governments regarding their interest in acquiring the respective property.

SECTION 13.12.(c) The Department shall report its findings and operating model recommendations for each Agricultural Center to the Senate Appropriations Committee on Natural and Economic Resources, the House Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division on or before February 1, 2015.

FEES FOR FOREST MANAGEMENT PLANS

SECTION 13.13.(a) Article 83 of Chapter 106 of the General Statutes is amended by adding a new section to read:

"**§ 106-1013.1. Forest management plans.**

The Commissioner shall charge landowners the following fee for preparation of forest management plans:

(1) Two hundred fifty dollars ($250.00) for plans for tracts of land of less than 20 acres.
(2) Five hundred dollars ($500.00) for plans for tracts of land of 20 acres or more and less than 50 acres.
(3) Seven hundred fifty dollars ($750.00) for plans for tracts of land of 50 acres of more."

SECTION 13.13.(b) This section becomes effective July 1, 2014, and applies to forest management plans prepared on or after that date.

UMSTEAD RESEARCH STATION

SECTION 13.14. The Department of Administration, at the discretion of the Secretary of Administration, may offer the Umstead Research Station to the federal government in exchange for all or part of the federally owned property described in Section 14.7(h) of this act.

PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

AGENCIES REPORT ON FEDERAL GRANTS

SECTION 14.1.(a) The Department of Environment and Natural Resources, the Department of Labor, the Department of Commerce, and the Department of Agriculture shall review every federal grant received by the respective departments and report no later than February 1, 2015, to the Chairs of the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Chairs of the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division regarding the source and amount of the grant, the match required for the grant from State funds, and any conditions,

limitations, restrictions, or additional actions or programs the department is required to fulfill or undertake as a result of accepting the grant.

SECTION 14.1.(b) This section applies to grants received on or after July 1, 2014.

NER FACILITIES AND ADMINISTRATIVE FEES

SECTION 14.2. The Department of Agriculture, the Department of Commerce, the North Carolina Biotechnology Center, and the Department of Environment and Natural Resources shall negotiate indirect cost waivers with every constituent institution of The University of North Carolina performing State-funded research for the Center or the respective Departments. The waivers shall provide that the Center or the Departments pay facilities and administrative costs at a rate no greater than the lowest rate paid by any other State agency, department, or commission for research at that constituent institution.

PROGRAM EVALUATION DIVISION TO STUDY HOUSING PROGRAMS

SECTION 14.3.(a) The Joint Legislative Program Evaluation Oversight Committee shall include in the 2014-2015 Work Plan for the Program Evaluation Division of the General Assembly a study of the various programs related to housing conducted by State departments, agencies, and commissions, including the weatherization program of the Department of Environment and Natural Resources. The Program Evaluation Division shall include examinations of the following in the study:

(1) Overlap or duplication between programs and the possible cost-savings or other benefits from the merger of certain housing programs.

(2) Unmet needs or gaps in the State's housing programs, when compared to services or programs offered by other states.

(3) Any recommendations for changes in housing program governance for programs that are outside or only marginally within the core mission of their governing department, agency, or commission.

SECTION 14.3.(b) The Program Evaluation Division shall submit its findings and recommendations to the Joint Legislative Program Evaluation Oversight Committee, the Chairs of the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Chairs of the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division at a date to be determined by the Joint Legislative Program Evaluation Oversight Committee.

COASTAL AND ESTUARINE WATER BEACH ACCESS PROGRAM

SECTION 14.4.(a) Funds transferred from the Parks and Recreation Trust Fund to the Division of Coastal Management pursuant to G.S. 113-44.15(b)(3) for the Coastal and Estuarine Water Beach Access Program shall be deposited in a noninterest-bearing special fund to be titled Coastal and Estuarine Water Beach Access Fund. The Fund shall be a special revenue fund consisting of gifts and grants to the Fund and other monies appropriated to the Fund by the General Assembly.

SECTION 14.4.(b) Funds previously transferred from the Parks and Recreation Trust Fund to the Division of Coastal Management for the Coastal and Estuarine Water Beach Access Program that were deposited in capital funds shall be transferred to the Coastal and Estuarine Water Beach Access Fund established by subsection (a) of this section no later than September 30, 2014.

CAROLINA BEACH STATE PARK MARINA

SECTION 14.5.(a) The Department of Environment and Natural Resources, Division of Parks and Recreation, shall issue a request for information (RFI) to solicit

proposals for a sublease to private parties for the operation of the State-owned marina at Carolina Beach State Park. The RFI shall contain sufficient detail to address the following:

(1) The services to be performed by the private party and performance expectations.

(2) Payment and record-keeping requirements.

(3) Compliance with State parks system rules and regulations and standards of the Division of Coastal Management's Clean Marina program.

SECTION 14.5.(b) The Division of Parks and Recreation shall report to the chairs of the Senate Appropriations Committee on Natural and Economic Resources, the chairs of the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division no later than February 1, 2015, on the results of the RFI and whether it is more cost-effective to have a private party manage the marina than internal management.

STATE ATTRACTIONS CONSULTANT STUDY

SECTION 14.6. Of the funds appropriated by this act to the Department of Environment and Natural Resources, the sum of two hundred fifty thousand dollars ($250,000) for the 2014-2015 fiscal year shall be used to hire a consultant to review the operation of State natural resource, historic, and cultural sites and to make recommendations for maximizing their value to the citizens of this State while simultaneously reducing the cost to the State for their operation. State agencies and employees shall fully cooperate with the consultant by providing requested information about the operation of State natural resource, historic, and cultural sites. The consultant shall report its findings to the Department of Cultural Resources, to the Department of Environment and Natural Resources, to the Department of Agriculture and Consumer Services, to the Wildlife Resources Commission, to the Legislative Research Commission, and to the Fiscal Research Division no later than October 1, 2015. The recommendations shall not include recommendations to sell State properties or to change the present use and character of State natural resource, historic, and cultural sites. The recommendations shall address at least the following:

(1) Whether cost-savings could be realized by allowing private entities to operate certain State sites.

(2) Whether limiting operating hours, mothballing, or imposing other cost-savings measures should be adopted at certain natural resource, historic, and cultural sites.

OREGON INLET

SECTION 14.7.(a) Article 36 of Chapter 143 of the General Statutes is amended by adding a new Part to read:

"Part 4. Outer Banks Land Management.

"**§ 143-345.18A. Outer Banks Land Management Fund.**

(a) Creation. – There is created the Outer Banks Land Management Fund as a noninterest-bearing special revenue fund in the Department of Environment and Natural Resources.

(b) Uses. – The Secretary of Environment and Natural Resources may use funds in the Outer Banks Land Management Fund for any of the following purposes:

(1) To purchase land, including submerged land, on behalf of the State for inclusion in a State park on or near Oregon Inlet.

(2) To reimburse the Department of Administration for the costs of any appraisals of real property, studies, surveys, data collection, or analysis

conducted in connection with the acquisition of real property for inclusion in a State park on or near Oregon Inlet.

(3) To pay the costs of dredging projects designed to restore the Oregon Inlet shallow draft navigation channel to a navigable and safe condition. A dredging project shall not be funded pursuant to this subdivision unless the Secretary of the Department of Environment and Natural Resources approves the project. An expenditure of funds pursuant to this subdivision shall be in addition to any expenditure of funds pursuant to Part 8B of Article 21 of Chapter 143 of the General Statutes for Oregon Inlet dredging projects.

(4) To pay the costs of engaging the services of private counsel as authorized by G.S. 143-345.18B and to pay related litigation costs.

(c) Inclusion of Land in State Parks System. – Land purchased pursuant to subdivision (b)(1) of this section is authorized to be added to the State Parks System pursuant to G.S. 113-44.14(b).

"**§ 143-345.18B. Use of private counsel; payment of litigation costs.**

(a) Authority. – Notwithstanding G.S. 114-2.3, the Department of Administration and the Department of Environment and Natural Resources may engage the services of private counsel with the pertinent expertise to timely defend or otherwise resolve legal challenges related to the purchase, condemnation, exchange, or use of real property on the Outer Banks and shall not be required to obtain written permission from the Attorney General.

(b) Supervision. – Notwithstanding G.S. 114-2.3, the Departments shall supervise and manage the private counsel engaged under this section.

(c) Reporting. – The Departments shall report the engagement of private counsel under this section within 30 days to all of the following:

(1) To the General Assembly, as follows:

a. If the General Assembly is in session, to the chairs of the House of Representatives Appropriations Subcommittee on General Government, the chairs of the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the chairs of the Senate Appropriations Committee on General Government, and the chairs of the Senate Appropriations Committee on Natural and Economic Resources.

b. If the General Assembly is not in session or adjourns during the 30-day period, to the chairs of the Joint Legislative Commission on Governmental Operations.

(2) To the Attorney General.

(3) To the Fiscal Research Division."

SECTION 14.7.(b) Funding. – Notwithstanding any other provision of law to the contrary, the following amounts shall be transferred to the Outer Banks Land Management Fund no later than September 1, 2014:

Budget Code	Fund Code	Description	FY 2014-2015 Amount
23400	2392	Advance License Sales Fund	$ 3,500,000
24609	2568	Utility Account Cash Balance	3,500,000

SECTION 14.7.(c) Acquisition Agreement. – Notwithstanding Chapter 146 of the General Statutes or any other provision of law, the Department of Administration, on behalf of the State, shall enter into an agreement to acquire the federally owned property described in subsection (h) of this section from the federal government (i) with funds in the Outer Banks Land Management Fund created by Section 1(a) of this act; (ii) in exchange for State-owned real property; or (iii) with some combination of funds from the Outer Banks Land Management

Fund and exchange of State-owned real property, in the sole discretion of the Secretary of Administration. Only State-owned real property that is adjacent to federally owned real property or within 100 miles of such real property may be exchanged pursuant to this subsection.

SECTION 14.7.(d) Terms. – The Secretary of the Department of Administration shall have the authority to negotiate the terms of the acquisition agreement. The agreement (i) shall provide for the acquisition of interests in real property described in subsection (h) of this section and no other; (ii) shall provide that the conveyances described in the agreement become effective as soon as practicable; and (iii) shall incorporate the relevant terms of this act.

SECTION 14.7.(e) Execution of Deeds. – Within 30 days of the acquisition becoming effective, the Attorney General shall execute any documents or deeds necessary to effectuate the acquisition under the exact terms set forth in the acquisition agreement. All State agencies and officials shall cooperate to the fullest extent possible in effectuating the acquisition agreement.

SECTION 14.7.(f) Reporting. – Within 30 days after an agreement is entered into pursuant to this section, the Secretary of the Department of Administration shall report to the Joint Legislative Commission on Governmental Operations on the terms of the agreement.

SECTION 14.7.(g) Creation of Oregon Inlet State Park. – If the real property described in subsection (h) of this section is acquired by the State, then together with any other real property owned by the State within the area described in subsection (h) of this section, the General Assembly authorizes the Department of Environment and Natural Resources to add Oregon Inlet State Park, which shall consist of at least these properties, to the State Parks System as provided in G.S. 113-44.14(b).

SECTION 14.7.(h) Federal Property to Be Conveyed. – The federally owned property to be conveyed shall include all of the federal government's right, title, and interest in (i) some or all of the subaerial real property located within the area described by connecting the following latitude and longitude points and (ii) all of the submerged real property located within the area described by connecting the following latitude and longitude points:

Latitude:	Longitude:
35.78099563900	-75.52953510600
35.78178528500	-75.52513394400
35.78141354400	-75.52334019100
35.77887390700	-75.52025162500
35.77857436500	-75.51969654900
35.77781290800	-75.51900873900
35.77734893400	-75.51884305500
35.77110009400	-75.51641608800
35.76633568000	-75.51356516200
35.76116258500	-75.51036495800
35.75751496100	-75.50801176500
35.75608651600	-75.51228522200
35.75777480300	-75.51379949200
35.75860596900	-75.51451482100
35.75960484700	-75.51540263600
35.76100041400	-75.51665469900
35.76117351400	-75.51681019600
35.76212525300	-75.51767780700
35.76287562800	-75.51836186100
35.76316770200	-75.51862812200
35.76381492400	-75.51921814800

1	35.76415098700	-75.51955669900
2	35.76445468400	-75.51995078300
3	35.76485826900	-75.52059025200
4	35.76505577400	-75.52094720300
5	35.76528160600	-75.52142243500
6	35.76548548000	-75.52198988800
7	35.76556574300	-75.52341266800
8	35.76566877400	-75.52523906000
9	35.76454632200	-75.52902085700
10	35.76357138700	-75.53246190700
11	35.76337226200	-75.53339199600
12	35.76333441200	-75.53364756500
13	35.76332909000	-75.53390886900
14	35.76335819500	-75.53458675100
15	35.76341367100	-75.53498008200
16	35.76354478800	-75.53535025300
17	35.76361737400	-75.53547511500
18	35.76383009500	-75.53584104000
19	35.76425804000	-75.53655388200
20	35.76471137600	-75.53740653000
21	35.76502225800	-75.53875413900
22	35.76521060100	-75.54081681300
23	35.76523404100	-75.54194712400
24	35.76525043500	-75.54273769600
25	35.76526768700	-75.54353888100
26	35.76532715800	-75.54394387700
27	35.76541340600	-75.54428520100
28	35.76550080400	-75.54463107400
29	35.76577010000	-75.54534161500
30	35.76597248500	-75.54579049600
31	35.76632062300	-75.54620555000
32	35.76655164400	-75.54635947100
33	35.76725670200	-75.54660003000
34	35.76764041200	-75.54670534600
35	35.76795847900	-75.54670661900
36	35.77077784300	-75.54629895400
37	35.77115918300	-75.54624921300
38	35.77148150500	-75.54619720600
39	35.77234520600	-75.54605784500
40	35.77377517700	-75.54582711000
41	35.77469339200	-75.54566942900
42	35.77590248800	-75.54531166000
43	35.77673545200	-75.54571296000
44	35.77711645600	-75.54582301200
45	35.77742981800	-75.54581293600
46	35.77771608200	-75.54572387500
47	35.77791539100	-75.54559449800
48	35.77810904100	-75.54546879500
49	35.77904847600	-75.54478184500
50	35.77912430900	-75.54486803600

35.77981427400	-75.54534862400
35.78042966800	-75.54567367500
35.78135818100	-75.54600030500
35.78175635200	-75.54606539500
35.78221194600	-75.54612839200
35.78279713100	-75.54636296300
35.78378882800	-75.54668308800
35.78766932400	-75.54709605000
35.79082109200	-75.54691243300
35.79820587700	-75.54665906000
35.79859286600	-75.54249624600
35.80046065100	-75.53877586500
35.79408521600	-75.53252823100
35.79248815800	-75.53183764800
35.79151104100	-75.53197071600
35.78867341400	-75.53323291600
35.76886839300	-75.52536743000
35.76724598100	-75.52438052100
35.76805629700	-75.52240411900
35.76966632600	-75.52339266000
35.76886839300	-75.52536743000.

SECTION 14.7.(i) Condemnation Authority. – On July 1, 2015, the Department of Administration shall, in accordance with applicable law and terms reserved in any relevant deeds, commence condemnation proceedings on all federally owned property that are necessary to manage existing and future transportation corridors on the Outer Banks, as determined pursuant to subsection (j) of this section. The Department of Administration shall report the commencement of condemnation proceedings to the General Assembly, as follows:

(1) If the General Assembly is in session, the Department shall report to the chairs of the House of Representatives Appropriations Committee, the chairs of the Senate Appropriations Committee, and the Fiscal Research Division.

(2) If the General Assembly is not in session, the Department shall report to the chairs of the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

SECTION 14.7.(j) Identification of Outer Banks Transportation Corridor. – No later than November 30, 2014, the Department of Transportation shall identify federally-owned property that is necessary to construct or to manage existing and future transportation corridors on the Outer Banks and shall report this information to the chairs of the Joint Legislative Transportation Oversight Committee, to the Secretary of the Department of Administration, and to the Fiscal Research Division.

SECTION 14.7.(k) G.S. 166A-19.30(a) reads as rewritten:

"**§ 166A-19.30. Additional powers of the Governor during state of emergency.**

(a) In addition to any other powers conferred upon the Governor by law, during a gubernatorially or legislatively declared state of emergency, the Governor shall have the following powers:

(1) To utilize all available State resources as reasonably necessary to cope with an emergency, including the transfer and direction of personnel or functions of State agencies or units thereof for the purpose of performing or facilitating emergency services.

(2) To take such action and give such directions to State and local law enforcement officers and agencies as may be reasonable and necessary for

the purpose of securing compliance with the provisions of this Article and with the orders, rules, and regulations made pursuant thereto.

(3) To take steps to assure that measures, including the installation of public utilities, are taken when necessary to qualify for temporary housing assistance from the federal government when that assistance is required to protect the public health, welfare, and safety.

(4) Subject to the provisions of the State Constitution to relieve any public official having administrative responsibilities under this Article of such responsibilities for willful failure to obey an order, rule, or regulation adopted pursuant to this Article.

(5) Through issuance of an executive order to waive requirements for an environmental document or permit issued under Articles 1, 4, and 7 of Chapter 113A of the General Statutes for the repair, protection, safety enhancement, or replacement of a component of the State highway system that provides the sole road access to an incorporated municipality or an unincorporated inhabited area bordering the Atlantic Ocean or any coastal sound where bridge or road conditions as a result of the events leading to the declaration of the state of emergency pose a substantial risk to public health, safety, or welfare. The executive order shall list the duration of the waiver and the activities to which the waiver applies. For purposes of this subdivision, "coastal sound" shall have the definition set forth in G.S. 113A-103, and "replacement" shall not be interpreted to exclude a replacement that increases size or capacity or that is located in a different location than the component that is replaced."

SECTION 14.7.(l) G.S. 113A-12 is amended by adding a new subdivision to read:

"(7) The issuance of an executive order under G.S. 166A-19.30(a)(5) waiving the requirement for an environmental document."

SECTION 14.7.(m) G.S. 113A-52.01 reads as rewritten:

"**§ 113A-52.01. Applicability of this Article.**

This Article shall not apply to the following land-disturbing activities:

...

(4) For the duration of an emergency, activities essential to protect human ~~life.~~life, including activities specified in an executive order issued under G.S. 166A-19.30(a)(5)."

SECTION 14.7.(n) G.S. 113A-103(5)b.1. reads as rewritten:

"**§ 113A-103. Definitions.**

As used in this Article:

...

(5) a. "Development" means any activity in a duly designated area of environmental concern (except as provided in paragraph b of this subdivision) involving, requiring, or consisting of the construction or enlargement of a structure; excavation; dredging; filling; dumping; removal of clay, silt, sand, gravel or minerals; bulkheading, driving of pilings; clearing or alteration of land as an adjunct of construction; alteration or removal of sand dunes; alteration of the shore, bank, or bottom of the Atlantic Ocean or any sound, bay, river, creek, stream, lake, or canal; or placement of a floating structure in an area of environmental concern identified in G.S. 113A-113(b)(2) or (b)(5).

b. The following activities including the normal and incidental operations associated therewith shall not be deemed to be development under this section:

1. Work by a highway or road agency for the maintenance of an existing road, if the work is carried out on land within the boundaries of the existing ~~right-of-way;~~right-of-way, or for emergency repairs and safety enhancements of an existing road as described in an executive order issued under G.S. 166A-19.30(a)(5)."

SECTION 14.7.(o) Notwithstanding the provisions of Chapter 146 of the General Statutes, Article 9A of Chapter 113A of the General Statutes, or any other provision of law, neither the Governor nor the Council of State shall be required to approve any conveyance, exchange, or condemnation made pursuant to this section, nor shall consultation with or reporting to the Joint Legislative Commission on Governmental Operations be required prior to the conveyance, exchange, or condemnation, except as set forth in subsection (j) of this section.

TECHNICAL CORRECTIONS: CWMTF

SECTION 14.8.(a) G.S. 113A-251 reads as rewritten:

"**§ 113A-251. Purpose.**

~~The General Assembly recognizes that a critical need exists in this State to clean up pollution in the State's surface waters and to protect, preserve, and conserve those waters that are not yet polluted. The task of cleaning up polluted waters and protecting and enhancing the State's water resources is multifaceted and requires different approaches, including innovative pilot projects, that take into account the problems, the type of pollution, the geographical area, and the recognition that the hydrological and ecological values of each resource sought to be upgraded, conserved, and protected are unique.~~

It is the intent of the General Assembly that moneys from the Fund created under this Article shall be used to help finance projects that enhance or restore degraded surface waters; protect and conserve surface waters, including drinking supplies, and contribute toward a network of riparian buffers and greenways for environmental, educational, and recreational benefits; provide buffers around military bases to protect the military mission; acquire land that represents the ecological diversity of North Carolina; and acquire land that contributes to the development of a balanced State program of historic properties.~~specifically address water pollution problems and focus on upgrading surface waters, eliminating pollution, and protecting, preserving, and conserving unpolluted surface waters, including enhancement or development of drinking water supplies. It is the further intent of the General Assembly that moneys from the Fund also be used to build a network of riparian buffers and greenways for environmental, educational, and recreational benefits. It is lastly the intent of the General Assembly that moneys from the Fund also be used to preserve lands that could be used for water supply reservoirs. While the purpose of this Article is to focus on the cleanup and prevention of pollution of the State's surface waters, the establishment of a network of riparian buffers and greenways, and the preservation of property for establishing clean water supplies, the General Assembly believes that the results of these efforts will also be beneficial to wildlife and marine fisheries habitats.~~"

SECTION 14.8.(b) G.S. 113A-252 reads as rewritten:

"**§ 113A-252. Definitions.**

The following definitions apply in this Article:

(1) Council. – The advisory council for the Clean Water Management Trust Fund.

~~(2) Economically distressed local government unit. – An economically distressed county, as defined in G.S. 143B-437.01, or a local government unit located in that county.~~

(3) Fund. – The Clean Water Management Trust Fund created pursuant to this Article.

(4) Land. – Real property and any interest in, easement in, or restriction on real property.

(4a) Local government unit. – Defined in G.S. 159G-20.

~~(4b) Stormwater quality project. – Defined in G.S. 159G-20.~~

(5) Trustees. – The trustees of the Clean Water Management Trust Fund.

~~(6) Wastewater collection system. – Defined in G.S. 159G-20.~~

~~(7) Wastewater treatment works. – Defined in G.S. 159G-20.~~"

SECTION 14.8.(c) G.S. 113A-254 reads as rewritten:

"**§ 113A-254. Grant requirements.**

(a) Eligible Applicants. – Any of the following are eligible to apply for a grant from the Fund for the purpose of protecting and enhancing water quality:

(1) A State agency.

(2) A local government unit.

(3) A nonprofit corporation whose primary purpose is the conservation, preservation, ~~and~~ or restoration of our State's ~~environmental and natural~~ cultural, environmental, or natural resources.

(a1) Criteria. – The criteria developed by the Trustees under G.S. 113A-256 apply to grants made under this Article. ~~The common criteria for water projects set in G.S. 159G-23 and the criteria set out in this section also apply to wastewater collection system projects, wastewater treatment works projects, and stormwater quality projects. An application for a wastewater collection system project or a wastewater treatment works project that serves an economically distressed local government unit has priority.~~

...

~~(d) Wastewater Limits. – A wastewater collection system project or a wastewater treatment works project is eligible for a grant under this Article only if it is a high unit cost project, as defined in G.S. 159G-20. A planning grant or a technical assistance grant for a regional wastewater collection system or a regional wastewater treatment works is not subject to the high unit cost threshold. A grant made under this Article for a wastewater collection system project or a wastewater treatment works project is subject to the cost limits and recipient limits set in G.S. 159G-36 for a grant awarded from the Wastewater Reserve.~~

~~(e) Stormwater Limits. – The amount of a grant awarded under this Article for a stormwater quality project may not exceed the construction costs of the project. The total amount of grants awarded under this Article to the same recipient for stormwater quality projects for a fiscal year may not exceed the limit set in G.S. 159G-36(c)(1) for grants to the same recipient from the Wastewater Reserve.~~

...."

SECTION 14.8.(d) G.S. 113A-255(b1) is amended by adding a new subdivision to read:

"(b1) Qualifications. – The office of Trustee is declared to be an office that may be held concurrently with any other executive or appointive office, under the authority of Article VI, Section 9, of the North Carolina Constitution. When appointing members of the Authority, the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives shall give consideration to adequate representation from the various regions of the State and shall give consideration to the appointment of members who are knowledgeable in any of the following areas:

...

(5) Historic preservation."

SECTION 14.8.(e) G.S. 113A-256(b) reads as rewritten:

"(b) Develop Grant Criteria. – The Trustees shall develop criteria for awarding grants under this Article. The criteria developed shall include consideration of the following:

...

(2) The objectives of the various basinwide management plans for the State's river basins and watersheds.

...."

SECTION 14.8.(f) G.S. 113A-259 reads as rewritten:

"**§ 113A-259. Clean Water Management Trust Fund: Advisory Council.**

There is established the Clean Water Management Trust Fund Advisory Council. The Council shall advise the Trustees with regard to allocations made from the Fund, and other issues as requested by the Trustees. The Council shall be composed of the following or its designees:

(1) Commissioner of Agriculture.
(2) Chair of the Wildlife Resources Commission.
(3) Secretary of Environment and Natural Resources.
(4) Secretary of the Department of Commerce.
(5) Secretary of the Department of Cultural Resources."

COMMERCIAL FISHING LICENSES

SECTION 14.9.(a) G.S. 113-168.1(h) reads as rewritten:

"(h) Replacement Licenses and Endorsements. – The Division shall issue a replacement license, including any endorsements, to a licensee for a license that has not been suspended or revoked. A licensee may apply for a replacement license for a license that has been lost, stolen, or destroyed and shall apply for a replacement license within 30 days of a change in the licensee's name or address. A licensee may apply for a replacement license in person at any office of the Division or by mail to the Morehead City office of the Division. A licensee may use a copy of the application for a replacement license that has been filed with the Division as a temporary license until the licensee receives the replacement license. The Commission may establish a fee for each type of replacement license, not to exceed ~~twelve dollars and fifty cents ($12.50),~~ten dollars ($10.00), that compensates the Division for the administrative costs associated with issuing the replacement license."

SECTION 14.9.(b) G.S. 113-168.2(e) reads as rewritten:

"(e) Fees. – The annual SCFL fee for a resident of this State shall be ~~two hundred fifty dollars ($250.00).~~four hundred dollars ($400.00). The annual SCFL fee for a person who is not a resident of this State shall be the amount charged to a resident of this State in the nonresident's state. In no event, however, may the fee be less than ~~two hundred fifty dollars ($250.00).~~four hundred dollars ($400.00). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

(1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State income tax return as a resident of North Carolina for the previous calendar or tax year, or
(2) G.S. 113-130(4)e."

SECTION 14.9.(c) G.S. 113-168.3(b) reads as rewritten:

"(b) Eligibility; Fees. – Any individual who is 65 years of age or older and who is eligible for a SCFL under G.S. 113-168.2 may apply for either a SCFL or RSCFL. An applicant for a RSCFL shall provide proof of age at the time the application is made. The annual fee for a RSCFL for a resident of this State shall be ~~one hundred twenty-five dollars ($125.00).~~two

hundred dollars ($200.00). The annual fee for a RSCFL for a person who is not a resident of this State shall be ~~one hundred sixty-two dollars and fifty cents ($162.50).~~two hundred dollars ($200.00). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

(1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State income tax return as a resident of North Carolina for the previous calendar or tax year, or

(2) G.S. 113-130(4)e."

SECTION 14.9.(d) G.S. 113-168.4(c) reads as rewritten:

"(c) A person who organizes a recreational fishing tournament may sell fish taken in connection with the tournament pursuant to a recreational fishing tournament license to sell fish. A person who organizes a recreational fishing tournament may obtain a recreational fishing tournament license to sell fish upon application to the Division and payment of a fee of ~~one hundred twenty-five dollars ($125.00).~~one hundred dollars ($100.00). It is unlawful for any person licensed under this subsection to sell fish to any person other than a fish dealer licensed under G.S. 113-169.3 unless the seller is also a licensed fish dealer. A recreational fishing tournament is an organized fishing competition occurring within a specified time period not to exceed one week and that is not a commercial fishing operation. Gross proceeds from the sale of fish may be used only for charitable, religious, educational, civic, or conservation purposes and shall not be used to pay tournament expenses."

SECTION 14.9.(e) G.S. 113-168.6(c) reads as rewritten:

"(c) The annual fee for a commercial fishing vessel registration shall be determined by the length of the vessel and shall be in addition to the fee for other licenses issued under this Article. The length of a vessel shall be determined by measuring the distance between the ends of the vessel along the deck and through the cabin, excluding the sheer. The annual fee for a commercial fishing vessel registration is:

(1) ~~One dollar and twenty-five cents ($1.25)~~One dollar ($1.00) per foot for a vessel not over 18 feet in length.

(2) ~~One dollar and ninety cents ($1.90)~~One dollar and fifty cents ($1.50) per foot for a vessel over 18 feet but not over 38 feet in length.

(3) ~~Three dollars and seventy-five cents ($3.75)~~Three dollars ($3.00) per foot for a vessel over 38 feet but not over 50 feet in length.

(4) ~~Seven dollars and fifty cents ($7.50)~~Six dollars ($6.00) per foot for a vessel over 50 feet in length."

SECTION 14.9.(f) G.S. 113-169.1 reads as rewritten:

"**§ 113-169.1. Permits for gear, equipment, and other specialized activities authorized.**

(a) The Commission may adopt rules to establish permits for gear, equipment, and specialized activities, including commercial fishing operations that do not involve the use of a vessel and transplanting oysters or clams. ~~The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed one hundred dollars ($100.00) per permit.~~

(b) The Commission may adopt rules to establish gear specific permits to take striped bass from the Atlantic Ocean and to limit the number and type of these permits that may be issued to a person. The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed ~~thirty dollars ($30.00)~~ten dollars ($10.00) per permit.

(c) To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the

Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.9.(g) G.S. 113-169.2(c) reads as rewritten:

"(c) Fees. – Shellfish licenses issued under this section shall be issued annually upon payment of a fee of ~~thirty-one dollars and twenty-five cents ($31.25)~~fifty dollars ($50.00) upon proof that the license applicant is a North Carolina resident."

SECTION 14.9.(h) G.S. 113-169.3 reads as rewritten:

"**§ 113-169.3. Licenses for fish dealers.**

...

(e) Application Fee for New Fish Dealers. – An applicant for a new fish dealer license shall pay a nonrefundable application fee of ~~sixty-two dollars and fifty cents ($62.50)~~one hundred dollars ($100.00) in addition to the license category fees set forth in this section.

(f) License Category Fees. – Every fish dealer subject to licensing requirements shall secure an annual license at each established location for each of the following activities transacted there, upon payment of the fee set out:

(1) Dealing in oysters: ~~$62.50.~~$100.00.
(2) Dealing in scallops: ~~$62.50.~~$100.00.
(3) Dealing in clams: ~~$62.50.~~$100.00.
(4) Dealing in hard or soft crabs: ~~$62.50.~~$100.00.
(5) Dealing in shrimp, including bait: ~~$62.50.~~$100.00.
(6) Dealing in finfish, including bait: ~~$62.50.~~$100.00.
(7) Operating menhaden or other fish-dehydrating or oil-extracting processing plants: ~~$62.50.~~$100.00.
(8) Consolidated license (all categories): ~~$375.00.~~$600.00.

...."

SECTION 14.9.(i) G.S. 113-169.5(b) reads as rewritten:

"(b) The fee for a land or sell license for a vessel not having its primary situs in North Carolina is ~~two hundred fifty dollars ($250.00);~~four hundred dollars ($400.00), or an amount equal to the nonresident fee charged by the nonresident's state, whichever is greater. Persons aboard vessels having a primary situs in a jurisdiction that would allow North Carolina vessels without restriction to land or sell their catch, taken outside the jurisdiction, may land or sell their catch in the State without complying with this section if the persons are in possession of a valid license from their state of residence."

SECTION 14.9.(j) G.S. 113-171.1(b) reads as rewritten:

"(b) License. – Before an aircraft is used as a spotter plane in a commercial fishing operation, the owner or operator of the aircraft must obtain a license for the aircraft from the Division. The fee for a license for a spotter plane is ~~one hundred twenty-five dollars ($125.00).~~one hundred dollars ($100.00). An applicant for a license for a spotter plane shall include in the application the identity, either by boat or by company, of the specific commercial fishing operations in which the spotter plane will be used during the license year. If, during the course of the license year, the aircraft is used as a spotter plane in a commercial fishing operation that is not identified in the original license application, the owner or operator of the aircraft shall amend the license application to add the identity of the additional commercial fishing operation."

SECTION 14.9.(k) G.S. 113-173(f) reads as rewritten:

"(f) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of purchase. The fee for a RCGL for a North Carolina resident shall be ~~forty-three dollars and seventy-five cents ($43.75).~~seventy dollars ($70.00). The fee for a RCGL for an individual who is not a North Carolina resident shall be three hundred twelve dollars and fifty cents ($312.50)."

SECTION 14.9.(l) G.S. 113-203 reads as rewritten:

"**§ 113-203. Transplanting of oysters and clams.**

...

~~(f) The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed one hundred dollars ($100.00) per permit.~~

(g) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.9.(m) G.S. 113-210 reads as rewritten:

"**§ 113-210. Under Dock Oyster Culture.**

...

~~(l) Fees. Under Dock Oyster Culture Permit shall be issued annually upon payment of a fee of one hundred dollars ($100.00).~~

(m) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.9.(n) G.S. 113-221.2 reads as rewritten:

"**§ 113-221.2. Additional rules to establish sanitation requirements for scallops, shellfish, and crustacea; permits and permit fees authorized.**

(a) Authority to Adopt Certain Rules and Establish Permits. – For the protection of the public health, the Marine Fisheries Commission shall adopt rules establishing sanitation requirements for the harvesting, processing and handling of scallops, shellfish, and crustacea of in-State origin. The rules of the Marine Fisheries Commission may also regulate scallops, shellfish, and crustacea shipped into North Carolina. The Department is authorized to enforce the rules and may issue and revoke permits according to the rules. ~~The Department is authorized to establish a fee for each permit not to exceed one hundred dollars ($100.00).~~

(b) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.9.(o) G.S. 143B-289.52(d1) reads as rewritten:

"(d1) The Commission may regulate participation in a fishery that is subject to a federal fishery management plan if that plan imposes a quota on the State for the harvest or landing of fish in the fishery. The Commission may use any additional criteria aside from holding a Standard Commercial Fishing License to develop limited-entry fisheries. ~~The Commission may establish a fee for each license established pursuant to this subsection in an amount that does not exceed five hundred dollars ($500.00).~~"

SECTION 14.9.(p) Article 14A of Chapter 113 of the General Statutes is amended by adding a new section to read:

"**§ 113-173.1. North Carolina Commercial Fishing Resource Fund.**

(a) There is hereby established the North Carolina Commercial Fishing Resources Fund as a nonreverting special revenue fund in the office of the State Treasurer. The purpose of the Fund is to provide funding for the development of sustainable commercial fishing in the State. The principal of the Fund shall consist of all of the following:

(1) Two hundred dollars ($200.00) from each Standard Commercial Fishing License issued pursuant to G.S. 113-168.2.

(2) One hundred dollars ($100.00) from each Retired Standard Commercial Fishing License issued pursuant to G.S. 113-168.3.

(3) Twenty-five dollars ($25.00) from each shellfish license issued pursuant to G.S. 113-169.2

(4) Fifty dollars ($50.00) from each fish dealer license issued pursuant to G.S. 113-169.3.

(5) Two hundred dollars ($200.00) from each land or sell license issued pursuant to G.S. 113-169.5.

(6) Thirty-five dollars ($35.00) from each Recreational Commercial Gear License issued pursuant to G.S. 113-173.

(b) The State Treasurer shall hold the North Carolina Commercial Fishing Resources Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Fund in accordance with the provisions of G.S. 147-69.2, except that interest and other income received on the fund balance shall be treated as set forth in G.S. 147-69.1(d). The State Treasurer shall disburse the principal of the Fund only upon the written direction of both the Marine Fisheries Commission and the Board of Directors of the North Carolina Commercial Fishing Resource Fund established by subsection (c) of this section. The Marine Fisheries Commission and the Board of Directors of the North Carolina Commercial Fishing Resource Fund may authorize the disbursement of the principal of the North Carolina Commercial Fishing Resource Fund only for projects to develop sustainable commercial fishing in the State or to provide funding for North Carolina's incidental take permits for the commercial fishing industry under the federal Endangered Species Act of 1973 (Public Law 93-205) or the federal Marine Mammal Protection Act of 1972 (Public Law 92-522). The Marine Fisheries Commission and the Board of Directors of the North Carolina Commercial Fishing Resource Fund shall authorize disbursements to fully fund North Carolina's incidental take permits for the commercial fishing industry under the federal Endangered Species Act of 1973 (Public Law 93-205) or the federal Marine Mammal Protection Act of 1972 (Public Law 92-522) prior to authorizing disbursements for any other purpose.

(c) A Board of Directors of the North Carolina Commercial Fishing Resource Fund is established and shall consist of six members. Each of the following commercial fishing organizations shall appoint one member of the Board:

(1) North Carolina Fisheries Association, Inc..

(2) North Carolina Watermen United, Inc.

(3) Ocracoke Working Watermen's Association.

(4) Albemarle Fishermen's Association.

(5) Carteret County Fishermen's Association.

(6) Brunswick County Fishermen's Association."

SECTION 14.9.(q) This section is effective when it becomes law and applies to fees collected on or after July 1, 2014.

ADVANCED SALE OF LICENSES

SECTION 14.10. G.S. 113-168.1 reads as rewritten:

"**§ 113-168.1. General provisions governing licenses and endorsements.**

...

(j) Advance Sale of Licenses, License Revenue. – To ensure an orderly transition from one license year to the next, the Division may issue a license or endorsement prior to 1 July of the license year for which the license or endorsement is valid. Revenue that the Division receives for the issuance of a license or endorsement prior to the beginning of a license year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division only for the license year in which the license or endorsement is valid. Any license revenue carried forward from one fiscal year to the next under this subsection that remains unencumbered and unexpended at the end of the fiscal year in which the license or endorsement is valid shall revert to the General Fund."

NO JOINT ENFORCEMENT AGREEMENTS

SECTION 14.11. G.S. 113-224 reads as rewritten:

"**§ 113-224. Cooperative agreements by Department.**

(a) ~~The~~ Except as otherwise provided in this section, the Department is empowered to enter into cooperative agreements with public and private agencies and individuals respecting the matters governed in this Subchapter. Pursuant to such agreements the Department may expend funds, assign employees to additional duties within or without the State, assume additional responsibilities, and take other actions that may be required by virtue of such agreements, in the overall best interests of the conservation of marine and estuarine resources.

(b) The Department may not enter into a joint enforcement agreement with the National Marine Fisheries Service."

STUDY COMMERCIAL SHELLFISH LEASING

SECTION 14.12. The Joint Legislative Program Evaluation Oversight Committee shall consider including in the 2015 Work Plan for the Program Evaluation Division of the General Assembly a study of North Carolina's shellfish lease and franchise program, including (i) the regulatory, statutory, and other obstacles faced by the private mariculture industry in establishing or expanding shellfish cultivation operations, (ii) a summary of shellfish leasing and franchising programs in other states and a comparison of the private mariculture industry in North Carolina compared to other states; and (iii) recommendations for best practices to achieve greater opportunities for North Carolina's mariculture industry and greater program efficiencies and outcomes.

PERMIT ELECTRONIC TRANSMISSION OF RULES

SECTION 14.13. G.S. 113-221 reads as rewritten:

"**§ 113-221. Rules.**

...

(b) Upon purchasing a license, each licensee shall be ~~given~~ provided access to a copy of the rules concerning the activities authorized by the license. The copy may be in written or electronic form, including by file download over the Internet. A written copy of the rules shall be provided to a licensee upon request.

(c) The Fisheries Director shall notify licensees of a new rule or change to a rule by sending each licensee either a newsletter containing the text of the rule or change or an updated codification of the rules of the Marine Fisheries Commission that contains the new rule or change. The Director may elect to use electronic means rather than mail to notify licensees if electronic means would be more timely and cost-effective. A written copy of any notification produced in accordance with this section shall be provided to a licensee upon request.

...."

SHALE GAS FUNDS

SECTION 14.14.(a) The funds appropriated by this act to the Department of Environment and Natural Resources for shale gas development shall be used for the following purposes:

(1) One hundred thousand dollars ($100,000) shall be allocated to the State Energy Office to work jointly with the Department of Commerce to develop marketing materials for parties with an interest in energy exploration, production and development in the State, and for travel and other expenditures by State employees related to the marketing and promotion of the State's shale gas resources. The marketing materials shall include information on energy potential, economic, regulatory, and business climate, locations of natural gas pipelines, transportation infrastructure, and any other pertinent information related to the energy development potential of the State.

(2) Fifty thousand dollars ($50,000) shall be used for the digitization, analysis, or reanalysis of geological data related to shale gas exploration or development opportunities.

(3) Fifty thousand dollars ($50,000) shall be used for chemical analysis of existing natural gas wells in the State's shale basins, including testing for the presence of helium.

(4) Nine hundred seventy-three thousand three hundred twenty-four dollars ($973,324) shall be used for the drilling of new stratigraphic test wells and core analysis in the State's shale basins in the following priority order from highest to lowest:

a. The Dan River Basin.
b. The Davie Basin.
c. The Cumberland-Marlboro Basin.
d. Those portions of the Deep River Basin located in Anson, Montgomery, and Richmond counties.

SECTION 14.14.(b) Notwithstanding any other provision of law, stratigraphic testing funded under subdivision (4) of this section shall be allowed on any State-owned land within the priority basins identified by subdivision (4) of this section at the discretion of the Secretary of the Department of Environment and Natural Resources upon a finding by the Secretary that the testing is needed for proper geologic characterization of the shale gas potential of the basin.

CDBG INFRASTRUCTURE ELIGIBLE ACTIVITIES CLARIFICATION

SECTION 14.15. Section 15.14(g) of S.L. 2013-360, as amended by Section 5.16(c) of S.L. 2013-363, reads as rewritten:

"**SECTION 15.14.(g)** For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to critical public water and wastewater ~~projects.~~ projects and associated connections to the new lines located on private property of eligible homeowners, consistent with federal law. Notwithstanding any State law or rule, eligible activities as defined in this subsection are limited only by applicable HUD regulations and federal law. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category."

WATER INFRASTRUCTURE GRANT PRIORITY

SECTION 14.16. The Department of Environment and Natural Resources, Division of Water Infrastructure, and the State Water Infrastructure Authority shall give

priority to loan and grant applications received from any local government meeting the following criteria:

(1) The local government is located in a Tier I county.

(2) The application seeks funding for a project that is required to be completed due to an EPA administrative order.

(3) The application is deemed complete by the Division and meets the minimum requirements for the program from which it is seeking funding.

WATER INFRASTRUCTURE

SECTION 14.17. The Department of Environment and Natural Resources, Division of Water Infrastructure, shall require all local governments applying for loans or grants to certify that no funds received from water or wastewater utility operations have been used to subsidize the local government's General Fund. The prohibition in this section shall not be interpreted to include payments made to the local government related to regular and ongoing operations of the utility such as rent or employee benefits payments.

AMEND SHALLOW DRAFT NAVIGATION CHANNEL AND LAKE DREDGING FUNDING

SECTION 14.18.(a) G.S. 105-449.126 reads as rewritten:

"**§ 105-449.126. Distribution of part of Highway Fund allocation to Wildlife Resources Fund and Shallow Draft Navigation Channel and Lake Dredging Fund.**

(a) The Secretary shall credit to the Wildlife Resources Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Wildlife Resources Fund under this section may be used only for the boating and water safety activities described in G.S. 75A-3(c). The Secretary must credit revenue to the Wildlife Resources Fund on ~~an annual~~a quarterly basis. The Secretary must make the distribution within 45 days of the end of each quarter.

(b) The Secretary shall credit to the Shallow Draft Navigation Channel and Lake Dredging Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Shallow Draft Navigation Channel and Lake Dredging Fund under this section may be used only for the dredging activities described in G.S. 143-215.73F. The Secretary shall credit revenue to the Shallow Draft Navigation Channel and Lake Dredging Fund on ~~an annual~~a quarterly basis. The Secretary must make the distribution within 45 days of the end of each quarter."

SECTION 14.18.(b) Notwithstanding G.S. 105-449.125, in addition to the funds credited under G.S. 105-449.126, the Secretary of Revenue shall also credit the sum of one million six hundred seventy-seven thousand one hundred thirty-four dollars ($1,677,134) to the Shallow Draft Navigation Channel and Lake Dredging Fund for the 2014-2015 fiscal year no later than August 15, 2014. The funds distributed shall be from the funds collected under Article 36C of Chapter 105 of the General Statutes from the effective date of this act until August 15, 2014.

SECTION 14.18.(c) Subsection (a) of this section is effective for quarters beginning on or after April 1, 2014.

TRANSFER AQUATIC WEED CONTROL PROGRAM TO WRC

SECTION 14.19.(a) The Aquatic Weed Control Program of the Department of Environment and Natural Resources is transferred from the Department to the Wildlife Resources Commission with all the elements of a Type I transfer, as defined by G.S. 143A-6.

SECTION 14.19.(b) Article 15 of Chapter 113A of the General Statutes is recodified as Article 22C of Chapter 113 of the General Statutes, and, accordingly, G.S. 113A-220 through G.S. 113A-227 is recodified as G.S. 113-300.10 through G.S. 113-300.17.

SECTION 14.19.(c) Article 22C of Chapter 113 of the General Statutes, as recodified by subsection (b) of this section, reads as rewritten:

"Article 22C.

"Aquatic Weed Control.

"§ 113-300.10. Short title.

This Article shall be known as the Aquatic Weed Control Act of 1991.

"§ 113-300.11 Definitions.

Unless a different meaning is required by the context, the following definitions shall apply throughout this Article:

(1) ~~"Department" means the Department of Environment and Natural Resources.~~Commission. – The Wildlife Resources Commission.

(2) ~~"Secretary" means the Secretary of Environment and Natural Resources or his~~Director. – The Executive Director of the Wildlife Resources Commission or the Director's designee.

(3) ~~"Noxious aquatic weed" means any~~Noxious aquatic weed. – Any plant organism so designated under this Article.

(4) ~~"Waters of the State" means any~~Waters of the State. – Any surface body or accumulation of water, whether publicly or privately owned and whether naturally occurring or artificially created, which is contained within, flows through, or borders upon any part of this State.

"§ 113-300.12 Designation of noxious aquatic weeds.

(a) The ~~Secretary,~~Director, after consultation with the Director of the North Carolina Agricultural Extension Service, the ~~Wildlife Resources Commission,~~Department of Environment and Natural Resources, and the Marine Fisheries Commission, and with the concurrence of the Commissioner of Agriculture, may designate as a noxious aquatic weed any plant organism which:

(1) Grows in or is closely associated with the aquatic environment, whether floating, emersed, submersed, or ditch-bank species, and including terrestrial phases of any such plant organism;

(2) Exhibits characteristics of obstructive nature and either massive productivity or choking density; and

(3) Is or may become a threat to public health or safety or to existing or new beneficial uses of the waters of the State.

(b) A plant organism may be designated as being a noxious aquatic weed either throughout the State or within specified areas within the State.

(c) The ~~Secretary~~ Director shall designate a plant organism as a noxious aquatic weed by rules adopted pursuant to Chapter 150B of the General Statutes.

(d) The ~~Secretary~~ Director may modify or withdraw any designation of a plant organism as a noxious aquatic weed made previously under this section. Any modification or withdrawal of such designation shall be made following the procedures for designation set out in this section.

"§ 113-300.13 Powers and duties of the ~~Secretary.~~Director.

(a) The ~~Secretary~~ Director shall direct the control, eradication, and regulation of noxious aquatic weeds so as to protect and preserve human health, safety, and the beneficial uses of the waters of the State and to prevent injury to property and beneficial plant and animal life. The ~~Secretary~~ Director shall have the power to:

(1) Conduct research and planning related to the control of noxious aquatic weeds;
(2) Coordinate activities of all public bodies, authorities, agencies, and units of local government in the control and eradication of noxious aquatic weeds;
(3) Delegate to any public body, authority, agency, or unit of local government any power or duty under this Article, except that the ~~Secretary~~ Director may not delegate the designation of noxious aquatic weeds;
(4) Accept donations, grants, and services from both public and private sources;
(5) Enter into contracts or agreements, including cost-sharing agreements, with public or private agencies for research and development of methods of control of noxious aquatic weeds or for the performance of noxious aquatic weed control activities;
(6) Construct, acquire, operate, and maintain facilities and equipment necessary for the control of noxious aquatic weeds; and
(7) Enter upon private property for purposes of conducting investigations and engaging in aquatic weed control activities.

(b) The ~~Secretary~~ Director may control, remove, or destroy any noxious aquatic weed located in the waters of the State or in areas adjacent to such waters wherever such weeds threaten to invade such waters. The ~~Secretary~~ Director may employ any appropriate control technology which is consistent with federal and State law, regulations, and rules. Control technologies may include, but are not limited to drawdown of waters, application of chemicals to shoreline and surface waters, mechanical controls, physical removal from transport mechanisms, quarantine of transport mechanisms, and biological controls. Any biological control technology may be implemented only after the environmental review provisions of the State Environmental Policy Act have been satisfied.

(c) In determining the appropriate strategies and technologies, the ~~Secretary~~ Director shall consider their relative short-term and long-term cost-efficiency and effectiveness, consistent with a margin of safety adequate to protect public health and the resources of the State.

(d) All activities carried out by the ~~Secretary,~~ Director, his designees, and others authorized to perform any function under this Article shall be consistent with all applicable federal and State law, regulations, and rules.

"§ 113-300.14 Powers of the Commissioner of Agriculture.

(a) The Commissioner of Agriculture may regulate the importation, sale, use, culture, collection, transportation, and distribution of a noxious aquatic weed as a plant pest under Article 36 of Chapter 106 of the General Statutes.

(b) This Article shall not be construed to limit any power of the Commissioner of Agriculture, the Department of Agriculture and Consumer Services, or the Board of Agriculture under any other provision of law.

"§ 113-300.15 Responsibilities of other State agencies.

All State agencies shall cooperate with the ~~Secretary~~ Director to assist in the implementation of this Article.

"§ 113-300.16 Enforcement.

(a) Any person who violates this Article or any rule adopted pursuant to this Article shall be guilty of a Class 2 misdemeanor for each offense.

(b) Whenever there exists reasonable cause to believe that any person has violated this Article or rules adopted pursuant to this Article, the ~~Secretary~~ Director may request the Attorney General to institute a civil action for injunctive relief to restrain the violation. The Attorney General may institute such action in the name of the State upon relation of the ~~Department~~ Commission in the superior court of the county in which the violation occurred.

Upon a determination by the court that the alleged violation of the provisions of this Article or of rules adopted pursuant to this Article has occurred or is threatened, the court shall grant the relief necessary to prevent or abate the violation or threatened violation. Neither the institution of the action, nor any of the proceedings thereon shall relieve any party to such proceedings from any penalty otherwise prescribed for violations of this Article.

"**§ 113-300.17 Adoption of rules.**

The ~~Secretary~~ Director may adopt rules necessary to implement the provisions of this Article pursuant to Chapter 150B of the General Statutes."

SECTION 14.19.(d) G.S. 106-421.1 reads as rewritten:

"**§ 106-421.1. Authority of Board of Agriculture to regulate plants.**

The Board of Agriculture shall have the sole authority to prohibit the planting, cultivation, harvesting, disposal, handling, or movement of plants as defined in G.S. 106-202.12. This section shall not prevent the designation of plants as noxious aquatic weeds pursuant to ~~Article 15 of Chapter 113A~~Article 22C of Chapter 113 of the General Statutes, nor shall it prevent the adoption or enforcement of city or county ordinances regulating the appearance of property or the handling and collection of solid waste."

SECTION 14.19.(e) G.S. 153A-301(e) reads as rewritten:

"(e) The board of commissioners of a county that adjoins or contains a lake, river, or tributary of a river or lake that has an identified noxious aquatic weed problem may define any number of noxious aquatic weed control service districts composed of property that is contiguous to the water or that provides direct access to the water through a shared, certified access site to the water. As used in this subsection, the term "noxious aquatic weed" is any plant organism identified by the ~~Secretary of Environment and Natural Resources under G.S. 113A-222~~ Executive Director of the Wildlife Resources Commission under G.S. 113-300.12 or regulated as a plant pest by the Commissioner of Agriculture under Article 36 of Chapter 106 of the General Statutes."

SECTION 14.19.(f) 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.

SECTION 14.19.(g) Under the authority granted by G.S. 113-300.17, as recodified by subsection (c) of this section, the Executive Director of the Wildlife Resources Commission may adopt rules necessary to implement the provisions relative to boat washing for aquatic weed prevention measures, including rules relating to monitoring and enforcement.

SECTION 14.19.(h) The transfer under this section becomes effective July 1, 2014.

SECTION 14.19.(i) G.S. 143-215.73F reads as rewritten:

"**§ 143-215.73F. Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund.**

The Shallow Draft Navigation Channel Dredging and Lake ~~Dredging~~ Maintenance Fund is established as a special revenue fund. The Fund consists of fees credited to it under G.S. 75A-3, 75A-38, and 105-449.126. Revenue in the Fund may only be used to provide the State's share of the costs associated with any dredging project designed to keep shallow draft navigation channels located in State waters or waters of the state located within lakes navigable and ~~safe.~~safe, or for aquatic weed control projects in waters of the State located within lakes under Article 22C of Chapter 113 of the General Statutes. Funding for aquatic weed control projects is limited to five hundred thousand dollars ($500,000) in each fiscal year and will be provided to the Wildlife Resources Commission on a reimbursement basis. Any project funded by revenue from the Fund must be cost-shared with non-State dollars on a one-to-one basis. For purposes of this section, "shallow draft navigation channel" means (i) a waterway connection

with a maximum depth of 16 feet between the Atlantic Ocean and a bay or the Atlantic Intracoastal Waterway, (ii) a river entrance to the Atlantic Ocean through which tidal and other currents flow, or (iii) other interior coastal waterways. "Shallow draft navigation channel" includes the Atlantic Intracoastal Waterway and its side channels, Beaufort Harbor, Bogue Inlet, Carolina Beach Inlet, the channel from Back Sound to Lookout Back, channels connected to federal navigation channels, Lockwoods Folly River, Manteo/Shallowbag Bay, including Oregon Inlet, Masonboro Inlet, New River, New Topsail Inlet, Rodanthe, Rollinson, Shallotte River, Silver Lake Harbor, and the waterway connecting Pamlico Sound and Beaufort Harbor."

COAL ASH MANAGEMENT

SECTION 14.20.(a) If S.B. 729, 2013 Regular Session, or substantially similar legislation regulating coal ash does not become law, funds in the amount of one million seven hundred fifty thousand dollars ($1,750,000) appropriated in this act to the Department of Environment and Natural Resources for coal ash management shall revert to the General Fund.

SECTION 14.20.(b) If S.B. 729, 2013 Regular Session, becomes law, of the funds appropriated in this Act to the Department of Environment and Natural Resources for coal ash management, the Department may use up to five hundred ninety-six thousand dollars ($596,000) in lapsed salary and operating funds in fiscal year 2014-2015 to purchase scientific equipment and two new vehicles to support the ongoing surveys and regulatory activities related to coal ash management activities in the State.

REDIRECT INTEREST ON CERTAIN ENVIRONMENTAL FUNDS

SECTION 14.21.(a) G.S. 143B-289.59 reads as rewritten:

"**§ 143B-289.59. Conservation Fund; Commission may accept gifts.**

...

(b) The Marine Fisheries Commission is hereby authorized to issue and sell appropriate emblems by which to identify recipients thereof as contributors to a special marine and estuarine resources Conservation Fund that shall be made available to the Marine Fisheries Commission for conservation, protection, enhancement, preservation, and perpetuation of marine and estuarine species that may be endangered or threatened with extinction and for education about these issues. The special Conservation Fund is subject to oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General ~~Statutes.~~Statutes, except that interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d). Emblems of different sizes, shapes, types, or designs may be used to recognize contributions in different amounts, but no emblem shall be issued for a contribution amounting in value to less than five dollars ($5.00)."

SECTION 14.21.(b) G.S. 143-214.12(a) reads as rewritten:

"(a) Ecosystem Restoration Fund. – The Ecosystem Restoration Fund is established as a nonreverting fund within the Department. The Fund shall be treated as a special trust fund ~~and shall be credited with interest by the State Treasurer~~ pursuant to ~~G.S. 147-69.2 and G.S. 147-69.3.~~G.S. 147-69.2, except that interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d). The Ecosystem Restoration Fund shall provide a repository for monetary contributions and donations or dedications of interests in real property to promote projects for the restoration, enhancement, preservation, or creation of wetlands and riparian areas and for payments made in lieu of compensatory mitigation as described in subsection (b) of this section. No funds shall be expended from this Fund for any purpose other than those directly contributing to the acquisition, perpetual maintenance, enhancement, restoration, or creation of wetlands and riparian areas in accordance with the basinwide plan as described in G.S. 143-214.10. The cost of acquisition includes a payment in

lieu of ad valorem taxes required under G.S. 146-22.3 when the Department is the State agency making the acquisition."

SECTION 14.21.(c) G.S. 113A-253 reads as rewritten:

"**§ 113A-253. Clean Water Management Trust Fund.**

...

(b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. ~~Investment earnings credited to the assets of the Fund shall become part of the Fund.~~ Any balance remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund for the next succeeding fiscal year. Payments from the Fund shall be made on the warrant of the Chair of the Board of Trustees.

...."

SECTION 14.21.(d) G.S. 143-215.104C reads as rewritten:

"**§ 143-215.104C. Dry-Cleaning Solvent Cleanup Fund.**

(a) Creation. – The Dry-Cleaning Solvent Cleanup Fund is established as a special revenue fund to be administered by the Commission. 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 must be credited to it.~~revert. The Fund is created to provide revenue to implement this Part.

...."

SECTION 14.21.(e) G.S. 113-44.15 reads as rewritten:

"**§ 113-44.15. Parks and Recreation Trust Fund.**

(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State Treasurer's Office. The Trust Fund shall be a special revenue fund consisting of gifts and grants to the Trust Fund and other monies appropriated to the Trust Fund by the General Assembly. ~~Investment earnings credited to the assets of the Fund shall become part of the Fund.~~

...."

SECTION 14.21.(f) G.S. 87-98 reads as rewritten:

"**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

(a) The Bernard Allen Memorial Emergency Drinking Water Fund is established under the control and direction of the Department. The Fund shall be a ~~nonreverting, interest-bearing~~nonreverting fund consisting of monies appropriated by the General Assembly or made available to the Fund from any other ~~source and investment interest credited to the Fund.~~source.

...."

SECTION 14.21.(g) G.S. 113-175.1(b) reads as rewritten:

"**§ 113-175.1. North Carolina Marine Resources Fund.**

...

(b) The State Treasurer shall hold the Marine Resources Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Marine Resources Fund in accordance with the provisions of G.S. 147-69.2 and ~~G.S. 147-69.3, and all marine resources investment income shall be deposited to the credit of the Marine Resources Fund.~~ G.S. 147-69.3, except that interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d). The State Treasurer shall disburse the principal of the Marine Resources Fund and marine resources investment income only upon the written direction of the Marine Fisheries Commission.

...."

SECTION 14.21.(h) G.S. 90A-42 reads as rewritten:

"**§ 90A-42. Fees.**

...

(b) The Water Pollution Control System Account is established as a nonreverting account within the Department. Fees collected under this section shall be credited to the Account and applied to the costs of administering this Article. Interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d)."

SECTION 14.21.(i) G.S. 143-215.94B reads as rewritten:

"**§ 143-215.94B. Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund.**

...

(e) The Commercial Fund shall be treated as a special trust fund ~~and shall be credited with interest by the State Treasurer~~ pursuant to G.S. 147-69.2 and ~~G.S. 147-69.3.~~G.S. 147-69.3, except that interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d).

...."

SECTION 14.21.(j) G.S. 143-215.94D reads as rewritten:

"**§ 143-215.94D. Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund.**

...

(e) The Noncommercial Fund shall be treated as a special trust fund ~~and shall be credited with interest by the State Treasurer~~ pursuant to G.S. 147-69.2 and ~~G.S. 147-69.3.~~ G.S. 147-69.3, except that interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d).

...."

SECTION 14.21.(k) G.S. 130A-310.11 reads as rewritten:

"**§ 130A-310.11. Inactive Hazardous Sites Cleanup Fund created.**

(a) There is established under the control and direction of the Department the Inactive Hazardous Sites Cleanup Fund. This fund shall be a revolving fund consisting of any monies appropriated for such purpose by the General Assembly or available to it from grants, taxes, and other monies paid to it or recovered by or on behalf of the Department. The Inactive Hazardous Sites Cleanup Fund shall be treated as a nonreverting special trust fund ~~and shall be credited with interest by the State Treasurer~~ pursuant to G.S. 147-69.2 and ~~G.S. 147-69.3.~~ G.S. 147-69.3, except that interest and other income received on the Fund balance shall be treated as set forth in G.S. 147-69.1(d).

...."

SECTION 14.21.(l) G.S. 130A-310.38 reads as rewritten:

"**§ 130A-310.38. Brownfields Property Reuse Act Implementation Account.**

The Brownfields Property Reuse Act Implementation Account is created as a nonreverting ~~interest-bearing~~ account in the Office of the State Treasurer. The Account shall consist of fees and interest collected under G.S. 130A-310.39, moneys appropriated to it by the General Assembly, moneys received from the federal government, moneys contributed by private organizations, and moneys received from any other source. Funds in the Account shall be used by the Department to defray the costs of implementing this Part. The Department may contract with a private entity for any services necessary to implement this Part."

I & M AIR POLLUTION CONTROL ACCOUNT

SECTION 14.22. The Division of Air Quality of the Department of Environment and Natural Resources shall use the cash balance remaining in the I & M Air Pollution Control Account for operations in the 2014-2015 fiscal year related to the development and implementation of air pollution control programs for mobile sources.

WATER AND AIR QUALITY ACCOUNT

SECTION 14.23. The Division of Air Quality of the Department of Environment and Natural Resources shall use the cash balance remaining in the Water and Air Quality Account to administer its programs in fiscal year 2014-2015.

SOLID WASTE DISPOSAL TAX USES

SECTION 14.24.(a) G.S. 130A-295.9 reads as rewritten:

"**§ 130A-295.9. Solid waste disposal tax; use of proceeds.**

It is the intent that the proceeds of the solid waste disposal tax imposed by Article 5G of Chapter 105 of the General Statutes shall be used only for the following purposes:

(1) Funds credited pursuant to G.S. 105-187.63(1) to the Inactive Hazardous Sites Cleanup Fund shall be used by the Department of Environment and Natural Resources to fund the assessment and remediation of pre-1983 landfills, except up to ~~thirteen percent (13%)~~ twenty-five percent (25%) of the funds credited under this subdivision may be used to fund administrative expenses related to hazardous and solid waste management, as well as the assessment and remediation of pre-1983 landfills and other inactive hazardous waste sites.

(2) Funds credited pursuant to G.S. 105-187.63(3) to the Solid Waste Management Trust Fund shall be used by the Department of Environment and Natural Resources to fund grants to State agencies and units of local government to initiate or enhance local recycling programs and to provide for the management of difficult to manage solid waste, including abandoned mobile homes and household hazardous waste. Up to seven percent (7%) of the funds credited under this subdivision may be used by the Department to administer this Part."

SECTION 14.24.(b) This section applies to funds credited to the Inactive Hazardous Sites Cleanup Fund on or after July 1, 2014.

WILDLIFE LICENSING CHANGES

SECTION 14.25.(a) G.S. 113-270.3(b)(1b) reads as rewritten:

"(b) The special activity licenses and stamp issued by the Wildlife Resources Commission are as follows:

...

(1b) Bear Management Stamp – $10.00. This electronically generated stamp must be procured before taking any bear within the State. Notwithstanding any other provision of law, a resident or nonresident individual may not take any bear within the State without procuring this stamp; provided, that those persons who have purchased a lifetime license established by G.S. 113-270.1D(b), 113-270.2(c)(2), or 113-351(c)(3) prior to July 1, 2014, and those persons exempt from the license requirements as set forth in ~~G.S. 113-276(c)~~ G.S. 113-276(c), G.S. 113-276(d), and G.S. 113-276(n) shall obtain this stamp free of charge. All of the revenue generated by this stamp shall be dedicated to black bear research and management."

SECTION 14.25.(b) G.S. 113-174.2 reads as rewritten:

"**§ 113-174.2. Coastal Recreational Fishing License.**

...

(c) Types of CRFLs; Fees; Duration. – The Wildlife Resources Commission shall issue the following CRFLs:

(1) Annual Resident CRFL. – $15.00. This license is valid from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and

G.S. 113-270.1B(c). This license shall be issued only to an individual who is a resident of the State.

(1a) Annual Nonresident CRFL. – $30.00. This license is valid ~~for a period of one year from the date of issuance.~~ from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and G.S. 113-270.1B(c). This license shall be issued only to an individual who is not a resident of the State.

(2) Repealed by Session Laws 2005-455, s. 1.4, effective January 1, 2007.

(3) Repealed by Session Laws 2005-455, s. 1.4, effective January 1, 2007.

(4) Ten-Day Resident CRFL. – $5.00. This license is valid for a period of 10 consecutive days, as indicated on the license. This license shall be issued only to an individual who is a resident of the State.

(4a) Ten-Day Nonresident CRFL. – $10.00. This license is valid for a period of 10 consecutive days, as indicated on the license. This license shall be issued only to an individual who is not a resident of the State.

(5) Repealed by Session Laws 2005-455, s. 1.4, effective January 1, 2007.

(6) Lifetime CRFLs. – Except as provided in sub-subdivision j. of this subdivision, CRFLs issued under this subdivision are valid for the lifetime of the licensee.

a. –d. Repealed by Session Laws 2005-455, s. 1.4, effective January 1, 2007.

e. Infant Lifetime CRFL. – $100.00. This license shall be issued only to an individual younger than one year of age.

f. Youth Lifetime CRFL. – $150.00. This license shall be issued only to an individual who is one year of age or older but younger than 12 years of age.

g. **(Effective until August 1, 2014)** Resident Adult Lifetime CRFL. – $250.00. This license shall be issued only to an individual who is 12 years of age or older but younger than 65 years of age and who is a resident of the State.

g. **(Effective August 1, 2014)** Resident Adult Lifetime CRFL. – $250.00. This license shall be issued only to an individual who is 12 years of age or older but younger than 70 years of age and who is a resident of the State.

h. Nonresident Adult Lifetime CRFL. – $500.00. This license shall be issued only to an individual who is 12 years of age or older and who is not a resident of the State.

i. **(Effective until August 1, 2014)** Resident Age 65 Lifetime CRFL. – $15.00. This license shall be issued only to an individual who is 65 years of age or older and who is a resident of the State.

i. **(Effective August 1, 2014)** Resident Age 70 Lifetime CRFL. – $15.00. This license shall be issued only to an individual who is 70 years of age or older and who is a resident of the State.

j. Resident Disabled Veteran CRFL. – $10.00. This license shall be issued only to an individual who is a resident of the State and who is a fifty percent (50%) or more disabled veteran as determined by the United States Department of Veterans ~~Affairs.~~ Affairs or as established by G.S. 113-351(c)(3)(f). This license remains valid for the lifetime of the licensee so long as the licensee remains fifty percent (50%) or more disabled.

k. Resident Totally Disabled CRFL. – $10.00. This license shall be issued only to an individual who is a resident of the State and who is totally and permanently disabled as determined by the Social Security ~~Administration.~~Administration or as established by G.S. 113-351(c)(3)(g).

...."

SECTION 14.25.(c) G.S. 113-173 reads as rewritten:

"**§ 113-173. Recreational Commercial Gear License.**

...

(f) Duration; Fees. – The RCGL shall be valid ~~for a one-year period from the date of purchase.~~ from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and G.S. 113-270.1B(c). The fee for a RCGL for a North Carolina resident shall be forty-three dollars and seventy-five cents ($43.75). The fee for a RCGL for an individual who is not a North Carolina resident shall be three hundred twelve dollars and fifty cents ($312.50).

...."

SECTION 14.25.(d) G.S. 113-351 reads as rewritten:

"**§ 113-351. Unified hunting and fishing licenses; subsistence license waiver.**

(a) Definitions. – The definitions set out in G.S. 113-174 apply to this Article.

(b) General Provisions Governing Licenses and Waivers. – The general provisions governing licenses set out in G.S. 113-174.1 apply to licenses and waivers issued under this section.

(c) Types of Unified Hunting and Fishing Licenses; Fees; Duration. – The Wildlife Resources Commission shall issue the following Unified Hunting and Fishing Licenses:

(1) Annual Resident Unified Sportsman/Coastal Recreational Fishing License. – $55.00. This license is valid ~~for a period of one year from the date of issuance.~~ from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and G.S. 113-270.1B(c). This license shall be issued only to an individual who is a resident of the State. This license authorizes the licensee to take all wild animals and wild birds, including waterfowl, by all lawful methods in all open seasons, including the use of game lands; to fish with hook and line for all fish in all inland fishing waters and joint fishing waters, including public mountain trout waters; and to engage in recreational fishing in coastal fishing waters.

(2) Annual Resident Unified Inland/Coastal Recreational Fishing License. – $35.00. This license is valid ~~for a period of one year from the date of issuance.~~ from the date of issue for a period of 12 months as defined by G.S. 113-270.1B(b) and G.S. 113-270.1B(c). This license shall be issued only to an individual who is a resident of the State. This license authorizes the licensee to fish with hook and line for all fish in all inland fishing waters and joint fishing waters, including public mountain trout waters, and to engage in recreational fishing in coastal fishing waters.

...."

SECTION 14.25.(e) G.S. 113-270.2(c) reads as rewritten:

"**§ 113-270.1D. Sportsman licenses.**

(a) Annual Sportsman License – $50.00. This license shall be issued only to an individual resident of the State and entitles the licensee to take all wild animals and wild birds, including waterfowl, by all lawful methods in all open seasons, including the use of game lands, and to fish with hook and line for all fish in all inland and joint fishing waters, including public mountain trout waters. An annual sportsman license issued under this subsection does

not entitle the licensee to engage in recreational fishing in coastal fishing waters that are not joint fishing waters.

(b) Lifetime Sportsman Licenses. Except as provided in subdivision (7) of this subsection, lifetime sportsman licenses are valid for the lifetime of the licensees. Lifetime sportsman licenses entitle the licensees to take all wild animals and wild birds by all lawful methods in all open seasons, including the use of game lands, and to fish with hook and line for all fish in all inland and joint fishing waters, including public mountain trout waters. A lifetime sportsman license issued under this subsection does not entitle the licensee to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. Lifetime sportsman licenses issued by the Wildlife Resources Commission are:

...

(3) Adult Resident Lifetime Sportsman License – $500.00. This license shall be issued only to an individual resident of the ~~State.~~State who is 12 years of age or older but younger than 70 years of age.

(4) Nonresident Lifetime Sportsman License – ~~$1,200~~$1,200. This license shall be issued only to an individual nonresident of the State.

(5) Age 70 Resident Lifetime Sportsman License – $15.00.This license shall be issued only to an individual resident of the State who is at least 70 years of age.

(6) Repealed by Session Laws 2005-455, s. 1.7 effective January 1, 2007.

(7) Resident Disabled Veteran Lifetime Sportsman License – $100.00. This license shall be issued only to an individual who is a resident of the State and who is a fifty percent (50%) or more disabled veteran as determined by the United States Department of Veterans Affairs or as established by rules of the Wildlife Resources Commission. This license remains valid for the lifetime of the licensee so long as the licensee remains fifty percent (50%) or more disabled.

(8) Resident Totally Disabled Lifetime Sportsman License – $100.00. This license shall be issued only to an individual who is a resident of the State and who is totally and permanently disabled as determined by the Social Security Administration or as established by rules of the Wildlife Resources Commission."

SECTION 14.25.(f) Subsections (a) and (e) of this section become effective August 1, 2014.

INTERAGENCY DEER OVERSIGHT REPORT

SECTION 14.26.(a) The Wildlife Resources Commission and the Department of Agriculture and Consumer Services shall jointly study the risks associated with the spread of Chronic Wasting Disease (CWD), also known as transmissible spongiform encephalopathy, due to the importation of cervids from outside the State. The Department shall report no later than January 15, 2015, to the Agriculture and Forestry Awareness Study Commission, the Environmental Review Commission, and the Fiscal Research Division. The report shall include the following:

(1) Proposals and recommendations to minimize the risk exposure and potential cost to the State associated with containment, condemnation, and mitigation costs associated with an outbreak of CWD in the State.

(2) Proposed legislation and regulations necessary to implement the recommendations made in response to subdivision (1) of this subsection and to indemnify the State from any costs of a CWD outbreak associated with importation of infected deer.

(3) Recommendations as to which Department or Commission is most appropriate to oversee and permit the transportation and importation of captive cervids by the State.

SECTION 14.26.(b) No State Department or Commission shall issue a transportation permit for the importation of cervids into the State until the General Assembly has taken final action in response to the recommendations made under this section.

PART XV. DEPARTMENT OF COMMERCE

ABC COMMISSION/USE OF FUNDS CREDITED TO ABC COMMISSION FUND

SECTION 15.1. G.S. 18B-208 reads as rewritten:

"**§ 18B-208. ABC Commission bonds and funds.**

...

(b) Special Fund. – A special fund in the office of the State Treasurer, the ABC Commission Fund, is created. On and after November 1, 1982, all moneys derived from the collection of bailment charges and bailment surcharges shall be deposited in the ABC Commission Fund for the purpose of carrying out the provisions of this Chapter. The ABC Commission Fund shall be subject to the provisions of the State Budget Act except that no unexpended surplus of this fund shall revert to the General Fund. The Commission shall fix the level of the bailment surcharges at an amount calculated to cover operating expenses of the Commission and the retirement of bonds issued for construction of a Commission warehouse and offices. Upon payment of the bonds issued pursuant to this section, the Commission shall reduce the bailment surcharge to an amount no greater than necessary to pay operating expenses of the Commission as authorized by the General Assembly.

All moneys credited to the ABC Commission Fund shall be used to carry out the intent and purposes of the ABC law in accordance with plans approved by the North Carolina ABC Commission and the Director of the ~~Budget, and all these funds are appropriated, reserved, set aside, and made available until expended for the administration of the ABC law.~~Budget. The moneys in the Fund shall be expended only upon an act of appropriation by the General Assembly."

LOTTERY COMMISSION/LIMITS ON COMPENSATION INCREASES

SECTION 15.2. G.S. 18C-173 reads as rewritten:

"**§ 18C-173. Limits on compensation increases.**

(a) Notwithstanding G.S. 18C-114(a)(11) and G.S. 18C-120(b)(3), the Lottery Commission, during any fiscal year, may not expend funds for merit and performance-based salary increases in excess of the funds that would have been expended had the Lottery Commission employees received the same across-the-board salary increases granted by the General Assembly to State employees subject to the North Carolina Human Resources Act. These merit and performance-based salary increases may be awarded on an aggregated average basis according to rules adopted by the Lottery Commission.

(b) Notwithstanding G.S. 18C-114(a)(11) and G.S. 18C-120(b)(3), the Lottery Commission, during any fiscal year, shall not expend funds for merit- and performance-based salary increases if the General Assembly has provided in the Current Operations Appropriations Act or any other act enacted by the General Assembly for that fiscal year that funds are to be expended for across-the-board salary increases only."

REPEAL COMMERCE FLEXIBILITY TO REORGANIZE DEPARTMENT

SECTION 15.3. Section 15.7A of S.L. 2013-360 is repealed.

COLLABORATION FOR PROSPERITY ZONES

CREATION OF COLLABORATION FOR PROSPERITY ZONES

SECTION 15.3A.1. Intent to Create Collaboration for Prosperity Zones. – It is the intent of the General Assembly to establish geographically uniform zones in this State to facilitate collaborative and coordinated planning and use of resources, to improve cooperation with other governmental and nonprofit entities at the local and regional level, to facilitate administrative efficiencies within State government, to receive advice on economic development issues by local entities, and, to the extent feasible, to establish one-stop sources in each region for citizens and businesses seeking State services at a regional level.

SECTION 15.3A.2. Article 1 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-28.1. Create Collaboration for Prosperity Zones.**

For purposes of enhanced collaboration and cooperation between governmental agencies, planning, use of resources, and improved efficiency at a regional level, the State is hereby divided into eight permanent zones as follows:

(1) Western Region, consisting of Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, Polk, Rutherford, Swain, and Transylvania Counties.

(2) Northwest Region, consisting of Alleghany, Ashe, Alexander, Avery, Burke, Caldwell, Catawba, McDowell, Mitchell, Watauga, Wilkes, and Yancey Counties.

(3) Southwest Region, consisting of Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Stanly, and Union Counties.

(4) Piedmont-Triad (Central) Region, consisting of Alamance, Caswell, Davidson, Davie, Forsyth, Guilford, Randolph, Rockingham, Stokes, Surry, and Yadkin Counties.

(5) North Central Region, consisting of Chatham, Durham, Edgecombe, Franklin, Granville, Harnett, Johnston, Lee, Nash, Orange, Person, Vance, Wake, Warren, and Wilson Counties.

(6) Sandhills (South Central) Region, consisting of Bladen, Columbus, Cumberland, Hoke, Montgomery, Moore, Richmond, Robeson, Sampson, and Scotland Counties.

(7) Northeast Region, consisting of Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Halifax, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Pitt, Tyrrell, and Washington Counties.

(8) Southeast Region, consisting of Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, and Wayne Counties."

SECTION 15.3A.3. Agencies shall, by January 1, 2015, report to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee on how they plan to establish Collaboration for Prosperity Zones as defined by this act.

SECTION 15.3A.4. G.S. 115C-65 reads as rewritten:

"**§ 115C-65. State divided into districts.**

The State of North Carolina shall be divided into eight educational ~~districts embracing the counties herein set forth:~~districts, which shall match the composition of the zones set forth in G.S. 143B-28.1.

~~**FIRST DISTRICT**~~

~~Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Hertford, Hyde, Martin, Pasquotank, Perquimans, Pitt, Tyrrell, Washington.~~

~~SECOND DISTRICT~~

~~Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Sampson, Wayne.~~

~~THIRD DISTRICT~~

~~Durham, Edgecombe, Franklin, Granville, Halifax, Johnston, Nash, Northampton, Vance, Wake, Warren, Wilson.~~

~~FOURTH DISTRICT~~

~~Bladen, Columbus, Cumberland, Harnett, Hoke, Lee, Montgomery, Moore, Richmond, Robeson, Scotland.~~

~~FIFTH DISTRICT~~

~~Alamance, Caswell, Chatham, Davidson, Forsyth, Guilford, Orange, Person, Randolph, Rockingham, Stokes.~~

~~SIXTH DISTRICT~~

~~Anson, Cabarrus, Cleveland, Gaston, Lincoln, Mecklenburg, Stanly, Union.~~

~~SEVENTH DISTRICT~~

~~Alexander, Alleghany, Ashe, Avery, Burke, Caldwell, Catawba, Davie, Iredell, Rowan, Surry, Watauga, Wilkes, Yadkin.~~

~~EIGHTH DISTRICT~~

~~Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Yancey.~~"

SECTION 15.3A.5. Section 15.3A.4 of this act becomes effective April 1, 2015. Members of the State Board of Education appointed by the Governor and confirmed by the General Assembly prior to 2015 with terms ending in 2017, 2019, and 2021 shall be designated as the appointees of the following districts for the remainder of the member's current term:

(1) Western Region: Wayne McDevitt
(2) Southwest Region: Gregory Alcorn
(3) Piedmont-Triad (Central) Region: A.L. Collins
(4) Sandhills (South Central) Region: Olivia Oxendine
(5) Northeast Region: Rebecca Taylor
(6) Southeast Region: Reginald Kenan

REQUIRE AT LEAST ONE LIAISON IN EACH COLLABORATION FOR PROSPERITY ZONE

SECTION 15.3B.1. No later than January 1, 2015, the Departments of Commerce, Environment and Natural Resources, and Transportation shall have at least one employee physically located in the same office in each of the Collaboration for Prosperity Zones set out in G.S. 143B-28.1 to serve as that department's liaison with the other departments and with local governments, schools and colleges, planning and development bodies, and businesses in that zone. The departments shall jointly select the office.

No later than January 1, 2015, the Community Colleges System Office shall designate at least one representative from a community college or from the Community Colleges System Office to serve as a liaison in each Collaboration for Prosperity Zone for the community college system, the community colleges in the zone, and other technical colleges and schools within the zone. A liaison may be from a business center located in a community college. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

No later than January 1, 2015, the State Board of Education shall designate at least one representative from a local school administrative unit or from the Department of Public Instruction to serve as a liaison in each Collaboration for Prosperity Zone for the local school administrative units and other public schools within the zone. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

SECTION 15.3B.2. In addition to other related tasks assigned by their respective agencies, liaisons in each Collaboration for Prosperity Zone shall work to enhance collaboration and cooperation between their departments and other State agencies, local governmental agencies, and other regional public and nonprofit entities. The liaisons from the Departments of Environment and Natural Resources and Transportation shall work to consolidate and simplify the process for citizens and businesses seeking permits from their respective agencies. The liaisons from the Department of Commerce shall be used to support local economic development efforts, to coordinate such efforts, and to coordinate the Department of Commerce's activities within each Collaboration for Prosperity Zone. The liaisons from the community college system and local school administrative units shall work closely with the Department of Commerce and other State and local governmental agencies and local businesses in the zone to promote job development through career technical education.

SECTION 15.3B.3.(a) The Departments of Transportation and Environment and Natural Resources shall jointly report to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, the Environmental Review Commission, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee, as follows:

(1) No later than January 1, 2015, on the establishment of collocated liaisons within each Collaboration for Prosperity Zone and a description of the activities the liaisons have been assigned to perform.

(2) No later than April 1, 2015, on the activities of the liaisons, specifically any activities undertaken that resulted in enhanced collaboration and coordination with the other department and with other governmental agencies, improved administrative efficiencies, and any steps taken to make services to citizens and businesses within each zone more efficient, economical, and user-friendly.

SECTION 15.3B.3.(b) The Community Colleges System Office and the State Board of Education shall each report to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Education Oversight Committee, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee, as follows:

(1) No later than January 1, 2015, on the establishment of liaisons within each Collaboration for Prosperity Zone and a description of the activities the liaisons have been assigned to perform.

(2) No later than April 1, 2015, on the activities of the liaisons, specifically any activities undertaken that resulted in enhanced collaboration and coordination with other governmental agencies, improved planning on use of educational resources, and improved administrative efficiencies.

SECTION 15.3B.3.(c) The Department of Commerce shall report to the Office of State Budget and Management, the Joint Legislative Economic Development and Global Engagement Oversight Committee, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee, as follows:

(1) No later than January 1, 2015, on the establishment of liaisons within each Collaboration for Prosperity Zone and a description of the activities the liaisons have been assigned to perform.

(2) No later than April 1, 2015, on the activities of the liaisons, specifically any activities undertaken that resulted in enhanced collaboration and coordination with other governmental agencies, improved planning on use of economic development resources, and improved administrative efficiencies.

SECTION 15.3B.4. The Departments of Commerce, Environment and Natural Resources, and Transportation, the Community Colleges System Office, and the State Board of Education shall use funds available to carry out the requirements of this section. Nothing in Sections 15.3A.1 through 15.3B.5 of this act shall be construed as an authorization for payment of additional compensation for persons serving as liaisons.

SECTION 15.3B.5. Sections 15.3B.1 through 15.3B.5 expire July 1, 2018.

GENERAL ASSEMBLY REVIEW OF REPORTS

SECTION 15.3C.1.(a) It is the intent of the General Assembly to receive and review the reports required by Section 15.3B.3 of this act concerning the creation of the Collaboration for Prosperity Zones and to use those reports to further address the following topics:

(1) Enhancing collaboration and cooperation between State and other governmental agencies in order to streamline and improve services to citizens and businesses, to make such services more user-friendly, and to implement collaborative and cooperative interagency measures to enhance access to services.

(2) Reducing barriers faced by citizens and businesses in accessing services that are unnecessarily caused by agency specialization, which may produce a "silo mentality."

(3) Additional recommendations regarding liaison personnel, including expanding the requirement to other State departments.

(4) Ways to integrate collaboration between educational institutions in each Collaboration for Prosperity Zone on the one hand and other governmental agencies and local businesses on the other.

(5) Requiring the establishment of interagency one-stop shops in each Collaboration for Prosperity Zone.

(6) Consolidating programs or services.

(7) Cross-training employees.

(8) Identifying offices, equipment, and support services that may be efficiently and economically shared between agencies in each Collaboration for Prosperity Zone.

(9) The grouping of counties within each Collaboration for Prosperity Zone to determine whether there is a better configuration while keeping the same overall number of zones.

SECTION 15.3C.1.(b) This section is effective when it becomes law.

COMMERCE FUNDS USED FOR BASE REALIGNMENT AND CLOSURE ACTIVITIES

SECTION 15.4.(a) Funds appropriated to the Department of Commerce for the 2013-2014 fiscal year that are unexpended and unencumbered as of June 30; 2014, shall not revert to the General Fund but shall remain available to the Department until expended for use in the State's preparation for United States Department of Defense Base Realignment and Closure activities.

SECTION 15.4.(b) This section becomes effective June 30, 2014.

SPECIAL FUNDS TRANSFER/OFFSET COMMERCE ADMINISTRATION GENERAL FUND APPROPRIATION

SECTION 15.5.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the unencumbered cash balances in the following funds as of June 30, 2014, to Commerce Administration (Budget Code 14600-1111):

(1) 24609-2537 – Energy Research Grants

(2) 24609-2535 – NC Green Business Fund

(3) 24609-2562 – One North Carolina Small Business Fund

(4) 24613-2622 – Main Street Solutions

SECTION 15.5.(b) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the unencumbered cash balance in the Economic Development Reserve (Budget Code 24609-2584) as of June 30, 2014, to Commerce Administration (Budget Code 14600-1111) and, upon the transfer, close the Reserve.

SECTION 15.5.(c) The transfers in subsections (a) and (b) of this section are to offset General Fund appropriations to the Department of Commerce for administration.

COMMON FOLLOW-UP/COSTS SHARED BY STATE AGENCIES & LEAD DEVELOP PLAN TO TRANSFER COMMON FOLLOW-UP DATA AND CAPABILITIES TO GDAC

SECTION 15.6.(a) The Commission on Workforce Development (hereinafter "Commission") shall prescribe a method for calculating the amount each of the agencies listed in this subsection shall contribute to fund the Common Follow-Up System at a cost of five hundred thousand dollars ($500,000) on a nonrecurring basis. In developing the method, the Commission shall consider each agency's proportion of data contribution and System usage. The agencies that shall contribute to fund the Common Follow-Up System are as follows:

(1) Department of Public Safety, Division of Adult Correction.

(2) Department of Public Instruction.

(3) Department of Commerce, Division of Workforce Solutions.

(4) Department of Health and Human Services, Division of Services for the Blind; Division of Social Services; and Division of Vocational Rehabilitation Services.

(5) North Carolina Community College System.

(6) The University of North Carolina.

SECTION 15.6.(b) The agencies listed in subsection (a) of this section shall transfer their share of the funds needed to fund the Common Follow-Up System, which shall be determined using the method prescribed by the Commission, to the Department of Commerce, Labor & Economic Analysis Division, no later than December 31, 2014.

SECTION 15.6.(c) The Department of Commerce, Labor & Economic Analysis Division (LEAD), shall develop a plan to transfer the information in and required capabilities of the Common Follow-Up System to the Government Data Analytics Center (GDAC). By February 1, 2015, the Department shall submit the plan to the Office of the State Chief Information Officer, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

MERGE ACCESS NC & DEMAND DRIVEN DATA DELIVERY SYSTEMS/NC BROADBAND REPORTING REQUIREMENT

SECTION 15.7.(a) Of the funds appropriated in this act to the Department of Commerce, the Department shall use the sum of five hundred thousand dollars ($500,000) in the 2014-2015 fiscal year in nonrecurring funds to merge Access NC and Demand Driven Data Delivery to eliminate the duplication of effort in maintaining multiple economic and labor market data systems. By February 1, 2015, and more frequently as requested, the Department shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the progress of the merger, including whether there are improved efficiencies and cost savings.

SECTION 15.7.(b) By February 1, 2015, and more frequently as requested, the Office of the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on NC Connect activities, including providing an update on how NC Broadband in the Department of Commerce has been incorporated into NC Connect.

REPEAL COMPETITIVE GRANT PROGRAM FOR UNDERSERVED AND LIMITED RESOURCE COMMUNITIES

SECTION 15.8. Section 15.10B of S.L. 2013-360 is repealed.

COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE MATCHING FUNDS

SECTION 15.9.(a) Of the funds appropriated in this act to the Department of Commerce, the sum of six hundred thirty-seven thousand five hundred dollars ($637,500) in recurring funds for the 2014-2015 fiscal year shall be used to meet the State matching funds requirement for Community Development Block Grant (CDBG) funds. All or a portion of these funds shall be used to purchase and install a new grants management software program in the 2014-2015 fiscal year, which shall be coordinated with the existing grants management module used by the Department of Transportation.

SECTION 15.9.(b) Effective July 1, 2014, the Secretary of Commerce shall reduce expenditures in the amount of six hundred thirty-seven thousand five hundred dollars ($637,500) in recurring funds for the 2014-2015 fiscal year by eliminating full-time equivalent positions in the Division of Community Assistance and the Office of Urban Development (Fund Code 1620). The recurring reductions provided for in this subsection shall be used to offset the cash-match funds appropriated in subsection (a) of this section.

SECTION 15.9.(c) The Department shall provide the remaining required State match funds in-kind by taking the necessary steps to ensure that positions with salaries equaling the sum of six hundred thirty-seven thousand five hundred dollars ($637,500) in recurring funds for the 2014-2015 fiscal year shall be dedicated full-time to performing duties related to

CDBG activities. To satisfy the in-kind requirement provided for in this subsection, the Department may include positions in the Department of Environment and Natural Resources, CDBG-Infrastructure, that are funded by the General Fund.

SECTION 15.9.(d) By February 1, 2015, the Department shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division regarding (i) the positions eliminated as provided in this section and associated funding and (ii) the manner in which the State match will be achieved and how it will be reported to the United States Department of Housing and Urban Development, CDBG Administration.

RURAL DIVISION/LOANS & GRANTS TO LOCAL GOVERNMENTS TO REUSE OR DEMOLISH BUILDINGS AND PROPERTIES

SECTION 15.10. G.S. 143B-472.127 reads as rewritten:

"**§ 143B-472.127. Programs administered.**

(a) The Rural Economic Development Division shall be responsible for administering the program whereby economic development grants or loans are awarded by the Rural Infrastructure Authority as provided in G.S. 143B-472.128 to local government units. The Rural Infrastructure Authority shall, in awarding economic development grants or loans under the provisions of this subsection, give priority to local government units of the counties that have one of the 80 highest rankings under G.S. 143B-437.08 after the adjustment of that section. The funds available for grants or loans under this program may be used as follows:

...

(2) To provide matching grants or loans to local government units in an economically distressed county that will productively reuse ~~vacant~~ or demolish buildings and properties or construct or expand rural health care ~~facilities~~ facilities, with priority given to towns or communities with populations of less than 5,000. For purposes of this section, the term "economically distressed county" has the same meaning as in G.S. 143B-437.01.

...."

NATURE AND HERITAGE TOURISM ADVISORY BOARD/STATE NATURE AND HERITAGE TOURISM GUIDE

SECTION 15.11.(a) Article 10 of Chapter 143B of the General Statutes is amended by adding a new Part to read as follows:

"Part 2L. Nature and Heritage Tourism Advisory Board.

"**§ 143B-437.110. Nature and Heritage Tourism Advisory Board.**

(a) Creation. – There is created the Nature and Heritage Tourism Advisory Board, hereinafter referred to in this Part as the Advisory Board. The Advisory Board shall be located administratively within the Division of Tourism, Film, and Sports Development of the Department of Commerce but shall exercise its authority independently of the Department.

(b) Membership. – The Advisory Board shall consist of nine members who have knowledge and experience of the nature and heritage tourism industry and who shall be appointed as follows:

(1) Three members appointed by the Governor.

(2) Three members appointed by the Speaker of the House of Representatives.

(3) Three members appointed by the President Pro Tempore of the Senate.

(c) Terms of Office and Vacancies. – Members shall serve four-year terms of office, except as provided in this subsection. Initial terms shall commence on September 1, 2014. A vacancy on the Advisory Board shall be filled in the same manner in which the original appointment was made, and the term of office shall be for the balance of the unexpired term.

Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122.

In order to provide for staggered terms, one person appointed to the positions designated in subdivision (b)(1) of this section, one person appointed to the positions designated in subdivision (b)(2) of this section, and one person appointed to the positions designated in subdivision (b)(3) of this section shall be appointed for initial terms ending on September 1, 2015. One person appointed to the positions designated in subdivision (b)(1) of this section and one person appointed to the positions designated in subdivision (b)(2) of this section shall be appointed for initial terms ending on September 1, 2016. One person appointed to the positions designated in subdivision (b)(1) of this section and one person appointed to the positions designated in subdivision (b)(3) of this section shall be appointed for initial terms ending on September 1, 2017. One person appointed to the positions designated in subdivision (b)(2) of this section and one person appointed to the positions designated in subdivision (b)(3) of this section shall be appointed for initial terms ending on September 1, 2018.

(d) Chair and Quorum. – The Advisory Board shall annually elect a chair from among its membership. The chair shall preside over the Advisory Board's meetings. A majority of the Advisory Board constitutes a quorum.

(e) Staffing and Expenses. – Staff to the Advisory Board shall be provided by the Department of Commerce. Members of the Advisory Board shall be reimbursed for travel and subsistence expenses at the rates allowed to State officers and employees by G.S. 138-6(a).

(f) Meetings. – Meetings of the Advisory Board shall be held upon the call of the chair.

(g) Powers. – The Advisory Board shall have the power to make recommendations to the Secretary of the Department of Commerce and to the General Assembly with respect to the following:

(1) Methods for increasing nature and heritage tourism to and within the State.

(2) Methods for increasing the level of private investment in the State's nature and heritage tourism industry.

(3) Identification of the nature and heritage tourism potential of State-owned facilities and assets.

(4) Methods of advertising the State's nature and heritage tourism industry.

(5) Improvement of interagency cooperation with respect to enhancing and marketing the State's nature and heritage tourism industry."

SECTION 15.11.(b) The Department of Commerce, in conjunction with the Department of Cultural Resources, the Wildlife Resources Commission, the Department of Agriculture and Consumer Services, and the Department of Environment and Natural Resources, shall develop a guidebook on the State's nature and heritage tourism sites. The guidebook shall meet industry standards for tour guidebooks and shall contain information about nature and heritage tourism sites in all regions of the State. No later than October 1, 2015, the Department of Commerce shall make the guidebook available without charge to the public electronically and in physical form at all places at which information about tourism in this State is routinely distributed.

LIDAR RESERVE/TOPOGRAPHICAL MAPPING OF THE STATE

SECTION 15.12.(a) Part 1 of Article 3D of Chapter 147 of the General Statutes is amended by adding a new section to read as follows:

"**§ 147-33.73. LiDAR Reserve.**

The "LiDAR Reserve" is established in the Office of the State Chief Information Officer. Funds in the LiDAR Reserve shall only be used for LiDAR topographical mapping of the State."

SECTION 15.12.(b) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the cash balances in the following funds as of June 30, 2014, to the LiDAR Reserve in the Office of the State Chief Information Officer:

(1) 24602-2959 – Disaster Relief Fund, Small Business Loans (Hurricane Floyd) – ($122,243).

(2) 24602-2966 – Disaster Relief Fund, Small Business Loans (2005 Disaster Recovery) – ($3,143,914).

AGRICULTURE GAS EXPANSION FUND

SECTION 15.13.(a) G.S. 143B-437.020 reads as rewritten:

"**§ 143B-437.020.** ~~Utilization of economic development incentive programs to support new and expanded natural gas service and to support propane gas service for agricultural projects.~~**Natural gas and propane gas for agricultural projects pilot project.**

(a) Definitions. –

(1) Agriculture. – Activities defined in G.S. 106-581.1, whether performed on or off the farm.

~~(2) Economic development incentive programs. – All economic development incentives set forth in G.S. 143B-437.07(c).~~

(3) Eligible project. – A discrete and specific economic development project that would expand agricultural production or processing capabilities that requires new or expanded natural gas or propane gas service.

(4) Excess infrastructure costs. – Any project carrying costs incurred by a natural gas local distribution company to provide new or expanded natural gas service to an eligible project that exceed the income the infrastructure generates for the local natural gas distribution company, including any standard rates, special contract rates, minimum margin agreements, and contributions in aid of construction collected by the natural gas local distribution company.

(5) Project carrying costs. – All costs, including depreciation, taxes, operation and maintenance expenses, and, for a natural gas local distribution company, a return on investment equal to the rate of return approved by the Utilities Commission in the natural gas local distribution company's most recent general rate case under G.S. 62-133.

(6) Secretary. – The Secretary of Commerce.

(a1) Establishment. – The Expanded Gas Products Service to Agriculture Fund is established as a special revenue fund in the Department of Commerce.

(b) Facilitation of New and Expanded Natural Gas Service to Agricultural Projects. – ~~Economic development incentive programs may utilize funds for agricultural projects~~ The Secretary may disburse moneys in the Expanded Gas Products Service to Agriculture Fund for the following purposes:

(1) To allow the owner of an eligible project to pay for excess infrastructure costs associated with the eligible project.

(2) To allow the owner of an eligible project to pay for cost-effective alternatives that would reduce excess infrastructure costs, including:

a. Relocating equipment that uses natural gas to a different location on the property nearer existing natural gas lines to reduce or eliminate the project carrying costs.

b. Adding supplemental uses of natural gas to increase annual volume throughput and enhance the feasibility of new natural gas service,

including fuel for tractors and equipment, greenhouses, plant or animal production, feed grain drying, and natural gas powered irrigation pumps.

(c) Facilitation of New and Expanded Propane Gas Service to Agricultural Production. ~~– Economic development incentive programs may utilize funds for agricultural projects~~ The Secretary may disburse moneys in the Expanded Gas Products Service to Agriculture Fund to allow the owner of an eligible project to pay for cost-effective alternatives that would do any of the following:

(1) ~~reduce infrastructure costs or~~ Reduce infrastructure costs.

(2) ~~that would increase~~Increase energy efficiency or reduce energy consumption.

(3) ~~by adding supplemental uses of propane gas to increase annual volume throughput, reduce energy consumption, reduce energy costs,~~Reduce energy costs.

(4) ~~or to enhance~~Enhance the feasibility of the project or the provision of propane gas ~~service,~~service by adding supplemental uses of propane gas to increase annual volume throughput, including (i) ~~the conversion or repowering of~~to convert or repower tractors, trucks, vehicles, and mowers to use propane gas, ~~or~~ (ii) to provide propane gas powered tractors, equipment, appliances, irrigation pumps, and dryers to service agricultural production facilities or operations, or (iii) to provide a dispensing station for the project owner's use.

(d) Use of ~~Incentive~~ Funds. – ~~Incentive funds utilized in accordance with subsections~~ Disbursements made pursuant to subsection (b) ~~and~~ or (c) of this section shall be paid directly to the owner of the eligible project.

(e) Termination. – ~~Incentive funds utilized in accordance with~~Disbursements made pursuant to subsection (b) of this section shall terminate when there are no longer excess infrastructure costs.

(f) ~~Reimbursement. The owner of an eligible project who receives incentive funds in accordance with subsections (b) or (c) of this section shall be responsible for reimbursing the incentive funds if, for any reason, the eligible project does not maintain business operations for a period of at least five years from the date of the initial utilization of incentive funds.~~Forfeiture. – An owner of an eligible project who receives a disbursement pursuant to subsection (b) or (c) of this section forfeits the amount disbursed if the owner fails to maintain business operations for a period of at least five years from the date of initial utilization of the disbursement. An owner that forfeits amounts disbursed under this section is liable for the amount disbursed plus interest at the rate established under G.S. 105-241.21, computed from the date of the disbursement.

(g) ~~Limits on Eligible Project Incentive~~ Allocation of Funds. – ~~Total incentive funds for all eligible projects under subsections (b) and (c) of this section shall not cumulatively exceed five million dollars ($5,000,000) per biennium. The managers of economic development incentive programs shall promptly report payments made in accordance with subsections (b) and (c) of this section to the Department of Commerce, and the Department of Commerce shall promptly notify the managers of economic development incentive programs when the limitation provided by this subsection has been reached for the biennium.~~The Secretary shall transfer from the Utility Account to the Expanded Gas Products Service to Agriculture Fund at least five million dollars ($5,000,000) per biennium. If funds appropriated for a program or fund administered by the Department, other than the Utility Account, remain unexpended and unencumbered at the end of the fiscal year, those funds shall be used to reimburse the Utility Account for transfers made during the fiscal year pursuant to this section, notwithstanding job

creation or other statutory requirements otherwise applicable to the programs or funds. Examples of programs or funds from which reimbursement of the Utility Account shall be made include, but are not limited to, the Job Development Investment Grant Program, the Job Maintenance and Capital Development Fund, and the One North Carolina Fund.

(h) Mechanism not Exclusive. – The utilization of ~~incentive~~ funds in accordance with subsections (b) or (c) of this section is intended to supplement other available mechanisms for the extension of service to new or expanding customers and may be used in conjunction with special contract arrangements, minimum margin agreements, and contributions in aid of construction.

(i) Reporting Requirement. – The Secretary shall publish a report each quarter on the program, including a list of the eligible projects that have applied for funding, a list of the eligible projects that have received funding, the amount of funds allocated to the program, and the amount of funds allocated to eligible projects. The Secretary must make the report available to the public and must submit the report to the Joint Legislative Commission on Energy Policy.

(j) The Department of Commerce shall develop guidelines related to the administration of the Expanded Gas Products Service to Agriculture Fund and to the selection of projects to receive allocations from the Fund. At least 20 days before the effective date of any guidelines or nontechnical amendments to guidelines, the Department of Commerce must publish the proposed guidelines on the Department's Web site and provide notice to persons who have requested notice of proposed guidelines. In addition, the Department must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the Department has completed these notifications. For the purpose of this section, a technical amendment is either of the following:

(1) An amendment that corrects a spelling or grammatical error.

(2) An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment."

SECTION 15.13.(b) G.S. 143B-437.020(g), as amended by subsection (a) of this section, reads as rewritten:

"(g) Allocation of Funds. – The Secretary shall transfer from the Utility Account to the Expanded Gas Products Service to Agriculture Fund at least five million dollars ($5,000,000) per ~~a fiscal year.~~biennium. If funds appropriated for a program or fund administered by the Department, other than the Utility Account, remain unexpended and unencumbered at the end of the fiscal year, the Secretary shall reimburse the Utility Account for transfers made during the fiscal year pursuant to this section, notwithstanding job creation or other statutory requirements otherwise applicable to the programs or funds. Examples of programs or funds from which the Secretary may reimburse the Utility Account include, but are not limited to, the Job Development Investment Grant Program, the Job Maintenance and Capital Development Fund, and the One North Carolina Fund."

SECTION 15.13.(c) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

...

(18) The Department of Commerce and the Economic Investment Committee in developing criteria and administering the Job Maintenance and Capital Development Fund under G.S. 143B-437.012.

(18a) The Department of Commerce in developing criteria and administering the Expanded Gas Products Service to Agriculture Fund under G.S. 143B-437.020.

...."

SECTION 15.13.(d) This section becomes effective July 1, 2014. The Department of Commerce shall begin developing the guidelines for the administration of the program when this act becomes law.

FUND ONE NC SMALL BUSINESS FUND

SECTION 15.14. Of the funds remaining in the One North Carolina Fund established in G.S. 143B-437.71 at the end of fiscal year 2013-2014, an amount equal to two million five hundred thousand dollars ($2,500,000) shall be transferred to the One North Carolina Small Business Fund and used for the North Carolina SBIR/STTR Incentive Program and the North Carolina SBIR/STTR Matching Funds Program.

EMPLOYMENT SECURITY RESERVE FUND

SECTION 15.15. Section 15.4(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 15.4.(a)** There is appropriated from the Employment Security Reserve Fund to the Department of Commerce, Division of Employment Security, the amount needed for the ~~2013-2014~~2014-2015 fiscal year to fund the interest payment due to the federal government for the debt owed to the U.S. Treasury for unemployment benefits."

APPOINTMENT OF DEPUTY COMMISSIONERS FOR INDUSTRIAL COMMISSION

SECTION 15.16.(a) G.S. 97-79(b) reads as rewritten:

"(b) ~~The Commission may appoint deputies who shall have the same power as members of the Commission pursuant to G.S. 97-80 and the same power to take evidence, and enter orders, opinions, and awards based thereon as is possessed by the members of the Commission. The deputies shall be subject to the State Personnel System.~~The Chair of the Commission may appoint deputy commissioners to serve a term of four years. No person may serve more than two terms as a deputy commissioner. In calculating the number of terms served, a partial term of less than two years shall not be included. Deputy commissioners shall have the same power as members of the Commission pursuant to G.S. 97-80 and the same power to take evidence and enter orders, opinions, and awards based thereon as is possessed by the members of the Commission. Upon the expiration of the initial or subsequent term or terms of any deputy commissioner, the deputy commissioner's employment shall be separated unless the deputy commissioner is reappointed by the Chair of the Commission. Deputy commissioners shall not be subject to the State Personnel System nor to the provisions of G.S. 126-5(d)(7)."

SECTION 15.16.(b) As of August 1, 2014, the terms of all current deputy commissioners are as follows:

(1) The seven deputy commissioners with the least time of service shall each serve a term of six months expiring February 1, 2015.

(2) The seven deputy commissioners with the next least time of service shall each serve a term of 12 months expiring August 1, 2015.

(3) The remaining deputy commissioners not covered under subdivision (1) or (2) of this subsection shall each serve a term of 18 months expiring February 1, 2016.

(4) Time of service shall be calculated beginning with the hire date of the person as a deputy commissioner.

(5) Nothing in this section shall prohibit a current deputy commissioner from being eligible for reappointment to a four-year term, as provided by subsection (a) of this section.

SECTION 15.16.(c) Section 60(b) of S.L. 2013-413 is repealed.

SECTION 15.16.(d) G.S. 97-78(b3) reads as rewritten:

"(b3) The salary of deputy commissioners shall be based upon years of experience as a deputy commissioner as follows:

(1) Seventy-five percent (75%) of the salary of a commissioner, with three years of experience or less.

(2) Seventy-seven percent (77%) of the salary of a commissioner, with more than three but less than ~~seven~~ eight years of experience.

~~(3) Eighty percent (80%) of the salary of a commissioner, with seven or more but less than 10 years of experience.~~

~~(4) Eighty-three percent (83%) of the salary of a commissioner, with 10 or more but less than 12 years of experience.~~

~~(5) Eighty-five percent (85%) of the salary of a commissioner, with 12 or more years experience.~~"

SECTION 15.16.(e) Subsection (d) of this section becomes effective February 1, 2016. Notwithstanding G.S. 97-31.1, the remainder of this section is effective when it becomes law.

NC BIOTECHNOLOGY CENTER

SECTION 15.17. Section 15.30 of S.L. 2013-360 reads as rewritten:

"**SECTION 15.30.(a)** Of the funds appropriated in this act to the North Carolina Biotechnology Center (hereinafter "Center"), the sum of twelve million six hundred thousand three hundred thirty-eight dollars ($12,600,338) for each fiscal year in the 2013-2015 biennium shall be allocated as follows:

(1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development, and related activities – $2,709,073;

(2) Science and Commercialization: Science and Technology Development, Centers of Innovation, Business and Technology Development, Education and Training, and related activities – $8,165,019; and

(3) Center Operations: Administration, Professional and Technical Assistance and Oversight, Corporate Communications, Human Resource Management, Financial and Grant Administration, Legal, and Accounting – $1,726,246.

"**SECTION 15.30.(a1)** The Center shall prioritize funding and distribution of loans over existing funding and distribution of grants.

"**SECTION 15.30.(b)** Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

"**SECTION 15.30.(c)** The Center shall comply with the following reporting requirements:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the Center's annual audited financial statement within 30 days of issuance of the statement."

RESEARCH TRIANGLE INSTITUTE ENERGY RESEARCH

SECTION 15.18. The Research Triangle Institute shall share with the State Energy Office any research supported wholly or partially through funds appropriated by this act that pertains to energy or energy efficiency.

GRASSROOTS SCIENCE PROGRAM

SECTION 15.19. Section 15.25A of S.L. 2013-360 reads as rewritten:

"**SECTION 15.25A.(a)** Of the funds appropriated in this act to the Department of Commerce for State-Aid, the sum of two million three hundred forty-seven thousand seven hundred eighty-two dollars ($2,347,782) for the 2013-2014 fiscal year and the sum of ~~two million three hundred forty-seven thousand seven hundred eighty-two dollars ($2,347,782)~~ two million three hundred ninety thousand four hundred twenty-nine dollars ($2,390,429) for the 2014-2015 fiscal year are allocated as grants-in-aid for each fiscal year as follows:

	2013-2014	2014-2015
Aurora Fossil Museum	$61,821	~~$61,821~~$60,526
Cape Fear Museum	$85,248	~~$85,248~~$84,340
Carolina Raptor Center	$74,916	~~$74,916~~$76,365
Catawba Science Center	$93,041	~~$93,041~~$93,328
Colburn Earth Science Museum, Inc.	$62,547	~~$62,547~~$62,426
Core Sound Waterfowl Museum	$67,395	~~$67,395~~$66,761
Discovery Place	$261,617	~~$261,617~~$254,746
Eastern NC Regional Science Center	$59,587	~~$59,587~~$59,637
Fascinate-U	$65,616	~~$65,616~~$65,792
Granville County Museum Commission, Inc.–Harris Gallery	$60,651	~~$60,651~~$61,068
Greensboro Children's Museum	$83,575	~~$83,575~~$79,322
HandsOn		$58,000
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$73,352	~~$73,352~~$0
Highlands Nature Center	$62,816	~~$62,816~~$62,887
Imagination Station	$67,588	~~$67,588~~$65,349
The Iredell Museums, Inc.	$61,013	~~$61,013~~$60,720
Kidsenses	$65,233	~~$65,233~~$64,967
Marbles		$58,000
Museum of Coastal Carolina	$65,454	~~$65,454~~$66,591
The Natural Science Center of Greensboro, Inc.	$116,532	~~$116,532~~$115,410
North Carolina Estuarium	$58,000	~~$58,000~~$62,359
North Carolina Museum of Life and Science	$203,545	~~$203,545~~$197,983
Pisgah Astronomical Research Institute	$74,925	~~$74,925~~$83,281
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	$60,610	~~$60,610~~$60,248
Rocky Mount Children's Museum	$66,463	~~$66,463~~$67,464
Schiele Museum of Natural History and Planetarium, Inc.	$100,990	~~$100,990~~$107,868
Sci Works Science Center and Environmental Park of Forsyth County	$83,725	~~$83,725~~$84,336
Sylvan Heights Waterfowl Park and Eco-Center	$69,864	~~$69,864~~$68,981
Western North Carolina Nature Center	$74,973	~~$74,973~~$72,400
Wilmington Children's Museum	$66,684	~~$66,684~~$69,274
Total	**$2,347,782**	~~**$2,347,782**~~**$2,390,429**

...

~~SECTION 15.25A.(f) Each museum listed in subsection (a) of this section shall do the following:~~

~~(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.~~

~~(2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.~~"

PART XVI. DEPARTMENT OF PUBLIC SAFETY

SUBPART XVI-A. GENERAL PROVISIONS

TRANSFER MAPPING FUNCTIONS TO OFFICE OF THE STATE CHIEF INFORMATION OFFICER

SECTION 16A.1.(a) The Geospatial and Technology Management Program (Budget Code 14550, Fund Code 1504) and the North Carolina Geodetic Survey Section of the Division of Emergency Management of the Department of Public Safety (Budget Code 14550, Fund Code 1511) are hereby transferred to the Center for Geographic Information and Analysis in the Office of the State Chief Information Officer. This transfer shall have all of the elements of a Type I transfer, as described in G.S. 143A-6.

SECTION 16A.1.(b) The following statutes are amended by deleting the language "Division of Emergency Management of the Department of Public Safety" or "Department of Public Safety" wherever it appears and substituting "Office of the State Chief Information Officer:" G.S. 47-30(f)(9), 102-1.1, 102-8, and 102-10.

SECTION 16A.1.(c) G.S. 143-215.52(a)(1c) and (4b) are repealed.

SECTION 16A.1.(d) G.S. 143-215.52(1b) reads as rewritten:

"(1b) "Base floodplain" or "100-year floodplain" means that area subject to a one percent (1%) or greater chance of flooding in any given year, as shown on the current floodplain maps prepared pursuant to the National Flood Insurance Program or approved by the ~~Department.~~Office of the State Chief Information Officer."

SECTION 16A.1.(e) G.S. 143-215.54A(b) reads as rewritten:

"(b) A flood hazard prevention ordinance may include a procedure for granting variances for uses prohibited under G.S. 143-215.54(c). A county or city shall notify the ~~Secretary~~ State Chief Information Officer of its intention to grant a variance at least 30 days prior to granting the variance. A county or city may grant a variance upon finding that all of the following apply:

(1) The use serves a critical need in the community.

(2) No feasible location exists for the location of the use outside the 100-year floodplain.

(3) The lowest floor of any structure is elevated above the base flood elevation or is designed to be watertight with walls substantially impermeable to the passage of water and with structural components capable of resisting hydrostatic and hydrodynamic loads and the effects of buoyancy.

(4) The use complies with all other applicable laws and regulations."

SECTION 16A.1.(f) G.S. 143-215.56 reads as rewritten:

"**§ 143-215.56. Delineation of flood hazard areas and 100-year floodplains; powers of ~~Department;~~the State Chief Information Officer; powers of local governments and of the ~~Department.~~State Chief Information Officer.**

(a) For the purpose of delineating a flood hazard area and evaluating the possibility of flood damages, a local government may:

(1) Request technical assistance from the competent State and federal agencies, including the Army Corps of Engineers, the Natural Resources Conservation Service, the Tennessee Valley Authority, the Federal Emergency Management Agency, the North Carolina Department of Public Safety, ~~the North Carolina Geodetic Survey,~~the Office of the State Chief Information Officer, the North Carolina Geological Survey, and the U.S. Geological Survey, or successor agencies.

...

(b) The ~~Department~~ State Chief Information Officer shall provide advice and assistance to any local government having responsibilities under this Part. In exercising this function the ~~Department~~ State Chief Information Officer may furnish manuals, suggested standards, plans, and other technical data; conduct training programs; give advice and assistance with respect to delineation of flood hazard areas and the development of appropriate ordinances; and provide any other advice and assistance that the ~~Department~~ State Chief Information Officer deems appropriate. The ~~Department~~ State Chief Information Officer shall send a copy of every rule adopted to implement this Part to the governing body of each local government in the State.

...

(d) The ~~Department~~ State Chief Information Officer may prepare a floodplain map that identifies the 100-year floodplain and base flood elevations for an area for the purposes of this Part if all of the following conditions apply:

(1) The 100-year floodplain and base flood elevations for the area are not identified on a floodplain map prepared pursuant to the National Flood Insurance Program within the previous five years.

(2) The ~~Department~~ State Chief Information Officer determines that the 100-year floodplain and the base flood elevations for the area need to be identified and the use of the area regulated in accordance with the requirements of this Part in order to prevent damage from flooding.

(3) The ~~Department~~ State Chief Information Officer prepares the floodplain map in accordance with the federal standards required for maps to be accepted for use in administering the National Flood Insurance Program.

(e) Prior to preparing a floodplain map pursuant to subsection (d) of this section, the ~~Department~~ State Chief Information Officer shall advise each local government whose jurisdiction includes a portion of the area to be mapped.

(f) Upon completing a floodplain map pursuant to subsection (d) of this section, the ~~Department~~ State Chief Information Officer shall both:

(1) Provide copies of the floodplain map to every local government whose jurisdiction includes a portion of the 100-year floodplain identified on the floodplain map.

(2) Submit the floodplain map to the Federal Emergency Management Agency for approval for use in administering the National Flood Insurance Program.

(g) Upon approval of a floodplain map prepared pursuant to subsection (d) of this section by the Federal Emergency Management Agency for use in administering the National Flood Insurance Program, it shall be the responsibility of each local government whose jurisdiction includes a portion of the 100-year floodplain identified in the floodplain map to incorporate the revised map into its floodplain ordinance."

SECTION 16A.1.(g) G.S. 143-215.56A reads as rewritten:

"**§ 143-215.56A. Floodplain Mapping Fund.**

The Floodplain Mapping Fund is established as a special revenue fund. The Fund consists of the fees credited to it under G.S. 161-11.5. Revenue in the fund may be used only to offset the ~~Department's~~State Chief Information Officer's cost in preparing floodplain maps and performing its other duties under this Part."

GOVERNOR'S CRIME COMMISSION

SECTION 16A.2. G.S. 143B-1101(b) reads as rewritten:

"(b) The Governor's Crime Commission shall review the level of gang activity throughout the State and assess the progress and accomplishments of the State, and of local governments, in preventing the proliferation of gangs and addressing the needs of juveniles who have been identified as being associated with gang activity.

The Governor's Crime Commission shall develop recommendations concerning the establishment of priorities and needed improvements with respect to gang prevention ~~to the General Assembly~~ and shall report those recommendations to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on or before March 1 of each year."

SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT

COMPLIANCE WITH CJIS DATA SECURITY STANDARDS

SECTION 16B.1. The Department of Public Safety shall use funds available to the Division of Law Enforcement to ensure compliance with applicable Federal Bureau of Investigation security standards relating to the access of data in its Criminal Justice Information System. The Department is encouraged to use funds transferred to the State from federal asset forfeiture programs for this purpose.

ABC PERMIT FEE INCREASE

SECTION 16B.2.(a) G.S. 18B-903 reads as rewritten:

"**§ 18B-903. Duration of permit; renewal and transfer.**

...

(b) Renewal. – Application for renewal of an ABC permit shall be on a form provided by the Commission. An application for renewal shall be accompanied by an application ~~fee of twenty-five percent (25%) of the original application fee set in G.S. 18B-902,~~ fee. The application fee shall be the same amount as the initial fee set in G.S. 18B-902, except that the renewal application fee for each wine shop permit shall be five hundred dollars ($500.00), and the renewal application fee for each mixed beverages permit and each guest room cabinet permit shall be ~~seven hundred fifty dollars ($750.00).~~one thousand dollars ($1,000). A renewal fee shall not be refundable.

(b1) Registration. – Each person holding a malt beverage, fortified wine, or unfortified wine permit issued pursuant to G.S. 18B-902(d)(1) through G.S. 18B-902(d)(6) shall register by May 1 of each year on a form provided by the Commission, in order to provide information needed by the State in enforcing this Chapter and to support the costs of that enforcement. The registration required by this subsection shall be accompanied by an annual registration and inspection fee of ~~two hundred dollars ($200.00)~~four hundred dollars ($400.00) for each permit held. The fee shall be paid by May 1 of each year. A registration fee shall not be refundable. Failure to pay the annual registration and inspection fee shall result in revocation of the permit.

...."

SECTION 16B.2.(b) This section applies to fees assessed or collected for permits issued or renewed on or after July 1, 2014.

ESTABLISH HAZARDOUS MATERIALS FACILITY FEE

SECTION 16B.3.(a) G.S. 166A-21 reads as rewritten:

"**§ 166A-21. Definitions.**

~~As used in this Article:~~The following definitions apply in this Article:

(1) Department. – The Department of Public Safety.

(2) Division. – The Division of Emergency Management.

~~(1)~~(3) ~~"Hazardous materials emergency response team" or "hazmat team" means an~~ Hazardous materials emergency response team or hazmat team. – An organized group of persons specially trained and equipped to respond to and control actual or potential leaks or spills of hazardous materials.

~~(2)~~(4) ~~"Hazardous material" means any~~ Hazardous material. – Any material defined as a hazardous substance under 29 Code of Federal Regulations § 1910.120(a)(3).

~~(3)~~(5) ~~"Hazardous materials incident" or "hazardous materials emergency" means an~~Hazardous materials incident or hazardous materials emergency. – An uncontrolled release or threatened release of a hazardous substance requiring outside assistance by a local fire department or hazmat team to contain and control.

~~(4)~~(6) ~~"Regional response team" means a~~ Regional response team. – A hazmat team under contract with the State to provide response to hazardous materials emergencies occurring outside the hazmat team's local jurisdiction at the direction of the Department of Public Safety, Division of Emergency Management.

~~(5)~~(7) ~~"Secretary" means the~~ Secretary. – The Secretary of the Department of Public Safety.

~~(6)~~(8) ~~"Technician-level entry capability" means the~~ Technician-level entry capability. – The capacity of a hazmat team, in terms of training and equipment as specified in 29 Code of Federal Regulations § 1910.120, to respond to a hazardous materials incident requiring affirmative measures, such as patching, plugging, or other action necessary to stop and contain the release of a hazardous substance at its source.

~~(7)~~(9) ~~"Terrorist incident" means activities~~ Terrorist incident. – Activities that occur within the territorial jurisdiction of the United States, involve acts dangerous to human life that are a violation of the criminal laws of the United States or of any state, and are intended to do one of the following:

a. Intimidate or coerce a civilian population.

b. Influence the policy of a government by intimidation or coercion.

c. Affect the conduct of a government by mass destruction, assassination, or kidnapping."

SECTION 16B.3.(b) Article 2 of Chapter 166A of the General Statutes is amended by adding a new section to read:

"**§ 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) 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.

(3) Extremely hazardous substance. – Any substance, regardless of its state, set forth in 40 C.F.R. Part 355, Appendix A or B.

(b) Annual Fee Shall Be Charged. – A person 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:

(1) A fee of fifty dollars ($50.00) shall be assessed for each substance reported by a facility that is classified as a hazardous chemical.

(2) A fee of ninety dollars ($90.00) shall be assessed for each substance reported by a facility that is classified as an extremely hazardous substance.

(d) Late Fees. – The Division may impose a late fee for failure to submit a report or filing that substantially complies with the requirements of EPCRA by the federal filing deadline or for failure to pay any fee, including a late fee. This fee shall be in addition to the fee imposed pursuant to subsection (c) of this section. Prior to imposing a late fee, the Division shall provide the person who will be assessed the late fee with written notice that identifies the specific requirements that have not been met and informs the person of its intent to assess a late fee. The assessment of a late fee shall be subject to the following limitations:

(1) If the report filing or fee is submitted within 30 days after receipt of the Division's notice that it intends to assess a late fee, no late fee shall be assessed.

(2) If the report filing or fee has not been submitted by the end of the period set forth in subdivision (1) of this subsection, the Division may impose a late fee in an amount equal to the amount of the fee charged pursuant to subsection (c) of this section.

(e) Exemptions. – No fee shall be charged under this section to any of the following:

(1) An owner or operator of a family farm enterprise, a facility owned by a State or local government, or a nonprofit corporation.

(2) An owner or operator of a facility where motor vehicle fuels are stored and from which such fuels are offered for retail sale. However, hazardous chemicals or extremely hazardous substances at such a facility, other than motor vehicle fuels for retail sale, shall not be subject to this exemption.

(f) Use of Fee Proceeds. – The proceeds of fees assessed pursuant to this section shall be used for costs associated with the maintenance of a hazardous materials database and to support the operations of the Regional Response Teams."

SECTION 16B.3.(c) This section applies to fees assessed on or after July 1, 2014.

SUBPART XVI-C. DIVISION OF ADULT CORRECTION AND JUVENILE JUSTICE

ALL MISDEMEANANTS TO SERVE SENTENCES IN LOCAL CONFINEMENT FACILITIES

SECTION 16C.1.(a) G.S. 15A-1351(a) reads as rewritten:

"(a) The judge may sentence to special probation a defendant convicted of a criminal offense other than impaired driving under G.S. 20-138.1, if based on the defendant's prior record or conviction level as found pursuant to Article 81B of this Chapter, an intermediate punishment is authorized for the class of offense of which the defendant has been convicted. A defendant convicted of impaired driving under G.S. 20-138.1 may also be sentenced to special probation. Under a sentence of special probation, the court may suspend the term of imprisonment and place the defendant on probation as provided in Article 82, Probation, and in addition require that the defendant submit to a period or periods of imprisonment in the custody of the Division of Adult Correction of the Department of Public Safety or a designated local confinement or treatment facility at whatever time or intervals within the period of probation, consecutive or nonconsecutive, the court ~~determines.~~determines, as provided in this subsection. For probationary sentences for misdemeanors, including impaired driving under G.S. 20-138.1, all imprisonment under this subsection shall be in a designated local confinement or treatment facility. In addition to any other conditions of probation which the court may impose, the court shall impose, when imposing a period or periods of imprisonment as a condition of special probation, the condition that the defendant obey the Rules and Regulations of the Division of Adult Correction of the Department of Public Safety governing conduct of inmates, and this condition shall apply to the defendant whether or not the court imposes it as a part of the written order. ~~If~~Except for probationary sentences for misdemeanors, including impaired driving under G.S. 20-138.1, if imprisonment is for continuous periods, the confinement may be in the custody of either the Division of Adult Correction of the Department of Public Safety or a local confinement facility. Noncontinuous periods of imprisonment under special probation may only be served in a designated local confinement or treatment facility. Except for probationary sentences of impaired driving under G.S. 20-138.1, the total of all periods of confinement imposed as an incident of special probation, but not including an activated suspended sentence, may not exceed one-fourth the maximum sentence of imprisonment imposed for the offense, and no confinement other than an activated suspended sentence may be required beyond two years of conviction. For probationary sentences for impaired driving under G.S. 20-138.1, the total of all periods of confinement imposed as an incident of special probation, but not including an activated suspended sentence, shall not exceed one-fourth the maximum penalty allowed by law. In imposing a sentence of special probation, the judge may credit any time spent committed or confined, as a result of the charge, to either the suspended sentence or to the imprisonment required for special probation. The original period of probation, including the period of imprisonment required for special probation, shall be as specified in G.S. 15A-1343.2(d), but may not exceed a maximum of five years, except as provided by G.S. 15A-1342(a). The court may revoke, modify, or terminate special probation as otherwise provided for probationary sentences."

SECTION 16C.1.(b) G.S. 15A-1352 reads as rewritten:

"**§ 15A-1352. Commitment to ~~Division of Adult Correction of the Department of Public Safety or a~~ local confinement facility.**

(a) ~~A~~Except as provided in subsection (f) of this section, a person sentenced to imprisonment for a misdemeanor under this Article or for nonpayment of a fine under Article 84 of this Chapter shall be committed for the term designated by the court to the custody of ~~the Division of Adult Correction of the Department of Public Safety or to~~ a local confinement facility. ~~If the~~A sentence imposed for a misdemeanor ~~is for a period of 90 days or less, the commitment~~ must be to a facility other than one maintained by the Division of Adult

Correction of the Department of Public Safety, except as provided in G.S. 148-32.1(b). ~~If the sentence or sentences imposed require confinement for more than 180 days, the commitment must be to the custody of the Division of Adult Correction of the Department of Public Safety.~~

If a person is sentenced to imprisonment for a misdemeanor under this Article or for nonpayment of a fine under Article 84 of this Chapter, the sentencing judge shall make a finding of fact as to whether the person would be suitable for placement in a county satellite jail/work release unit operated pursuant to G.S. 153A-230.3. If the sentencing judge makes a finding of fact that the person would be suitable for placement in a county satellite jail/work release unit and the person meets the requirements listed in G.S. 153A-230.3(a)(1), then the custodian of the local confinement facility may transfer the misdemeanant to a county satellite jail/work release unit.

(b) A person sentenced to imprisonment for a felony under this Article shall be committed for the term designated by the court to the custody of the Division of Adult Correction of the Department of Public Safety.

(c) A person sentenced to imprisonment for nonpayment of a fine under Article 84, Fines, shall be committed for the term designated by the court:

(1) To the custody of the Division of Adult Correction of the Department of Public Safety if the person was fined for conviction of a felony;

(2) To the custody of ~~the Division of Adult Correction of the Department of Public Safety or to~~ a local confinement facility if the person was fined for conviction of a misdemeanor, ~~provided that (i) if the sentence imposed is for a period of 90 days or less, the commitment shall be to a facility other than one maintained by the Division of Adult Correction of the Department of Public Safety, except as provided in G.S. 148-32.1(b) and (ii) if the sentence or sentences imposed require confinement for more than 180 days, the commitment must be to the custody of the Division of Adult Correction of the Department of Public Safety.~~except as provided in G.S. 148-32.1(b).

(d) Notwithstanding any other provision of law, when the sentencing court, with the consent of the person sentenced, orders that a person convicted of a misdemeanor be granted work release, the court may commit the person to a specific ~~prison facility or~~ local confinement facility or satellite jail/work release unit within the county of the sentencing court in order to facilitate the work release arrangement. When appropriate to facilitate the work release arrangement, the sentencing court may, with the consent of the sheriff or board of commissioners, commit the person to a specific local confinement facility or satellite jail/work release unit in another ~~county, or, with the consent of the Division of Adult Correction of the Department of Public Safety, commit the person to a specific prison facility in another county. The Division of Adult Correction of the Department of Public Safety may transfer a prisoner committed to a specific prison facility to a different facility when necessary to alleviate overcrowding or for other administrative purposes.~~county.

(e) A person sentenced for a misdemeanor who has a sentence imposed that requires confinement for a period of more than 90 ~~days and up to 180~~ days, except for those serving sentences for an impaired driving offense under G.S. 20-138.1 under this Article or for nonpayment of a fine under Article 84 of this Chapter, shall be committed for the term designated by the court to confinement pursuant to the Statewide Misdemeanant Confinement Program established by G.S. 148-32.1.

(f) A person sentenced to imprisonment of any duration for impaired driving under G.S. 20-138.1, other than imprisonment required as a condition of special probation under G.S. 15A-1351(a) or G.S. 15A-1344(e), shall be committed to the Statewide Misdemeanant Confinement Program established under G.S. 148-32.1."

SECTION 16C.1.(c) G.S. 20-176(c1) is repealed.

SECTION 16C.1.(d) G.S. 20-179(f3) reads as rewritten:

"(f3) Aggravated Level One Punishment. – A defendant subject to Aggravated Level One punishment may be fined up to ten thousand dollars ($10,000) and shall be sentenced to a term of imprisonment that includes a minimum term of not less than 12 months and a maximum term of not more than 36 months. Notwithstanding G.S. 15A-1371, a defendant sentenced to a term of imprisonment pursuant to this subsection shall not be eligible for parole. However, the defendant shall be released from the ~~Division of Adult Correction of the Department of Public Safety~~Statewide Misdemeanant Confinement Program on the date equivalent to the defendant's maximum imposed term of imprisonment less four months and shall be supervised by the Section of ~~Prisons~~Community Supervision of the Division of Adult Correction under and subject to the provisions of Article 84A of Chapter 15A of the General Statutes and shall also be required to abstain from alcohol consumption for the four-month period of supervision as verified by a continuous alcohol monitoring system. For purposes of revocation, violation of the requirement to abstain from alcohol or comply with the use of a continuous alcohol monitoring system shall be deemed a controlling condition under G.S. 15A-1368.4.

The term of imprisonment may be suspended only if a condition of special probation is imposed to require the defendant to serve a term of imprisonment of at least 120 days. If the defendant is placed on probation, the judge shall impose as requirements that the defendant (i) abstain from alcohol consumption for a minimum of 120 days to a maximum of the term of probation, as verified by a continuous alcohol monitoring system pursuant to subsections (h1) and (h3) of this section, and (ii) obtain a substance abuse assessment and the education or treatment required by G.S. 20-17.6 for the restoration of a drivers license and as a condition of probation. The judge may impose any other lawful condition of probation."

SECTION 16C.1.(e) G.S. 148-13 reads as rewritten:

"**§ 148-13. Regulations as to custody grades, privileges, gain time credit, etc.**

(a) The Secretary of Public Safety may issue regulations regarding the grades of custody in which State prisoners are kept, the privileges and restrictions applicable to each custody grade, and the amount of cash, clothing, etc., to be awarded to State prisoners after their discharge or parole. The amount of cash awarded to a prisoner upon discharge or parole after being incarcerated for two years or longer shall be at least forty-five dollars ($45.00).

(a1) The Secretary of Public Safety shall adopt rules to specify the rates at, and circumstances under, which earned time authorized by G.S. 15A-1340.13(d) and G.S. 15A-1340.20(d) may be earned or forfeited by persons serving activated sentences of imprisonment for felony or misdemeanor convictions.

(b) With respect to prisoners who are serving ~~prison or~~jail terms for impaired driving offenses under G.S. 20-138.1, the Secretary of Public Safety may, in his discretion, issue regulations regarding deductions of time from the terms of such prisoners for good behavior, meritorious conduct, work or study, participation in rehabilitation programs, and the like.

(c), (d) Repealed by Session Laws 1993, c. 538, s. 32, effective January 1, 1995.

(e) The Secretary's regulations concerning earned time and good time credits authorized by this section shall be distributed to and followed by local jail administrators with regard to sentenced jail prisoners.

(f) The provisions of this section do not apply to persons sentenced to a term of special probation under G.S. 15A-1344(e) or G.S. 15A-1351(a)."

SECTION 16C.1.(f) G.S. 148-32.1 reads as rewritten:

"**§ 148-32.1. Local confinement, costs, alternate facilities, parole, work release.**

(a) Repealed by Session Laws 2009-451, s. 19.22A, effective July 1, 2009.

(b) In the event that the custodian of the local confinement facility certifies in writing to the clerk of the superior court in the county in which the local confinement facility is located that the local confinement facility is filled to capacity, or that the facility cannot reasonably

accommodate any more prisoners due to segregation requirements for particular prisoners, or that the custodian anticipates, in light of local experiences, an influx of temporary prisoners at that time, or if the local confinement facility does not meet the minimum standards published pursuant to G.S. 153A-221, any judge of the district court in the district court district as defined in G.S. 7A-133 where the facility is located, or any superior court judge who has jurisdiction pursuant to G.S. 7A-47.1 or G.S. 7A-48 in a district or set of districts as defined in G.S. 7A-41.1 where the facility is located may order that a prisoner not housed pursuant to the Statewide Misdemeanant Confinement Program established in subsection (b2) of this section be transferred to any other qualified local confinement facility within that district or within another such district where space is available, including a satellite jail unit operated pursuant to G.S. 153A-230.3 if the prisoner is a non-violent misdemeanant, which local facility shall accept the transferred prisoner.

If no other local confinement facility is available and the reason for the requested transfer is that the local confinement facility that would be required to house the prisoner cannot reasonably accommodate any more prisoners due to segregation requirements for particular prisoners or the local facility does not meet the minimum standards published pursuant to G.S. 153A-221, then the judge may order that a prisoner not housed pursuant to the Statewide Misdemeanant Confinement Program established in subsection (b2) of this section be transferred to a facility operated by the Division of Adult Correction of the Department of Public Safety as designated by the Division of Adult Correction. In no event, however, shall a prisoner whose term of imprisonment is less than 30 days be assigned or ordered transferred to a facility operated by the Division of Adult Correction.

(b1) It is the intent of the General Assembly to authorize the Division of Adult Correction to enter into voluntary agreements with counties to provide housing for misdemeanants serving periods of confinement of more than 90 days and up to 180 days, except for those serving a sentence for an impaired driving offense. It is further the intent of the General Assembly that the Division of Adult Correction, in conjunction with the North Carolina Sheriffs' Association, Inc., establish a program for housing misdemeanants serving periods of confinement of more than 90 days ~~and up to 180 days, except for those serving sentences for an impaired driving offense.~~ and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length. It is also the intent of the General Assembly that the Division of Adult Correction contract with the North Carolina Sheriffs' Association, Inc., to provide a service that identifies space in local confinement facilities that is available for housing these misdemeanants.

The General Assembly intends that the cost of housing and caring for these misdemeanants, including, but not limited to, care, supervision, transportation, medical, and any other related costs, be covered by State funds and not be imposed as a local cost. Therefore, the General Assembly intends that the funds in the Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4 be used to provide funding to cover the costs of managing a system for providing that housing of misdemeanants in local confinement facilities as well as reimbursing the counties for housing and related expenses for those misdemeanants.

(b2) The Statewide Misdemeanant Confinement Program is established. The Program shall provide for the housing of misdemeanants from all counties serving sentences imposed for a period of more than 90 days ~~and up to 180 days, except for those serving sentences for an impaired driving offense under G.S. 20-138.1~~and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length. Those misdemeanants shall be confined in local confinement facilities except as provided in subsections (b3) and (b4) of this section. The Program shall address methods for the placement and transportation of inmates and reimbursement to counties for the housing of those inmates. Any county that voluntarily agrees

to house misdemeanants from that county or from other counties pursuant to the Program may enter into a written agreement with the Division of Adult Correction to do so.

This Program shall only operate as long as sufficient State funds are available through the Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4(c).

...."

SECTION 16C.1.(g) This section becomes effective October 1, 2014, and applies to (i) persons placed on probation or sentenced to imprisonment for impaired driving under G.S. 20-138.1 on or after January 1, 2015, and (ii) persons placed on probation or sentenced to imprisonment for all other misdemeanors other than impaired driving under G.S. 20-138.1 on or after October 1, 2014.

REMOVE LIMITATION ON COMMUNITY WORK CREW FEE

SECTION 16C.2. G.S. 148-32.2 reads as rewritten:

"**§ 148-32.2. Community work crew fee.**

The Division of Adult Correction of the Department of Public Safety may charge a fee to any unit of local government to which it provides, upon request, a community work crew. The amount of the fee shall be no more than the cost to the Division to provide the crew to the unit of local ~~government, not to exceed a daily rate of one hundred fifty dollars ($150.00) per work crew.~~government."

INMATE LABOR CONTRACT

SECTION 16C.3. The Division of Adult Correction of the Department of Public Safety shall prioritize inmate labor contracts in areas where prisons were closed during the 2013-2014 fiscal year. The Division shall charge a transportation fee equivalent to the mileage cost of transporting inmates to and from the contract site. The Division shall also charge an administrative fee as part of the inmate labor contract that reflects the other costs associated with providing the inmate labor.

EVALUATION OF ELECTRICAL DEVICES, APPLIANCES, AND EQUIPMENT USED BY THE DIVISION OF ADULT CORRECTION

SECTION 16C.4. G.S. 66-25 reads as rewritten:

"**§ 66-25. Acceptable listings as to safety of goods.**

~~(a)~~ All electrical materials, devices, appliances, and equipment shall be evaluated for safety and suitability for intended use. ~~Except as provided in subsection (b) of this section, this~~This evaluation shall be conducted in accordance with nationally recognized standards and shall be conducted by a qualified testing laboratory. The Commissioner of Insurance, through the Engineering Division of the Department of Insurance, shall implement the procedures necessary to approve suitable national standards and to approve suitable qualified testing laboratories. The Commissioner may assign his authority to implement the procedures for specific materials, devices, appliances, or equipment to other agencies or bodies when they would be uniquely qualified to implement those procedures.

In the event that the Commissioner determines that electrical materials, devices, appliances, or equipment in question cannot be adequately evaluated through the use of approved national standards or by approved qualified testing laboratories, the Engineering Division of the Department of Insurance shall specify any alternative evaluations which safety requires.

The Engineering Division of the Department of Insurance shall keep in file, where practical, copies of all approved national standards and resumes of approved qualified testing laboratories.

~~(b) Electrical devices, appliances, or equipment used by the Division of Adult Correction of the Department of Public Safety shall be evaluated for safety and suitability by~~

~~the Central Engineering Section of the Department of Public Safety. The evaluation shall be conducted in accordance with nationally recognized standards.~~"

MAINTENANCE OF PRISONS

SECTION 16C.5. Section 1.1 of S.L. 2011-412, as amended by Section 1.2 of S.L. 2011-412, reads as rewritten:

"**SECTION 1.1.** The Department of Public Safety shall study the potential benefits and costs of contracting for maintenance services at prison facilities and report its findings to the 2013 Session of the General Assembly. ~~The Department shall not expand private maintenance contracts to additional prison facilities unless authorized by the 2013 Session of the General Assembly.~~The Department may expand private maintenance contracts to additional prison facilities if it determines that savings can be realized by doing so and that safety can be maintained at those facilities. The Department shall report to the Joint Legislative Commission on Governmental Operations on the anticipated savings and on safety considerations prior to entering any prison maintenance contract under this section."

ADULT AND JUVENILE INMATE MEDICAL COSTS

SECTION 16C.6.(a) Section 16C.4(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 16C.4.(a)** The Department of Public Safety shall reimburse those providers and facilities providing approved inmate medical services outside the correctional or juvenile facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care."

SECTION 16C.6.(b) Section 19.6(c) of S.L. 2010-31 reads as rewritten:

"**SECTION 19.6.(c)** The ~~Department of Correction~~Department of Public Safety shall consult with the Division of Medical Assistance in the Department of Health and Human Services to develop protocols for prisoners and juveniles committed to the Department who would be eligible for Medicaid if they were not incarcerated to access Medicaid while in ~~custody or under extended limits of confinement.~~ custody, under extended limits of confinement, or committed to the Department. The Department shall seek reimbursement from Medicaid for those health care costs incurred by the Department in those instances when ~~an inmate's~~ the Medicaid eligibility of an inmate or of a juvenile held in secure custody or committed to the Department has been temporarily reinstated due to a hospitalization. ~~The Department of Correction shall also work with the Division of Medical Assistance to determine the feasibility of applying for a Medicaid waiver to cover the inmate population.~~"

REPORT ON TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION PROGRAM

SECTION 16C.7.(a) Section 16C.12 of S.L. 2013-360 is repealed.

SECTION 16C.7.(b) G.S. 143B-1155(c) reads as rewritten:

"(c) The Division of Adult Correction shall report by March 1 of each year to the Chairs of the ~~Senate and House of Representatives Appropriations Committees, the~~ Senate and House of Representatives Appropriations Subcommittees on Justice and Public ~~Safety,~~Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on the status of the

Treatment for Effective Community Supervision Program. The report shall include the following information:

(1) The dollar amount and purpose of funds provided on a contractual basis to service providers for the previous fiscal ~~year.~~year and the amount of any funds carried over from the previous fiscal year.

(2) An analysis of offender participation data received, including the following:

a. The number of people on probation and post-release supervision that are in the priority population that received services.

b. The number of people on probation and post-release supervision that are in the priority population that did not receive services.

c. The number of people on probation and post-release supervision outside of the priority population that received services.

d. The type of services provided to these ~~populations.~~populations, including data on each program's utilization, capacity, and completion rates.

e. The rate of revocations ~~and successful completions for~~and the educational progress and employment status of people who received services.

f. Other measures as determined appropriate.

(3) The dollar amount needed to provide additional services to meet the needs of the priority population in the upcoming budget year.

(4) Details of personnel, travel, contractual, operating, and equipment expenditures for each program type."

CLARIFY THE IMPOSITION OF CONFINEMENT IN RESPONSE TO VIOLATIONS

SECTION 16C.8.(a) G.S. 15A-1344(d2) reads as rewritten:

"(d2) Confinement in Response to Violation. – When a defendant under supervision for a felony conviction has violated a condition of probation other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), the court may impose a period of confinement of 90 consecutive ~~days.~~days, to be served in the custody of the Division of Adult Correction of the Department of Public Safety. The court may not revoke probation unless the defendant has previously received a total of two periods of confinement under this subsection. A defendant may receive only two periods of confinement under this subsection. ~~If~~The 90-day term of confinement ordered under this subsection for a felony shall not be reduced by credit for time already served in the case. Any such credit shall instead be applied to the suspended sentence. However, if the time remaining on the maximum imposed sentence on a defendant under supervision for a felony conviction is 90 days or less, then the term of confinement is for the remaining period of the sentence. Confinement under this section shall be credited pursuant to G.S. 15-196.1.

When a defendant under supervision for a misdemeanor conviction has violated a condition of probation other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), the court may impose a period of confinement of up to 90 consecutive ~~days.~~days, to be served where the defendant would have served an active sentence. The court may not revoke probation unless the defendant has previously received a total of two periods of confinement under this subsection. A defendant may receive only two periods of confinement under this subsection. Confinement under this section shall be credited pursuant to G.S. 15-196.1.

If a defendant is arrested for violation of a condition of probation and is lawfully confined to await a hearing for the violation, then the judge shall first credit any confinement time spent awaiting the hearing to any confinement imposed under this subsection; any excess time shall be credited to the activated sentence. The period of confinement imposed under this subsection on a defendant who is on probation for multiple offenses shall run concurrently on all cases

related to the violation. Confinement shall be immediate unless otherwise specified by the court.

A defendant shall serve any confinement imposed under this subsection in the correctional facility where the defendant would have served an active sentence."

SECTION 16C.8.(b) This section becomes effective October 1, 2014, and applies to probation violations occurring on or after that date.

PART XVII. DEPARTMENT OF JUSTICE

TRANSFER THE SBI AND THE ALCOHOL LAW ENFORCEMENT SECTION

SECTION 17.1.(a) The State Bureau of Investigation is hereby transferred to the Department of Public Safety as a new section within the Law Enforcement Division. This transfer shall have all of the elements of a Type I transfer, as described in G.S. 143A-6.

SBI TRANSFER – CREATION OF STATUTORY SUBPARTS

SECTION 17.1.(b) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart A. General Provisions."

SECTION 17.1.(c) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart B. State Capitol Police."

SECTION 17.1.(d) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart C. State Bureau of Investigation."

SBI TRANSFER – REPEAL OF CERTAIN STATUTES AND RECODIFICATION OF OTHER AFFECTED STATUTES

SECTION 17.1.(e) G.S. 114-13 is repealed.

SECTION 17.1.(f) G.S. 114-2.7 is recodified as G.S. 143B-901 under Subpart A of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (b) of this section.

SECTION 17.1.(g) G.S. 114-10 through G.S. 114-10.1 are recodified as G.S. 143B-902 through G.S. 143B-905 under Subpart A of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (b) of this section.

SECTION 17.1.(h) G.S. 143B-900 is recodified as G.S. 143B-911 under Subpart B of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (c) of this section.

SECTION 17.1.(i) The following statutes are recodified as G.S. 143B-915 through G.S. 143B-924 under Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (d) of this section: G.S. 114-12, 114-12.1, 114-14 through 114-15.3, and 114-17 through 114-18.

SECTION 17.1.(j) G.S. 114-19 is recodified as G.S. 143B-906 under Subpart A of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (b) of this section.

SECTION 17.1.(k) G.S. 114-19.01 is recodified as G.S. 143B-925 under Subpart C of Part 4 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (d) of this section.

SECTION 17.1.(l) All of Part 2 of Article 4 of Chapter 114 of the General Statutes, other than the section recodified by subsection (k) of this section, is recodified as Subpart D of Part 4 of Article 13 of Chapter 143B of the General Statutes, "Criminal History

Record Checks", G.S. 143B-930 through G.S. 143B-981. Statutory sections of the former statutes that were reserved for future codification shall have corresponding sections that are reserved for future codification in the recodified statutes.

SECTION 17.1.(m) Part 3 of Article 4 of Chapter 114 of the General Statutes is recodified as Subpart E of Part 4 of Article 13 of Chapter 143B of the General Statutes, "Protection of Public Officials", G.S. 143B-986 through G.S. 143B-987.

SBI TRANSFER – OTHER CHANGES

SECTION 17.1.(n) The following statutes, as recodified by subsections (f) through (m) of this section, as applicable, are amended by deleting the language "Department of Justice" wherever it appears and substituting "Department of Public Safety": G.S. 14-208.15A, 14-415.19, 15A-145, 15A-145.1, 15A-145.2, 15A-145.3, 15A-145.4(c) and (j), 15A-145.5(c), 15A-145.6(c), 15A-146, 18B-902, 19A-24, 48-3-309, 53-244.050, 58-71-51, 58-89A-60, 66-407, 70-13.1, 74C-8.1, 74D-2.1, 74F-18, 84-24, 85B-3.2, 90-11, 90-30, 90-85.15, 90-102.1, 90-113.5, 90-113.46A, 90-143.3, 90-171.48, 90-210.25, 90-224, 90-270.22, 90-270.26, 90-270.29A, 90-288.01, 90-622, 90-629, 90-629.1, 90-652, 90D-7, 93A-4, 95-47.2, 106-65.26, 110-90.2, 115C-238.73, 115C-332, 121-25.1, 143-166.13, 143-143.10A, 143B-916, 143B-930 through 143B-965, and 160A-304.

SECTION 17.1.(o) The following statutes, as recodified by subsections (f) through (m) of this section, as applicable, are amended by deleting the language "Attorney General" wherever it appears and substituting "Secretary of Public Safety": G.S. 15A-1475, 58-79-1 through 58-79-15, 58-79-25, 143B-921, and 163-278.

SECTION 17.1.(p) The following statutes, as recodified by subsections (f) through (m) of this section, as applicable, are amended by deleting the language "Division of Criminal Information" and "State Bureau of Investigation's Division of Criminal Information" wherever they appear and substituting "Department of Public Safety": G.S. 7B-2507, 15A-1340.14, 15A-1340.21, 20-26, 85B-3.2, 122C-80, 143B-935, 143B-943, 143B-954, and 143B-981.

SECTION 17.1.(q) The following statutes are amended by deleting the language "Division" wherever it appears and substituting "Department of Public Safety": G.S. 14-208.7, 14-208.8, 14-208.8A, 14-208.9, 14-208.9A, 14-208.12A, 14-208.15, 14-208.15A, 14-208.22, and 14-208.27. However, no substitution shall be made under this subsection to instances of the word "Division" that appear in the phrase "Division of Adult Correction."

SECTION 17.1.(r) G.S. 7A-349 reads as rewritten:

"**§ 7A-349. Criminal history record check; denial of employment, contract, or volunteer opportunity.**

The Judicial Department may deny employment, a contract, or a volunteer opportunity to any person who refuses to consent to a criminal history check authorized under ~~G.S. 114-19.19~~G.S. 143B-950 and may dismiss a current employee, terminate a contractor, or terminate a volunteer relationship if that employee, contractor, or volunteer refuses to consent to a criminal history record check authorized under ~~G.S. 114-19.19.~~G.S. 143B-950."

SECTION 17.1.(s) G.S. 7B-1904 reads as rewritten:

"**§ 7B-1904. Order for secure or nonsecure custody.**

The custody order shall be in writing and shall direct a law enforcement officer or other authorized person to assume custody of the juvenile and to make due return on the order. The official executing the order shall give a copy of the order to the juvenile's parent, guardian, or custodian. If the order is for nonsecure custody, the official executing the order shall also give a copy of the petition and order to the person or agency with whom the juvenile is being placed. If the order is for secure custody, copies of the petition and custody order shall accompany the juvenile to the detention facility or holdover facility of the jail. A message of ~~the Division of Criminal Information, State Bureau of Investigation,~~the Department of Public Safety stating

that a juvenile petition and secure custody order relating to a specified juvenile are on file in a particular county shall be authority to detain the juvenile in secure custody until a copy of the juvenile petition and secure custody order can be forwarded to the juvenile detention facility. The copies of the juvenile petition and secure custody order shall be transmitted to the detention facility no later than 72 hours after the initial detention of the juvenile.

An officer receiving an order for custody which is complete and regular on its face may execute it in accordance with its terms and need not inquire into its regularity or continued validity, nor does the officer incur criminal or civil liability for its execution."

SECTION 17.1.(t) G.S. 8-58.20(c) reads as rewritten:

"(c) The analyst who analyzes the forensic sample and signs the report shall complete an affidavit on a form developed by the ~~State Bureau of Investigation.~~State Crime Laboratory. In the affidavit, the analyst shall state (i) that the person is qualified by education, training, and experience to perform the analysis, (ii) the name and location of the laboratory where the analysis was performed, and (iii) that performing the analysis is part of that person's regular duties. The analyst shall also aver in the affidavit that the tests were performed pursuant to the accrediting body's standards for that discipline and that the evidence was handled in accordance with established and accepted procedures while in the custody of the laboratory. The affidavit shall be sufficient to constitute prima facie evidence regarding the person's qualifications. The analyst shall attach the affidavit to the laboratory report and shall provide the affidavit to the investigating officer and the district attorney in the prosecutorial district in which the criminal charges are pending. An affidavit by a forensic analyst sworn to and properly executed before an official authorized to administer oaths is admissible in evidence without further authentication in any criminal proceeding with respect to the forensic analysis administered and the procedures followed."

SECTION 17.1.(u) G.S. 14-16.9 reads as rewritten:

"**§ 14-16.9. Officers-elect to be covered.**

Any person who has been elected to any office covered by this Article but has not yet taken the oath of office shall be considered to hold the office for the purpose of this Article and ~~G.S. 114-15.~~G.S. 143B-919."

SECTION 17.1.(v) G.S. 14-132(c)(3) reads as rewritten:

"(3) Designated by the ~~Attorney General~~Secretary of Public Safety in accordance with ~~G.S. 114-20.1.~~G.S. 143B-987."

SECTION 17.1.(w) G.S. 14-208.6 reads as rewritten:

"**§ 14-208.6. Definitions.**

The following definitions apply in this Article:

...

(1c) ~~"Division"~~"Department" means the ~~Division of Criminal Information of the Department of Justice.~~Department of Public Safety.

...

(8) "Statewide registry" means the central registry compiled by the ~~Division~~ Department in accordance with G.S. 14-208.14.

...."

SECTION 17.1.(x) G.S. 14-208.13 reads as rewritten:

"**§ 14-208.13. File with ~~Police~~ Criminal Information Network.**

(a) The ~~Division~~ Department of Public Safety shall include the registration information in the ~~Police~~ Criminal Information Network as set forth in ~~G.S. 114-10.1.~~G.S. 143B-905.

(b) The ~~Division~~ Department of Public Safety shall maintain the registration information permanently even after the registrant's reporting requirement expires."

SECTION 17.1.(y) G.S. 14-208.14 reads as rewritten:

"**§ 14-208.14. Statewide registry; ~~Division of Criminal Statistics~~Department of Public Safety designated custodian of statewide registry.**

(a) The ~~Division of Criminal Statistics~~ Department of Public Safety shall compile and keep current a central statewide sex offender registry. The ~~Division~~Department is the State agency designated as the custodian of the statewide registry. As custodian the ~~Division~~ Department has the following responsibilities:

(1) To receive from the sheriff or any other law enforcement agency or penal institution all sex offender registrations, changes of address, changes of academic or educational employment status, and prerelease notifications required under this Article or under federal law. The ~~Division~~Department shall also receive notices of any violation of this Article, including a failure to register or a failure to report a change of address.

(2) To provide all need-to-know law enforcement agencies (local, State, campus, federal, and those located in other states) immediately upon receipt by the ~~Division~~Department of any of the following: registration information, a prerelease notification, a change of address, a change of academic or educational employment status, or notice of a violation of this Article.

(2a) To notify the appropriate law enforcement unit at an institution of higher education as soon as possible upon receipt by the ~~Division~~Department of relevant information based on registration information or notice of a change of academic or educational employment status. If an institution of higher education does not have a law enforcement unit, then the ~~Division~~Department shall provide the information to the local law enforcement agency that has jurisdiction for the campus.

(3) To coordinate efforts among law enforcement agencies and penal institutions to ensure that the registration information, changes of address, change of name, prerelease notifications, and notices of failure to register or to report a change of address are conveyed in an appropriate and timely manner.

(4) To provide public access to the statewide registry in accordance with this Article.

(4a) To maintain the system for public access so that a registrant's full name, any aliases, and any legal name changes are cross-referenced and a member of the public may conduct a search of the system for a registrant under any of those names.

(5) To maintain a system allowing an entity to access a list of online identifiers of persons in the central sex offender registry.

(b) The statewide registry shall include the following:

(1) Registration information obtained by a sheriff or penal institution under this Article or from any other local or State law enforcement agency.

(2) Registration information received from a state or local law enforcement agency or penal institution in another state.

(3) Registration information received from a federal law enforcement agency or penal institution."

SECTION 17.1.(z) G.S. 14-208.31 reads as rewritten:

"**§ 14-208.31. File with ~~Police~~ Criminal Information Network.**

(a) The ~~Division~~ Department of Public Safety shall include the registration information in the ~~Police~~ Criminal Information Network as set forth in ~~G.S. 114-10.1~~G.S. 143B-905.

(b) The ~~Division~~ Department of Public Safety shall maintain the registration information permanently even after the registrant's reporting requirement expires; however, the

records shall remain confidential in accordance with Article 32 of Chapter 7B of the General Statutes."

SECTION 17.1.(aa) G.S. 14-415.4(d)(5) reads as rewritten:

"(5) The petitioner submits his or her fingerprints to the sheriff of the county in which the petitioner resides for a criminal background check pursuant to ~~G.S. 114-19.28.~~G.S. 143B-959."

SECTION 17.1.(bb) G.S. 15A-266.2(4) reads as rewritten:

"(4) 'DNA Sample' means blood, cheek swabs, or any biological sample containing cells provided by any person with respect to offenses covered by this Article or submitted to the ~~State Bureau of Investigation~~State Crime Laboratory pursuant to this Article for analysis pursuant to a criminal investigation or storage or both."

SECTION 17.1.(cc) G.S. 15A-1341(d) reads as rewritten:

"(d) Search of Sex Offender Registration Information Required When Placing a Defendant on Probation. – When the court places a defendant on probation, the probation officer assigned to the defendant shall conduct a search of the defendant's name or other identifying information against the registration information regarding sex offenders compiled by the ~~Division of Criminal Statistics of the Department of Justice~~Department of Public Safety in accordance with Article 27A of Chapter 14 of the General Statutes. The probation officer may conduct the search using the Internet site maintained by the ~~Division of Criminal Statistics.~~Department of Public Safety."

SECTION 17.1.(dd) G.S. 15A-298 reads as rewritten:

"**§ 15A-298. Subpoena authority.**

Pursuant to rules issued by the ~~Attorney General,~~Department of Public Safety, the Director of the State Bureau of Investigation or the Director's designee may issue an administrative subpoena to a communications common carrier or an electronic communications service to compel production of business records if the records:

(1) Disclose information concerning local or long-distance toll records or subscriber information; and

(2) Are material to an active criminal investigation being conducted by the State Bureau of Investigation."

SECTION 17.1.(ee) G.S. 18C-151(a)(3) reads as rewritten:

"(3) All proposals shall be accompanied by a bond or letter of credit in an amount equal to not less than five percent (5%) of the proposal and the fee to cover the cost of the criminal record check conducted under ~~G.S. 114-19.6.~~G.S. 143B-935."

SECTION 17.1.(ff) G.S. 74F-6(16) reads as rewritten:

"(16) Request that the ~~Department of Justice~~Department of Public Safety conduct criminal history record checks of applicants for licensure and apprenticeships pursuant to ~~G.S. 114-19.15.~~G.S. 143B-946."

SECTION 17.1.(gg) G.S. 90-113.33(10) reads as rewritten:

"(10) Request that the ~~Department of Justice~~Department of Public Safety conduct criminal history record checks of applicants for registration, certification, or licensure pursuant to ~~G.S. 114-19.11A.~~G.S. 143B-941."

SECTION 17.1.(hh) G.S. 90-171.23(b)(19) reads as rewritten:

"(19) Request that the ~~Department of Justice~~Department of Public Safety conduct criminal history record checks of applicants for licensure pursuant to ~~G.S. 114-19.11.~~G.S. 143B-940."

SECTION 17.1.(ii) G.S. 90-270.63(b) reads as rewritten:

"(b) The Board may request that an applicant for licensure, an applicant seeking reinstatement of a license, or a licensee under investigation by the Board for alleged criminal offenses in violation of this Article consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny licensure to an applicant, deny reinstatement of a license to an applicant, or revoke the license of a licensee. The Board shall ensure that the State and national criminal history of an applicant is checked. The Board shall be responsible for providing to the North Carolina ~~Department of Justice~~Department of Public Safety the fingerprints of the applicant or licensee to be checked, a form signed by the applicant or licensee consenting to the criminal history record check and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories, and any additional information required by the ~~Department of Justice~~Department of Public Safety in accordance with ~~G.S. 114-19.27.~~G.S. 143B-958. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the ~~Department of Justice~~ Department of Public Safety and shall remit the fees to the ~~Department of Justice~~Department of Public Safety for expenses associated with conducting the criminal history record check."

SECTION 17.1.(jj) G.S. 90-345(b) reads as rewritten:

"(b) The Board may request that an applicant for licensure, an applicant seeking reinstatement of a license, or a licensee under investigation by the Board for alleged criminal offenses in violation of this Article consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny licensure to an applicant, deny reinstatement of a license to an applicant, or revoke the license of a licensee. The Board shall ensure that the State and national criminal history of an applicant is checked. The Board shall be responsible for providing to the North Carolina ~~Department of Justice~~Department of Public Safety the fingerprints of the applicant or licensee to be checked, a form signed by the applicant or licensee consenting to the criminal record check and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories, and any additional information required by the ~~Department of Justice~~Department of Public Safety in accordance with ~~G.S. 114-19.26.~~G.S. 143B-957. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the ~~Department of Justice~~Department of Public Safety and shall remit the fees to the ~~Department of Justice~~Department of Public Safety for expenses associated with conducting the criminal history record check."

SECTION 17.1.(kk) G.S. 93E-1-6(c1) reads as rewritten:

"(c1) The Board shall also make an investigation as it deems necessary into the background of the applicant to determine the applicant's qualifications with due regard to the paramount interest of the public as to the applicant's competency, honesty, truthfulness, and integrity. All applicants shall consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny an application. The Board shall ensure that the State and national criminal history of an applicant is checked. The Board shall be responsible for providing to the North Carolina ~~Department of Justice~~Department of Public Safety the fingerprints of the applicant to be checked, a form signed by the applicant consenting to the criminal history record check, and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories and any additional information required by the ~~Department of Justice~~ Department of Public Safety in accordance with ~~G.S. 114-19.30.~~G.S. 143B-961. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the ~~Department of Justice~~Department of Public Safety and shall remit the fees to the ~~Department of Justice~~Department of Public Safety for expenses associated with conducting the criminal history record check."

SECTION 17.1.(ll) G.S. 93E-2-11(b) reads as rewritten:

"(b) The Board may require that an applicant for registration as an appraisal management company or a registrant consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny registration to an applicant or registrant. The Board shall ensure that the State and national criminal history of an applicant or registrant is checked. The Board shall be responsible for providing to the North Carolina ~~Department of Justice~~Department of Public Safety the fingerprints of the applicant or registrant to be checked, a form signed by the applicant or registrant consenting to the criminal record check and the use of fingerprints and other identifying information required by the State or National Repositories of Criminal Histories, and any additional information required by the ~~Department of Justice~~Department of Public Safety in accordance with ~~G.S. 114-19.30.~~G.S. 143B-961. The Board shall keep all information obtained pursuant to this section confidential. The Board shall collect any fees required by the ~~Department of Justice~~Department of Public Safety and shall remit the fees to the ~~Department of Justice~~Department of Public Safety for expenses associated with conducting the criminal history record check."

SECTION 17.1.(mm) G.S. 101-5 reads as rewritten:

"**§ 101-5. Name change application requirements; grounds for clerk to order or deny name change; certificate and record.**

...

(e) The clerk shall forward the order granting the name change to:

...

(2) The ~~Division of Criminal Information at the State Bureau of Investigation,~~Department of Public Safety, which shall update its records to show the name change.

...

(g) Upon information obtained by the clerk of fraud or material misrepresentation in the application for a name change, the clerk on his or her own motion may set aside the order granting the name change after notice to the applicant and opportunity to be heard. If the clerk sets aside the name change order, the clerk shall notify the State Registrar of Vital Statistics and the ~~Division of Criminal Information.~~Department of Public Safety."

SECTION 17.1.(nn) G.S. 110-90.2(g), as rewritten by subsection (n) of this section, reads as rewritten:

"(g) The child care provider shall pay the cost of the fingerprinting and the federal criminal history record check in accordance with ~~G.S. 114-19.5.~~G.S. 143B-934. The Department of Public Safety shall perform the State criminal history record check. The Department of Health and Human Services shall pay for and conduct the county criminal history record check. Child care providers who reside outside the State bear the cost of the county criminal history record check and shall provide the county criminal history record check to the Division of Child Development as required by this section."

SECTION 17.1.(oo) G.S. 113-172(a) reads as rewritten:

"(a) The Secretary shall designate license agents for the Department. The Division and license agents designated by the Secretary under this section shall issue licenses authorized under this Article in accordance with this Article and the rules of the Commission. The Secretary may require license agents to enter into a contract that provides for their duties and compensation, post a bond, and submit to reasonable inspections and audits. If a license agent violates any provision of this Article, the rules of the Commission, or the terms of the contract, the Secretary may initiate proceedings for the forfeiture of the license agent's bond and may summarily suspend, revoke, or refuse to renew a designation as a license agent and may impound or require the return of all licenses, moneys, record books, reports, license forms and

other documents, ledgers, and materials pertinent or apparently pertinent to the license agency. The Secretary shall report evidence or misuse of State property, including license fees, by a license agent to the State Bureau of Investigation as provided by ~~G.S. 114-15.1.~~G.S. 143B-920."

SECTION 17.1.(pp) G.S. 114-2.7, as recodified as G.S. 143B-901 by subsection (f) of this section, reads as rewritten:

"**§ 143B-901. Reporting system and database on certain domestic-violence-related homicides; reports by law enforcement agencies required; annual report to the General Assembly.**

The ~~Attorney General's Office,~~Department of Public Safety, in consultation with the North Carolina Council for Women/Domestic Violence Commission, the North Carolina Sheriffs' Association, and the North Carolina Association of Chiefs of Police, shall develop a reporting system and database that reflects the number of homicides in the State where the offender and the victim had a personal relationship, as defined by G.S. 50B-1(b). The information in the database shall also include the type of personal relationship that existed between the offender and the victim, whether the victim had obtained an order pursuant to G.S. 50B-3, and whether there was a pending charge for which the offender was on pretrial release pursuant to G.S. 15A-534.1. All State and local law enforcement agencies shall report information to the ~~Attorney General's Office~~Department of Public Safety upon making a determination that a homicide meets the reporting system's criteria. The report shall be made in the format adopted by the ~~Attorney General's Office.~~Department of Public Safety. The ~~Attorney General's Office~~ Department of Public Safety shall report to the ~~Joint Legislative Committee on Domestic Violence,~~Joint Legislative Oversight Committee on Justice and Public Safety, no later than February 1 of each year, with the data collected for the previous calendar year."

SECTION 17.1.(qq) G.S. 114-10, as recodified as G.S. 143B-902 by subsection (g) of this section, reads as rewritten:

"**§ 143B-902. ~~Division of Criminal Information.~~Powers and duties of the Department of Public Safety with respect to criminal information.**

~~The Attorney General shall set up in the Department of Justice a division to be designated as the Division of Criminal Information. There shall be assigned to this Division by the Attorney General duties as follows:~~In addition to its other duties, it shall be the duty of the Department of Public Safety to do all of the following:

...

(2) To collect, correlate, and maintain access to information that will assist in the performance of duties required in the administration of criminal justice throughout the State. This information may include, but is not limited to, motor vehicle registration, drivers' licenses, wanted and missing persons, stolen property, warrants, stolen vehicles, firearms registration, sexual offender registration as provided under Article 27A of Chapter 14 of the General Statutes, drugs, drug users and parole and probation histories. In performing this function, the ~~Division~~Department may arrange to use information available in other agencies and units of State, local and federal government, but shall provide security measures to insure that such information shall be made available only to those whose duties, relating to the administration of justice, require such information.

...

~~(5) To perform such other duties as may be from time to time prescribed by the Attorney General.~~

(6) To promulgate rules and regulations for the administration of this Article."

SECTION 17.1.(rr) G.S. 114-10.01, as recodified as G.S. 143B-903 by subsection (g) of this section, reads as rewritten:

"**§ 143B-903. Collection of traffic law enforcement statistics.**

(a) ~~In addition to the duties set forth in G.S. 114-10, the Division of Criminal Information~~ In addition to its other duties, the Department of Public Safety shall collect, correlate, and maintain the following information regarding traffic law enforcement by law enforcement officers:

...

(b) For purposes of this section, "law enforcement officer" means any of the following:

(1) All State law enforcement officers.

(2) Law enforcement officers employed by county sheriffs or county police departments.

(3) Law enforcement officers employed by police departments in municipalities with a population of 10,000 or more persons.

(4) Law enforcement officers employed by police departments in municipalities employing five or more full-time sworn officers for every 1,000 in population, as calculated by the ~~Division~~Department for the calendar year in which the stop was made.

...

(d) Each law enforcement officer making a stop covered by subdivision (1) of subsection (a) of this section shall be assigned an anonymous identification number by the officer's employing agency. The anonymous identifying number shall be public record and shall be reported to the ~~Division~~Department to be correlated along with the data collected under subsection (a) of this section. The correlation between the identification numbers and the names of the officers shall not be a public record, and shall not be disclosed by the agency except when required by order of a court of competent jurisdiction to resolve a claim or defense properly before the court.

(d1) Any agency subject to the requirements of this section shall submit information collected under subsection (a) of this section to the ~~Division~~Department within 60 days of the close of each month. Any agency that does not submit the information as required by this subsection shall be ineligible to receive any law enforcement grants available by or through the State until the information which is reasonably available is submitted.

(e) The ~~Division~~Department shall publish and distribute by December 1 of each year a list indicating the law enforcement officers that will be subject to the provisions of this section during the calendar year commencing on the following January 1."

SECTION 17.1.(ss) G.S. 114-10.02, as recodified as G.S. 143B-904 by subsection (g) of this section, reads as rewritten:

"**§ 143B-904. Collection of statistics on the use of deadly force by law enforcement officers.**

(a) In addition to ~~the duties set forth in G.S. 114-10, the Division of Criminal Information~~its other duties, the Department of Public Safety shall collect, maintain, and annually publish the number of deaths, by law enforcement agency, resulting from the use of deadly force by law enforcement officers in the course and scope of their official duties.

(b) For purposes of this section, "law enforcement officer" means sworn law enforcement officers with the power of arrest, both State and local."

SECTION 17.1.(tt) G.S. 114-10.1, as recodified as G.S. 143B-905 by subsection (g) of this section, reads as rewritten:

"**§ 143B-905. ~~Police~~ Criminal Information Network.**

(a) The ~~Division of Criminal Information~~Department of Public Safety is authorized to establish, devise, maintain and operate a system for receiving and disseminating to participating

agencies information collected, maintained and correlated under authority of ~~G.S. 114-10 of this Article.~~G.S. 143B-902. The system shall be known as the ~~Division of~~ Criminal Information Network.

(b) The ~~Division of Criminal Information~~ Department of Public Safety is authorized to cooperate with the Division of Motor Vehicles, Department of Administration, ~~the Department of Public Safety,~~ and other State, local and federal agencies and organizations in carrying out the purpose and intent of this section, and to utilize, in cooperation with other State agencies and to the extent as may be practical, computers and related equipment as may be operated by other State agencies.

(c) The ~~Division of Criminal Information,~~Department of Public Safety, after consultation with participating agencies, shall adopt rules and regulations governing the organization and administration of the ~~Division of~~ Criminal Information Network, including rules and regulations governing the types of information relating to the administration of criminal justice to be entered into the system, and who shall have access to such information. The rules and regulations governing access to the ~~Division of~~ Criminal Information Network shall not prohibit an attorney who has entered a criminal proceeding in accordance with G.S. 15A-141 from obtaining information relevant to that criminal proceeding. The rules and regulations governing access to the ~~Division of~~ Criminal Information Network shall not prohibit an attorney who represents a person in adjudicatory or dispositional proceedings for an infraction from obtaining the person's driving record or criminal history.

(d) ~~The Division of Criminal Information may impose an initial set up fee of two thousand six hundred fifty dollars ($2,650) for agencies to participate in the Division of Criminal Information Network. This one time fee shall be used to offset the cost of the router and data circuit needed to access the Network.~~

The ~~Division of Criminal Information~~ Department may ~~also~~ impose monthly fees on participating agencies. The monthly fees collected under this subsection shall be used to offset the cost of operating and maintaining the ~~Police~~ Criminal Information ~~Network~~Network.

(1) The ~~Division of Criminal Information~~Department may impose a monthly circuit fee on agencies that access the ~~Division of~~ Criminal Information Network through a circuit maintained and operated by the ~~Department of Justice.~~Department of Public Safety. The amount of the monthly fee is three hundred dollars ($300.00) plus an additional fee amount for each device linked to the Network. The additional fee amount varies depending upon the type of device. For a desktop device after the first seven desktop devices, the additional monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the additional monthly fee is twelve dollars ($12.00) per device.

(2) The ~~Division of Criminal Information~~Department may impose a monthly device fee on agencies that access the ~~Police~~ Criminal Information Network through some other approved means. The amount of the monthly device fee varies depending upon the type of device. For a desktop device, the monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the fee is twelve dollars ($12.00) per device."

SECTION 17.1.(uu) G.S. 114-12, as recodified as G.S. 143B-915 by subsection (i) of this section, reads as rewritten:

"**§ 143B-915. Bureau of Investigation created; powers and duties.**

In order to secure a more effective administration of the criminal laws of the State, to prevent crime, and to procure the speedy apprehension of criminals, the ~~Attorney General~~Secretary of Public Safety shall set up in the Division of Law Enforcement of the Department of ~~Justice~~ Public Safety a ~~division~~ section to be designated as the State Bureau of

Investigation. The ~~Division~~ Section shall have charge of and administer the agencies and activities herein set up for the identification of criminals, for their apprehension, and investigation and preparation of evidence to be used in criminal courts; and the said Bureau shall have charge of investigation of criminal matters herein especially mentioned, and of such other crimes and criminal procedure as the Governor may direct.

In the personnel of the Bureau shall be included a sufficient number of persons of training and skill in the investigation of crime and in the preparation of evidence as to be of service to local enforcement officers, under the direction of the Governor, in criminal matters of major importance.

~~The State radio system shall be made available to the Bureau Laboratory for use in its work.~~"

SECTION 17.1.(vv) G.S. 114-14, as recodified as G.S. 143B-917 by subsection (i) of this section, reads as rewritten:

"**§ 143B-917. General powers and duties of ~~Director and assistants.~~law enforcement officers of the State Bureau of Investigation.**

~~The Director of the Bureau and his assistants~~Sworn law enforcement officers of the State Bureau of Investigation are given the same power of arrest as is now vested in the sheriffs of the several counties, and their jurisdiction shall be statewide. ~~The Director of the Bureau and his assistants~~ Sworn law enforcement officers of the Bureau shall, at the request of the Governor, give assistance to sheriffs, police officers, district attorneys, and judges when called upon by them and so directed. ~~They shall also give assistance, when requested, to the Department of Public Safety in the investigation of cases pending before the parole office and of complaints lodged against parolees, when so directed by the Governor.~~"

SECTION 17.1.(ww) G.S. 114-15, as recodified as G.S. 143B-919 by subsection (i) of this section, reads as rewritten:

"**§ 143B-919. Investigations of lynchings, election frauds, etc.; services subject to call of Governor; witness fees and mileage for ~~Director and assistants.~~employees.**

(a) The Bureau shall, ~~through its Director and~~ upon request of the Governor, investigate and prepare evidence in the event of any lynching or mob violence in the State; shall investigate all cases arising from frauds in connection with elections when requested to do so by the Board of Elections, and when so directed by the Governor. Such investigation, however, shall in nowise interfere with the power of the Attorney General to make such investigation as the Attorney General is authorized to make under the laws of the State. The Bureau is authorized further, at the request of the Governor, to investigate cases of frauds arising under the Social Security Laws of the State, of violations of the gaming laws, and lottery laws, and matters of similar kind when called upon by the Governor so to do. In all such cases it shall be the duty of the Department to keep such records as may be necessary and to prepare evidence in the cases investigated, for the use of enforcement officers and for the trial of causes. The services of ~~the Director of the Bureau, and of the Director's assistants,~~employees of the Bureau may be required by the Governor in connection with the investigation of any crime committed anywhere in the State when called upon by the enforcement officers of the State, and when, in the judgment of the Governor, such services may be rendered with advantage to the enforcement of the criminal law. The State Bureau of Investigation is hereby authorized to investigate without request the attempted arson of, or arson of, damage of, theft from, or theft of, or misuse of, any State-owned personal property, buildings, or other real property or any assault upon or threats against any legislative officer named in G.S. 147-2(1), (2), or (3), any executive officer named in G.S. 147-3(c), or any court officer as defined in G.S. 14-16.10(1).

(a1) The Bureau also is authorized at the request of the Governor to conduct a background investigation on a person that the Governor plans to nominate for a position that must be confirmed by the General Assembly, the Senate, or the House of Representatives. The

background investigation of the proposed nominee shall be limited to an investigation of the person's criminal record, educational background, employment record, records concerning the listing and payment of taxes, and credit record, and to a requirement that the person provide the information contained in the statements of economic interest required to be filed by persons subject to Chapter 138A of the General Statutes. The Governor must give the person being investigated written notice that the Governor intends to request a background investigation at least 10 days prior to the date that the Governor requests the State Bureau of Investigation to conduct the background investigation. The written notice shall be sent by regular mail, and there is created a rebuttable presumption that the person received the notice if the Governor has a copy of the notice.

...

(c) All records and evidence collected and compiled by ~~the Director of the Bureau and his assistants~~employees of the Bureau shall, upon request, be made available to the district attorney of any district if the same concerns persons or investigations in his district.

(d) In all cases where the cost is assessed against the defendant and paid by him, there shall be assessed in the bill of cost, mileage and witness fees to ~~the Director and any of his assistants~~ any employees of the Bureau who are witnesses in cases arising in courts of this State. The fees so assessed, charged and collected shall be forwarded by the clerks of the court to the Treasurer of the State of North Carolina, and there credited to the Bureau of Identification and Investigation Fund."

SECTION 17.1.(xx) G.S. 114-19.1(d), as recodified by subsection (l) of this section, reads as rewritten:

"(d) Nothing in this section shall be construed as enlarging any right to receive any record of the State Bureau of Investigation. Such rights are and shall be controlled by ~~G.S. 114-15, G.S. 114-19, G.S.~~G.S. 143B-919, 143B-906, 120-19.4A, and other applicable statutes."

SECTION 17.1.(yy) G.S. 114-19.6(b), as recodified by subsection (l) of this section and rewritten by subsection (o) of this section, reads as rewritten:

"(b) When requested by the Department of Health and Human Services or the Division of Juvenile Justice of the Department of Public Safety, the North Carolina Department of Public Safety may provide to the requesting department or division a covered person's criminal history from the State Repository of Criminal Histories. Such requests shall not be due to a person's age, sex, race, color, national origin, religion, creed, political affiliation, or handicapping condition as defined by G.S. 168A-3. For requests for a State criminal history record check only, the requesting department or division shall provide to the Department of Public Safety a form consenting to the check signed by the covered person to be checked and any additional information required by the Department of Public Safety. National criminal record checks are authorized for covered applicants who have not resided in the State of North Carolina during the past five years. For national checks the Department of Health and Human Services or the Division of Juvenile Justice of the Department of Public Safety shall provide to the North Carolina Department of Public Safety the fingerprints of the covered person to be checked, any additional information required by the Department of Public Safety, and a form signed by the covered person to be checked consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the State or National Repositories. The fingerprints of the individual shall be forwarded to the State Bureau of Investigation for a search of the State criminal history record file and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Department of Health and Human Services and the Division of Juvenile Justice of the Department of Public Safety shall keep all information

pursuant to this section confidential. The Department of Public Safety shall charge a reasonable fee for conducting the checks of the criminal history records authorized by this section."

SECTION 17.1.(zz) G.S. 114-20, as recodified as G.S. 143B-986 by subsection (m) of this section, reads as rewritten:

"**§ 143B-986. Authority to provide protection to certain public officials.**

The North Carolina State Bureau of Investigation is authorized to provide protection to public officials who request it, and who, in the discretion of the Director of the Bureau with the approval of the Attorney General, demonstrate a need for such protection. The bureau shall not provide protection for any individual other than the Governor for a period greater than 30 days without review and reapproval by the ~~Attorney General.~~Secretary of Public Safety. This review and reapproval shall be required at the end of each 30-day period."

SECTION 17.1.(aaa) G.S. 114-20.1, as recodified as G.S. 143B-987 by subsection (m) of this section, reads as rewritten:

"**§ 143B-987. Authority to designate areas for protection of public officials.**

(a) The ~~Attorney General~~Secretary of Public Safety is authorized to designate buildings and grounds which constitute temporary residences or temporary offices of any public official being protected under authority of ~~G.S. 114-20,~~G.S. 143B-986, or any area that will be visited by any such official, a public building or facility during the time of such use.

(b) The ~~Attorney General or the Director of the State Bureau of Investigation~~Secretary of Public Safety may, with the consent of the official to be protected, make rules governing ingress to or egress from such buildings, grounds or areas designated under this section."

SECTION 17.1.(bbb) G.S. 122C-80 reads as rewritten:

"**§ 122C-80. Criminal history record check required for certain applicants for employment.**

...

(b) Requirement. – An offer of employment by a provider licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned on consent to a State and national criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. A provider shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Except as otherwise provided in this subsection, within five business days of making the conditional offer of employment, a provider shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-939 to conduct a criminal history record check required by this section or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the provider as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the provider. Providers shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. A county that has adopted an appropriate local ordinance and has access to the Division of Criminal Information data bank may conduct on behalf of a provider a

State criminal history record check required by this section without the provider having to submit a request to the Department of Justice. In such a case, the county shall commence with the State criminal history record check required by this section within five business days of the conditional offer of employment by the provider. All criminal history information received by the provider is confidential and may not be disclosed, except to the applicant as provided in subsection (c) of this section. For purposes of this subsection, the term "private entity" means a business regularly engaged in conducting criminal history record checks utilizing public records obtained from a State agency.

...

(g) Conditional Employment. – A provider may employ an applicant conditionally prior to obtaining the results of a criminal history record check regarding the applicant if both of the following requirements are met:

(1) The provider shall not employ an applicant prior to obtaining the applicant's consent for criminal history record check as required in subsection (b) of this section or the completed fingerprint cards as required in ~~G.S. 114-19.10.~~G.S. 143B-939.

(2) The provider shall submit the request for a criminal history record check not later than five business days after the individual begins conditional employment."

SECTION 17.1.(ccc) G.S. 122C-205(c) reads as rewritten:

"(c) Upon receipt of notice of an escape or breach of a condition of release as described in subsections (a) and (b) of this section, an appropriate law enforcement officer shall take the client into custody and have the client returned to the 24-hour facility from which the client has escaped or has been conditionally released. Transportation of the client back to the 24-hour facility shall be provided in the same manner as described in G.S. 122C-251 and G.S. 122C-408(b). Law enforcement agencies who are notified of a client's escape or breach of conditional release shall be notified of the client's return by the responsible 24-hour facility. Under the circumstances described in this section, the initial notification by the 24-hour facility of the client's escape or breach of conditional release shall be given by telephone communication to the appropriate law enforcement agency or agencies and, if available and appropriate, by ~~Division of Criminal Information (DCI)~~Department of Public Safety message to any law enforcement agency in or out of state and by entry into the National Crime Information Center (NCIC) telecommunications system. As soon as reasonably possible following notification, written authorization to take the client into custody shall also be issued by the 24-hour facility. Under this section, law enforcement officers shall have the authority to take a client into custody upon receipt of the telephone notification or ~~Division of Criminal Information~~Department of Public Safety message prior to receiving written authorization. The notification of a law enforcement agency does not, in and of itself, render this information public information within the purview of Chapter 132 of the General Statutes. However, the responsible law enforcement agency shall determine the extent of disclosure of personal identifying and background information reasonably necessary, under the circumstances, in order to assure the expeditious return of a client to the 24-hour facility involved and to protect the general public and is authorized to make such disclosure. The responsible law enforcement agency may also place any appropriate message or entry into either the ~~Division of Criminal Information System~~Department of Public Safety's Criminal Information System or National Crime Information System, or both, as appropriate."

SECTION 17.1.(ddd) G.S. 131D-10.3A reads as rewritten:

"**§ 131D-10.3A. Mandatory criminal checks.**

...

(d) The ~~Department of Justice~~Department of Public Safety shall provide to the Department the criminal history of the individuals specified in subsection (a) of this section obtained from the State and National Repositories of Criminal Histories as requested by the Department. The Department shall provide to the ~~Department of Justice,~~Department of Public Safety, along with the request, the fingerprints of the individual to be checked, any additional information required by the ~~Department of Justice,~~Department of Public Safety, and a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the State or National Repositories signed by the individual to be checked. The fingerprints of the individual to be checked shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check.

...

(i) The ~~Department of Justice~~Department of Public Safety shall perform the State and national criminal history checks on individuals required by this section and shall charge the Department a reasonable fee only for conducting the checks of the national criminal history records authorized by this section. The Division of Social Services, Department of Health and Human Services, shall bear the costs of implementing this section."

SECTION 17.1.(eee) G.S. 131D-40 reads as rewritten:

"**§ 131D-40. Criminal history record checks required for certain applicants for employment.**

(a) Requirement; Adult Care Home. – An offer of employment by an adult care home licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned on consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. An adult care home shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, an adult care home shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-939 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the adult care home as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the adult care home. Adult care homes shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the home is confidential and may not be disclosed, except to the applicant as provided in subsection (b) of this section.

(a1) Requirement; Contract Agency of Adult Care Home. – An offer of employment by a contract agency of an adult care home licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned upon

consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. A contract agency of an adult care home shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, a contract agency of an adult care home shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-939 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the contract agency of the adult care home as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the contract agency of the adult care home. Contract agencies of adult care homes shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the contract agency is confidential and may not be disclosed, except to the applicant as provided by subsection (b) of this section.

...

(f) Conditional Employment. – An adult care home may employ an applicant conditionally prior to obtaining the results of a criminal history record check regarding the applicant if both of the following requirements are met:

(1) The adult care home shall not employ an applicant prior to obtaining the applicant's consent for a criminal history record check as required in subsection (a) of this section or the completed fingerprint cards as required in ~~G.S. 114-19.10.~~G.S. 143B-939.

(2) The adult care home shall submit the request for a criminal history record check not later than five business days after the individual begins conditional employment.

...."

SECTION 17.1.(fff) G.S. 131E-159(g) reads as rewritten:

"(g) An individual who applies for EMS credentials, seeks to renew EMS credentials, or holds EMS credentials is subject to a criminal background review by the Department. At the request of the Department, the Emergency Medical Services Disciplinary Committee, established by G.S. 143-519, shall review criminal background information and make a recommendation regarding the eligibility of an individual to obtain initial EMS credentials, renew EMS credentials, or maintain EMS credentials. The Department and the Emergency Medical Services Disciplinary Committee shall keep all information obtained pursuant to this subsection confidential. The Medical Care Commission shall adopt rules to implement the provisions of this subsection, including rules to establish a reasonable fee to offset the actual costs of criminal history information obtained pursuant to ~~G.S. 114-19.21.~~G.S. 143B-952."

SECTION 17.1.(ggg) G.S. 131E-265 reads as rewritten:

"§ 131E-265. Criminal history record checks required for certain applicants for employment.

(a) Requirement; Nursing Home or Home Care Agency. – An offer of employment by a nursing home licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned on consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant. An offer of employment by a home care agency licensed under this Chapter to an applicant to fill a position that requires entering the patient's home is conditioned on consent to a criminal history record check of the applicant. In addition, employment status change of a current employee of a home care agency licensed under this Chapter from a position that does not require entering the patient's home to a position that requires entering the patient's home shall be conditioned on consent to a criminal history record check of that current employee. If the applicant for employment or if the current employee who is changing employment status has been a resident of this State for less than five years, then the offer of employment or change in employment status is conditioned on consent to a State and national criminal history record check. The national criminal history record check shall include a check of the applicant's or current employee's fingerprints. If the applicant or current employee has been a resident of this State for five years or more, then the offer is conditioned on consent to a State criminal history record check of the applicant or current employee applying for a change in employment status. A nursing home or a home care agency shall not employ an applicant who refuses to consent to a criminal history record check required by this section. In addition, a home care agency shall not change a current employee's employment status from a position that does not require entering the patient's home to a position that requires entering the patient's home who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, a nursing home or home care agency shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114.19.10~~G.S. 143B-939 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the nursing home or home care agency as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the nursing home or home care agency. Nursing homes and home care agencies shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the home or agency is confidential and may not be disclosed, except to the applicant as provided in subsection (b) of this section.

(a1) Requirement; Contract Agency of Nursing Home or Home Care Agency. – An offer of employment by a contract agency of a nursing home or home care agency licensed under this Chapter to an applicant to fill a position that does not require the applicant to have an occupational license is conditioned upon consent to a criminal history record check of the applicant. If the applicant has been a resident of this State for less than five years, then the offer of employment is conditioned on consent to a State and national criminal history record check of the applicant. The national criminal history record check shall include a check of the applicant's fingerprints. If the applicant has been a resident of this State for five years or more,

then the offer is conditioned on consent to a State criminal history record check of the applicant. A contract agency of a nursing home or home care agency shall not employ an applicant who refuses to consent to a criminal history record check required by this section. Within five business days of making the conditional offer of employment, a contract agency of a nursing home or home care agency shall submit a request to the ~~Department of Justice~~Department of Public Safety under ~~G.S. 114-19.10~~G.S. 143B-939 to conduct a State or national criminal history record check required by this section, or shall submit a request to a private entity to conduct a State criminal history record check required by this section. Notwithstanding ~~G.S. 114-19.10,~~G.S. 143B-939, the ~~Department of Justice~~ Department of Public Safety shall return the results of national criminal history record checks for employment positions not covered by Public Law 105-277 to the Department of Health and Human Services, Criminal Records Check Unit. Within five business days of receipt of the national criminal history of the person, the Department of Health and Human Services, Criminal Records Check Unit, shall notify the contract agency of the nursing home or home care agency as to whether the information received may affect the employability of the applicant. In no case shall the results of the national criminal history record check be shared with the contract agency of the nursing home or home care agency. Contract agencies of nursing homes and home care agencies shall make available upon request verification that a criminal history check has been completed on any staff covered by this section. All criminal history information received by the contract agency is confidential and may not be disclosed, except to the applicant as provided by subsection (b) of this section.

...

(f) Conditional Employment. – A nursing home or home care agency may employ an applicant conditionally prior to obtaining the results of a criminal history record check regarding the applicant if both of the following requirements are met:

(1) The nursing home or home care agency shall not employ an applicant prior to obtaining the applicant's consent for a criminal history record check as required in subsection (a) of this section or the completed fingerprint cards as required in ~~G.S. 114-19.10.~~G.S. 143B-939.

(2) The nursing home or home care agency shall submit the request for a criminal history record check not later than five business days after the individual begins conditional employment.

...."

SECTION 17.1.(hhh) G.S. 143-143.10(b)(6) reads as rewritten:

"(6) To request that the Department of Justice conduct criminal history checks of applicants for licensure pursuant to ~~G.S. 114-19.13.~~G.S. 143B-944."

SECTION 17.1.(iii) G.S. 148-37.3(c) reads as rewritten:

"(c) Any private corporation described in subsection (a) of this section shall reimburse the State and any county or other law enforcement agency for the full cost of any additional expenses incurred by the State or the county or other law enforcement agency in connection with the pursuit and apprehension of an escaped inmate from the facility.

In the event of an escape from the facility, any private corporation described in subsection (a) of this section shall immediately notify the sheriff in the county in which the facility is located, who shall cause an immediate entry into the ~~State Bureau of Investigation Division of Criminal Information network.~~Department of Public Safety's Criminal Information Network. The sheriff of the county in which the facility is located shall be the lead law enforcement officer in connection with the pursuit and apprehension of an escaped inmate from the facility."

SECTION 17.1.(jjj) G.S. 153A-94.2 reads as rewritten:

"§ 153A-94.2. Criminal history record checks of employees permitted.

The board of commissioners may adopt or provide for rules and regulations or ordinances concerning a requirement that any applicant for employment be subject to a criminal history record check of State and National Repositories of Criminal Histories conducted by the ~~Department of Justice~~ Department of Public Safety in accordance with ~~G.S. 114-19.14.~~G.S. 143B-945. The local or regional public employer may consider the results of these criminal history record checks in its hiring decisions."

SECTION 17.1.(kkk) G.S. 160A-164.2 reads as rewritten:

"**§ 160A-164.2. Criminal history record check of employees permitted.**

The council may adopt or provide for rules and regulations or ordinances concerning a requirement that any applicant for employment be subject to a criminal history record check of State and National Repositories of Criminal Histories conducted by the ~~Department of Justice~~Department of Public Safety in accordance with ~~G.S. 114-19.14.~~G.S. 143B-945. The city may consider the results of these criminal history record checks in its hiring decisions."

SECTION 17.1.(lll) G.S. 164-44(a) reads as rewritten:

"(a) The Commission shall have the secondary duty of collecting, developing, and maintaining statistical data relating to sentencing, corrections, and juvenile justice so that the primary duties of the Commission will be formulated using data that is valid, accurate, and relevant to this State. All State agencies shall provide data as it is requested by the Commission. For the purposes of ~~G.S. 114-19.1,~~G.S. 143B-930, the Commission shall be considered to be engaged in the administration of criminal justice. All meetings of the Commission shall be open to the public and the information presented to the Commission shall be available to any State agency or member of the General Assembly."

SECTION 17.1.(mmm) Subpart C of Part 2 of Article 4 of Chapter 114 of the General Statutes is amended by adding a new section to read:

"**§ 143B-926. Appointment and term of the Director of the State Bureau of Investigation.**

The Director of the State Bureau of Investigation shall be appointed by the Governor for a term of eight years subject to confirmation by the General Assembly by joint resolution. The name of the person to be appointed by the Governor shall be submitted by the Governor to the General Assembly for confirmation by the General Assembly on or before May 1 of the year in which the term for which the appointment is to be made expires. Upon failure of the Governor to submit a name as herein provided, the President Pro Tempore of the Senate and the Speaker of the House of Representatives jointly shall submit a name of an appointee to the General Assembly on or before May 15 of the same year. The appointment shall then be made by enactment of a bill. The bill shall state the name of the person being appointed, the office to which the appointment is being made, the effective date of the appointment, the date of expiration of the term, the county of residence of the appointee, and that the appointment is made upon the joint recommendation of the Speaker of the House of Representatives and the President Pro Tempore of the Senate. Nothing precludes any member of the General Assembly from proposing an amendment to any bill making such an appointment."

SECTION 17.1.(nnn) Notwithstanding anything in G.S. 143B-926, as enacted by subsection (mmm) of this section, to the contrary, the Governor shall appoint an acting Director of the State Bureau of Investigation who shall serve until a new Director is appointed pursuant to G.S. 143B-926. A Director shall be appointed pursuant to G.S. 143B-926 no later than June 1, 2015, for a term that shall end on June 30, 2023.

SECTION 17.1.(ooo) Notwithstanding any other provision of law, there shall be no transfer of positions to or from the State Bureau of Investigation and no changes to the authorized budget of the State Bureau of Investigation, as it existed on March 1, 2014, prior to the transfer of the State Bureau of Investigation to the Department of Public Safety.

ALCOHOL LAW ENFORCEMENT SECTION TRANSFER

SECTION 17.1.(ppp) The Alcohol Law Enforcement Section shall be relocated as a branch under the State Bureau of Investigation.

SECTION 17.1.(qqq) G.S. 18B-500 reads as rewritten:

"**§ 18B-500. Alcohol law-enforcement agents.**

(a) Appointment. – The ~~Secretary of Public Safety~~Director of the State Bureau of Investigation shall appoint alcohol law-enforcement agents and other enforcement personnel. The ~~Secretary of Public Safety~~Director may also appoint regular employees of the Commission as alcohol law-enforcement agents. Alcohol law-enforcement agents shall be designated as "alcohol law-enforcement agents". Persons serving as reserve alcohol law-enforcement agents are considered employees of the Alcohol Law Enforcement Section for workers' compensation purposes while performing duties assigned or approved by the ~~Director~~ Head of the Alcohol Law Enforcement ~~Section~~ Branch or the ~~Director's~~ Head's designee.

(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and enforcement actions for any criminal offense. The primary responsibility of an agent shall be enforcement of the ~~ABC laws, lottery laws, and Article 5 of Chapter 90 (The Controlled Substances Act); however, an agent may perform any law enforcement duty assigned by the Secretary of Public Safety or the Governor.~~ABC and lottery laws.

...

(g) Shifting of Personnel From One District to Another. – The ~~Director~~ Head of the Alcohol Law Enforcement ~~Section,~~Branch, under rules adopted by the Department of Public Safety may, from time to time, shift the forces from one district to another or consolidate more than one district force at any point for special purposes. Whenever an agent of the Alcohol Law Enforcement Section is transferred from one district to another for the convenience of the State or for reasons other than the request of the agent, the Department shall be responsible for transporting the household goods, furniture, and personal apparel of the agent and members of the agent's household."

SECTION 17.1.(rrr) The following statutes are amended by deleting the word "Section" wherever it appears in uppercase and substituting "Branch": G.S. 18B-101(5), 18B-201, 18B-202, 18B-203, 18B-504, 18B-805, 18B-902, 18B-903, 18B-904, 19-2.1, 105-259(b)(15), and 143-652.1 through 143-658.

SECTION 17.1.(sss) G.S. 143-651 reads as rewritten:

"**§ 143-651. Definitions.**

The following definitions apply in this Article:

...

(4a) Branch. – The Alcohol Law Enforcement Branch of the State Bureau of Investigation.

...

(23b) Sanctioned amateur match. – Any match regulated by an amateur sports organization that has been recognized and approved by the ~~Section.~~Branch.

....

~~(24a) Section. – The Alcohol Law Enforcement Section of the Department of Public Safety.~~

...."

MISCELLANEOUS PROVISIONS

SECTION 17.1.(ttt) The Department of Public Safety shall consolidate ALE and SBI Regions and Regional Offices. These regional offices shall be operational by October 1, 2014.

SECTION 17.1.(uuu) The Department of Public Safety shall make the following reports on progress implementing this section to the Joint Legislative Oversight Committee on Justice and Public Safety:

(1) An interim report on or before January 1, 2015.

(2) A second interim report on or before April 1, 2015.

(3) A final report on or before October 1, 2015. This report may include any recommendations for changes to applicable statutes.

SECTION 17.1.(vvv) Subsection (ooo) of this section is effective when it becomes law. The remainder of this section becomes effective July 1, 2014.

TRANSFER THE NORTH CAROLINA STATE CRIME LABORATORY TO THE DEPARTMENT OF PUBLIC SAFETY

SECTION 17.2.(a) The North Carolina State Crime Laboratory and the State DNA Database and Databank are hereby transferred from the Department of Justice to the Department of Public Safety. This transfer shall have all of the elements of a Type I transfer, as described in G.S. 143A-6.

SECTION 17.2.(b) The Forensic Science Advisory Board is hereby transferred from the Department of Justice to the Department of Public Safety. This transfer shall have all of the elements of a Type I transfer, as described in G.S. 143A-6.

SECTION 17.2.(c) Article 9 of Chapter 114 of the General Statutes is recodified as Part 8 of Article 13 of Chapter 143B of the General Statutes, G.S. 143B-1205 through G.S. 143B-1208

SECTION 17.2.(d) G.S. 114-8.6 is recodified as G.S. 143B-1209 under Part 8 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (c) of this section.

SECTION 17.2.(e) G.S. 7A-304(a) reads as rewritten:

"**§ 7A-304. Costs in criminal actions.**

(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), (11), or (12) of this section.

...

(7) For the services of the North Carolina State Crime Laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the ~~Department of Justice~~Department of Public Safety for support of the Laboratory. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed DNA analysis of the crime, tests of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent.

...

(9) For the support and services of the State DNA Database and DNA Databank, the sum of two dollars ($2.00). This amount is annually appropriated to the ~~Department of Justice~~Department of Public Safety for this purpose. Notwithstanding the provisions of subsection (e) of this section, this cost does not apply to infractions.

...

(11) For the services of an expert witness employed by the North Carolina State Crime Laboratory who completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the ~~Department of Justice~~Department of Public Safety for support of the State Crime Laboratory. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (7) of this subsection.

...."

SECTION 17.2.(f) G.S. 15A-266.2(1c) reads as rewritten:

"**§ 15A-266.2. Definitions.**

As used in this Article, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:

...

(1c) "Crime Laboratory" means the North Carolina State Crime Laboratory of the ~~Department of Justice.~~Department of Public Safety.

...."

SECTION 17.2.(g) G.S. 15A-266.3A(d) reads as rewritten:

"(d) After taking a DNA sample from an arrested person required to provide a DNA sample pursuant to this section, the person taking the DNA sample shall provide the arrested person with a written notice of the procedures for seeking an expunction of the DNA sample pursuant to subsections (h), (i), (j), (k), and (l) of this section. The ~~Department of Justice~~Department of Public Safety shall provide the written notice required by this subsection."

SECTION 17.2.(h) G.S. 114-60, as recodified as G.S. 143B-1205 by subsection (c) of this section, reads as rewritten:

"**§ 143B-1205. Laboratory and clinical facilities; employment of criminologists; services of scientists, etc., employed by ~~State; radio system.~~State.**

In the ~~Department of Justice~~Department of Public Safety there shall be provided laboratory facilities for the analysis of evidences of crime, including the determination of presence, quantity and character of poisons, the character of bloodstains, microscopic and other examination material associated with the commission of crime, examination and analysis of projectiles of ballistic imprints and records which might lead to the determination or identification of criminals, the examination and identification of fingerprints, and other evidence leading to the identification, apprehension, or conviction of criminals. A sufficient number of persons skilled in such matters shall be employed to render a reasonable service to the public through the criminal justice system and to the criminal justice system in the discharge of their duties.

The laboratory and clinical facilities of the institutions of the State, both educational and departmental, shall be made available to the Laboratory, and scientists and doctors now working for the State through its institutions and departments may be called upon by the Governor to aid the Laboratory in the evaluation, preparation, and preservation of evidence in which scientific methods are employed, and a reasonable fee may be allowed by the Governor for such service.

The Director of the State Crime Laboratory shall be subject to the direction and control of the Secretary of Public Safety."

SECTION 17.2.(i) G.S. 114-61, as recodified as G.S. 143B-1206 by subsection (c) of this section, reads as rewritten:

"**§ 143B-1206. Forensic Science Advisory Board.**

(a) Creation and Membership. – The North Carolina Forensic Science Advisory Board (Board) is hereby established as an advisory board within the ~~Department of Justice.~~Department of Public Safety. The Board shall consist of 16 members, consisting of the State Crime Laboratory Director, and 15 members appointed by the ~~Attorney General~~Secretary of Public Safety as follows:

...

A chairman shall be elected from among the members appointed, and staff shall be provided by the ~~Department of Justice.~~Department of Public Safety.

(b) Meetings. – The Board shall meet quarterly and at such other times and places as it determines. Members of the Board cannot designate a proxy to vote in their absence.

(c) Terms. – Members of the Board initially appointed shall serve the following terms: five members shall serve a term of two years; five members shall serve a term of three years; and five members shall serve a term of four years. Thereafter, all appointments shall be for a term of four years. A vacancy other than by expiration of term shall be filled by the ~~Attorney General~~Secretary of Public Safety for the unexpired term. Members of the Board cannot designate a proxy to vote in their absence.

...."

SECTION 17.2.(j) G.S. 114-62, as recodified as G.S. 143B-1207 by subsection (c) of this section, reads as rewritten:

"**§ 143B-1207. North Carolina State Crime Laboratory Ombudsman.**

The position of ombudsman is created in the North Carolina State Crime Laboratory within the ~~North Carolina Department of Justice.~~ Department of Public Safety. The primary purpose of this position shall be to work with defense counsel, prosecutorial agencies, criminal justice system stakeholders, law enforcement officials, and the general public to ensure all processes, procedures, practices, and protocols at the State Crime Laboratory are consistent with State and federal law, best forensic law practices, and in the best interests of justice in this State. The ombudsman shall mediate complaints brought to the attention of the ombudsman between the Crime Laboratory and defense counsel, prosecutorial agencies, law enforcement agencies, and the general public. The ombudsman shall ensure all criminal justice stakeholders and the general public are aware of the availability, responsibilities, and role of the ombudsman and shall regularly attend meetings of the Conferences of the District Attorneys, District and Superior Court Judges, Public Defenders, the Advocates for Justice, and Bar Criminal Law Sections. The ombudsman shall make recommendations on a regular basis to the Director of the State Crime Laboratory and the ~~Attorney General of North Carolina~~Secretary of Public Safety as to policies, procedures, practices, and training of employees needed at the Laboratory to ensure compliance with State and federal law, best forensic law practices, and to resolve any meritorious systemic complaints received by the ombudsman."

SECTION 17.2.(k) G.S. 114-8.6, as recodified as G.S. 143B-1209 by subsection (d) of this section, reads as rewritten:

"**§ 143B-1209. Designation of State Crime Laboratory as Internet Crimes Against Children affiliated agency.**

The ~~Attorney General~~Secretary of Public Safety shall designate the North Carolina State Crime Laboratory as a North Carolina Internet Crimes Against Children (ICAC) affiliated agency."

SECTION 17.2.(l) Notwithstanding any other provision of law, there shall be no transfer of positions to or from the State Crime Laboratory and no changes to the authorized

budget of the State Crime Laboratory, as it existed on March 1, 2014, prior to the transfer of the State Crime Laboratory to the Department of Public Safety.

SECTION 17.2.(m) Section 17.2 of S.L. 2013-360 is repealed.

SECTION 17.2.(n) Part 8 of Article 13 of Chapter 143B of the General Statutes, as created by subsection (c) of this section, is amended by adding a new section to read:

"**§ 143B-1210. Annual Crime Laboratory report.**

No later than October 1 every year, the Department of Public Safety shall report on the work of the North Carolina State Crime Laboratory during the previous fiscal year. The reports required by this section shall be filed with the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and with the Fiscal Research Division. Each report shall include at least the following:

(1) Information about the workload of the Laboratory during the previous fiscal year, including the number of submissions, identified by forensic discipline, received at each location of the Laboratory.

(2) Information about the number of cases completed in the previous fiscal year, identified by forensic discipline, at each location of the Laboratory.

(3) A breakdown by county of the number of submissions received by the Laboratory in the previous fiscal year.

(4) An average estimate of the dollar and time cost to perform each type of procedure and analysis performed by the Laboratory."

SECTION 17.2.(o) Section 17.4 of S.L. 2013-360 reads as rewritten:

"**USE OF TOXICOLOGY ANALYSIS FUNDS**

"**SECTION 17.4.** If the ~~Attorney General~~Secretary of the Department of Public Safety determines that it is not appropriate to outsource toxicology cases due to legal or fiscal concerns involving analyst testimony, funds appropriated in this act for that purpose shall be reallocated to increase toxicology analysis capabilities within the North Carolina State Crime Laboratory."

SECTION 17.2.(p) Section 17.5 of S.L. 2013-360 reads as rewritten:

"**NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE CRIME LABORATORY**

"**SECTION 17.5.** The ~~Department of Justice~~Department of Public Safety shall not hire sworn personnel to fill vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be construed to require the termination of sworn personnel, but as vacant positions in the State Laboratory are filled, they shall be filled only with nonsworn personnel. Nothing in this section shall be construed to affect North Carolina State Crime Laboratory personnel who are sworn and employed by the Laboratory as of the effective date of this section and who continue to meet the sworn status retention standards mandated by the NC Criminal Justice Education and Standards Commission."

SECTION 17.2.(q) Subsection (l) of this section is effective when it becomes law. The remainder of this section becomes effective on July 1, 2014.

PART XVIII. JUDICIAL DEPARTMENT

SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES

INDIGENT DEFENSE SERVICES FEE TRANSPARENCY

SECTION 18A.1. The Office of Indigent Defense Services, in consultation and cooperation with the Office of the State Controller and the Office of State Budget and Management, shall develop and implement a plan for making all fee applications by attorneys publicly available online. The plan shall provide for (i) the information to be updated at least

monthly, (ii) the fee applications to be searchable, and (iii) all fee applications in capital cases to be clearly labeled as such. The Office of Indigent Defense Services shall report on the development and implementation of this plan to the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety by October 1, 2014.

SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS

AMEND VARIOUS PROVISIONS REQUIRING REPORTS ON THE OPERATIONS OF THE COURTS

SECTION 18B.1.(a) G.S. 7A-343 reads as rewritten:

"**§ 7A-343. Duties of Director.**

The Director is the Administrative Officer of the Courts, and the Director's duties include all of the following:

...

(8) Prepare and submit an annual report on the work of the Judicial Department to the Chief Justice, and transmit a copy to ~~each member of the General Assembly.~~the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety. The annual report shall include the activities of each North Carolina Business Court site, including the number of new, closed, and pending cases, the average age of pending cases, and the annual expenditures for the prior fiscal year.

...."

SECTION 18B.1.(b) G.S. 7A-343.2 reads as rewritten:

"**§ 7A-343.2. Court Information Technology Fund.**

(a) Fund. – The Court Information Technology Fund is established within the Judicial Department as a special revenue fund. Interest and other investment income earned by the Fund accrues to it. The Fund consists of the following revenues:

(1) All monies collected by the Director pursuant to G.S. 7A-109(d) and G.S. 7A-49.5.

(2) State judicial facilities fees credited to the Fund under G.S. 7A-304 through G.S. 7A-307.

(b) Use. – Money in the Fund derived from State judicial facilities fees must be used to upgrade, maintain, and operate the judicial and county courthouse phone systems. All other monies in the Fund must be used to supplement funds otherwise available to the Judicial Department for court information technology and office automation needs.

(c) Report. – The Director must report annually by ~~August 1 and~~February 1 of each year to the ~~Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House Appropriations Committees, and the~~Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety. The report must include the following:

(1) Amounts credited in the preceding ~~six months~~year to the Fund.

(2) Amounts expended in the preceding ~~six months~~year from the Fund and the purposes of the expenditures.

(3) Proposed expenditures of the monies in the Fund."

SECTION 18B.1.(c) G.S. 7A-809 reads as rewritten:

"**§ 7A-809. Reports.**

The Conference of Clerks of Superior Court shall, in consultation with the registers of deeds, annually study the status of the individual counties and judicial districts as to whether or not the clerks of superior court or the registers of deeds are implementing G.S. 132-1.10(f1) and report results of the study to the ~~Joint Legislative Commission on Governmental~~

~~Operations~~Joint Legislative Oversight Committee on Justice and Public Safety on or before March 1 of each year."

SECTION 18B.1.(d) Section 15.4 of S.L. 2009-451 is repealed.

SECTION 18B.1.(e) Article 7 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-45.5. Annual report on Business Court activities.**

The Administrative Office of the Courts shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety by March 1 of each year on the activities of each North Carolina Business Court site, including the number of new, closed, and pending cases, average age of pending cases, and annual expenditures for the prior fiscal year."

SECTION 18B.1.(f) Section 18B.2 of S.L. 2013-360 is repealed.

SECTION 18B.1.(g) G.S. 15A-1475 reads as rewritten:

"**§ 15A-1475. Reports.**

~~Beginning January 1, 2008, and annually thereafter, the~~The North Carolina Innocence Inquiry Commission shall report annually by February 1 of each year on its activities to the Joint Legislative Oversight Committee on Justice and Public Safety and the State Judicial Council. The report may contain recommendations of any needed legislative changes related to the activities of the Commission. The report shall recommend the funding needed by the Commission, the district attorneys, and the State Bureau of Investigation in order to meet their responsibilities under S.L. 2006-184. Recommendations concerning the district attorneys or the State Bureau of Investigation shall only be made after consultations with the North Carolina Conference of District Attorneys and the Attorney General."

SECTION 18B.1.(h) G.S. 7A-38.6 is repealed.

SECTION 18B.1.(i) G.S. 7A-409.1(g) reads as rewritten:

"(g) The State Judicial Council shall report annually to the ~~General Assembly~~Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chief Justice ~~no later than December 31, 2009, and~~no later than December 31 ~~of every third year,~~regarding the implementation of ~~S.L. 2006-184~~S.L. 2006-184, the act creating the North Carolina Innocence Inquiry Commission, and shall include in its report the statistics regarding inquiries and any recommendations for changes. The House of Representatives and the Senate shall refer the report of the State Judicial Council to the Joint Legislative Oversight Committee on Justice and Public Safety and such other committees as the Speaker of the House of Representatives or the President Pro Tempore of the Senate shall deem appropriate, for their review."

SECTION 18B.1.(j) Section 18A.1 of S.L. 2013-360 is repealed.

SECTION 18B.1.(k) Article 39B of Chapter 7A of the General Statutes is amended by adding a new section to read:

"**§ 7A-498.9. Annual report on Office of Indigent Defense Services.**

The Office of Indigent Defense Services shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of Representatives Subcommittee on Justice and Public Safety and the Chairs of the Senate Appropriations Committee on Justice and Public Safety by February 1 of each year on the following:

(1) The volume and cost of cases handled in each district by assigned counsel or public defenders;

(2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense services, including the capital case program;

(3) Plans for changes in rules, standards, or regulations in the upcoming year; and

(4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services, including any recommendations concerning the feasibility and desirability of establishing regional public defender offices."

SECTION 18B.1.(l) Section 18A.4 of S.L. 2013-360 reads as rewritten:

"**SECTION 18A.4.** The Office of Indigent Defense Services shall issue a request for proposals from private law firms or not-for-profit legal representation organizations for the provision of all classes of legal cases for indigent clients in all judicial districts. The Office of Indigent Defense Services shall report on the issuance of this request for proposals to the ~~Joint Legislative Commission on Governmental Operations by October 1, 2013.~~Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by October 1 of each year. In cases where the proposed contract can provide representation services more efficiently than current costs and ensure that the quality of representation is sufficient to meet applicable constitutional and statutory standards, the Office of Indigent Defense Services shall use private assigned counsel funds to enter into contracts for this purpose. In selecting contracts, the Office of Indigent Defense Services shall consider the cost-effectiveness of the proposed contract. Disputes regarding the ability of the potential contractor to provide effective representation for clients served by the contract shall be determined by the senior resident superior court judge for the district."

ANNUAL REPORT ON CRIMINAL COURT COST WAIVERS

SECTION 18B.2. Section 15.10(b) of S.L. 2011-145 reads as rewritten:

"**SECTION 15.10.(b)** The Administrative Office of the Courts shall make the necessary modifications to its information systems to maintain records of all cases in which the 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 ~~Joint Legislative Commission on Governmental Operations by October 1~~ Chairs of the Senate and House Appropriations Subcommittees 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."

COMPENSATION OF COURT REPORTERS

SECTION 18B.3. Section 18B.21 of S.L. 2013-360 reads as rewritten:

"**SECTION 18B.21.** The Administrative Office of the Courts, in consultation with the National Center for State Courts, shall study the most effective and efficient deployment of court reporters to produce timely records of court proceedings and the most appropriate and effective compensation for court reporters. The Administrative Office of the Courts shall make an interim report of its findings and recommendations to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by ~~February 1, 2014.~~February 1, 2014, and a final report of its findings and recommendations by September 1, 2014."

FAMILY COURT PROGRAMS

SECTION 18B.4. Section 18B.6 of S.L. 2013-360 reads as rewritten:

"**SECTION 18B.6.** The Administrative Office of the Courts shall provide direction and oversight to the existing family court programs in order to ensure that each district with a family court program is utilizing best practices and is working effectively and efficiently in the disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report on its efforts in this regard and the results of those efforts to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate

Appropriations Committee on Justice and Public Safety, and the Joint Legislative Oversight Committee on Justice and Public Safety by ~~March 1, 2014.~~March 1 of each year."

TRAINING FOR SUPERIOR AND DISTRICT COURT JUDGES

SECTION 18B.5. The School of Government at the University of North Carolina at Chapel Hill shall ensure that the continuing judicial training conducted by its faculty on behalf of the Conference of District Court Judges and the Conference of Superior Court Judges provides annual training for superior and district court judges in the State on the work of the State Crime Laboratory and the proper custody and handling of biological evidence in the court system.

ABOLISH FOUR SPECIAL SUPERIOR COURT JUDGESHIPS

SECTION 18B.6. G.S. 7A-45.1 is amended by adding a new subsection to read:

"(a8) Notwithstanding any other provision of this section, the four special superior court judgeships held as of April 1, 2014, by judges whose terms expire between July 1, 2014, and June 30, 2016, and who had not been designated under G.S. 7A-45.3 as business court judges, are abolished when any of the following first occurs:

(1) Retirement of the incumbent judge.
(2) Resignation of the incumbent judge.
(3) Removal from office of the incumbent judge.
(4) Death of the incumbent judge.
(5) Expiration of the term of the incumbent judge."

ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS

SECTION 18B.7.(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~~
2	Beaufort, Hyde, Martin, Tyrrell, Washington	~~8~~
3A	Pitt	~~11~~
3B	Carteret, Craven, Pamlico	~~12~~
4	Duplin, Jones, Onslow, Sampson	~~18~~
5	New Hanover, Pender	~~18~~
6A	Halifax	~~5~~
6B	Bertie, Hertford, Northampton	~~5~~
7	Edgecombe, Nash, Wilson	~~18~~
8	Greene, Lenoir, Wayne	~~14~~
9	Franklin, Granville, Vance, Warren	~~10~~

	9A	Person, Caswell	~~6~~
	10	Wake	~~41~~
	11A	Harnett, Lee	~~9~~
	11B	Johnston	~~10~~
	12	Cumberland	~~23~~
	13	Bladen, Brunswick, Columbus	~~13~~
	14	Durham	~~18~~
	15A	Alamance	~~11~~
	15B	Orange, Chatham	~~10~~
	16A	Scotland, Hoke	~~7~~
	16B	Robeson	~~12~~
	17A	Rockingham	~~7~~
	17B	Stokes, Surry	~~8~~
	18	Guilford	~~32~~
	19A	Cabarrus	~~9~~
	19B	Montgomery, Randolph	~~9~~
	19C	Rowan	~~8~~
	19D	Moore	~~5~~
	20A	Anson, Richmond, Stanly	~~11~~
	20B	Union	~~10~~
	21	Forsyth	~~25~~
	22A	Alexander, Iredell	~~11~~
	22B	Davidson, Davie	~~11~~
	23	Alleghany, Ashe, Wilkes, Yadkin	~~8~~
	24	Avery, Madison, Mitchell, Watauga, Yancey	~~7~~
	25	Burke, Caldwell, Catawba	~~18~~
	26	Mecklenburg	~~58~~
	27A	Gaston	~~14~~
	27B	Cleveland, Lincoln	~~11~~
	28	Buncombe	~~14~~
	29A	McDowell, Rutherford	~~7~~
	29B	Henderson, Polk, Transylvania	~~8~~
	30	Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain.	~~10~~

(a2) Upon the convening of each regular session of the General Assembly and its reconvening in the even-numbered year, the Administrative Office of the Courts shall report 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 caseload and criteria 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 on Justice and Public, and the Fiscal Research Division.

...."

SECTION 18B.7.(b) G.S. 7A-63 reads as rewritten:

"**§ 7A-63. Assistant district attorneys.**

Each district attorney shall be entitled to the number of full-time assistant district attorneys ~~set out in this Subchapter,~~ allocated by the Administrative Office of the Courts, to be appointed by the district attorney, to serve at his pleasure. A vacancy in the office of assistant district attorney shall be filled in the same manner as the initial appointment. An assistant district attorney shall take the same oath of office as the district attorney, and shall perform such duties as may be assigned by the district attorney. ~~He~~ The district attorney shall devote his or her full time to the duties of ~~his~~ the office and shall not engage in the private practice of law during his or her term."

POSSESSION OF MARIJUANA PARAPHERNALIA/CLASS 3 MISDEMEANOR

SECTION 18B.8.(a) G.S. 90-113.22 reads as rewritten:

"**§ 90-113.22. Possession of drug paraphernalia.**

(a) It is unlawful for any person to knowingly use, or to possess with intent to use, drug paraphernalia to plant, propagate, cultivate, grow, harvest, manufacture, compound, convert, produce, process, prepare, test, analyze, package, repackage, store, contain, or conceal a controlled substance which it would be unlawful to possess, or to inject, ingest, inhale, or otherwise introduce into the body a controlled substance which it would be unlawful to possess.

(b) ~~Violation~~ Except as provided in G.S. 90-113.22A, a violation of this section is a Class 1 misdemeanor.

(c) Prior to searching a person, a person's premises, or a person's vehicle, an officer may ask the person whether the person is in possession of a hypodermic needle or other sharp object that may cut or puncture the officer or whether such a hypodermic needle or other sharp object is on the premises or in the vehicle to be searched. If there is a hypodermic needle or other sharp object on the person, on the person's premises, or in the person's vehicle and the person alerts the officer of that fact prior to the search, the person shall not be charged with or prosecuted for possession of drug paraphernalia for the needle or sharp object. The exemption under this subsection does not apply to any other drug paraphernalia that may be present and found during the search. For purposes of this subsection, the term "officer" includes "criminal justice officers" as defined in G.S. 17C-2(3) and a "justice officer" as defined in G.S. 17E-2(3)."

SECTION 18B.8.(b) Article 5B of Chapter 90 of the General Statutes is amended by adding a new section to read:

"**§ 90-113.22A. Possession of marijuana drug paraphernalia.**

(a) It is unlawful for any person to knowingly use, or to possess with intent to use, drug paraphernalia to plant, propagate, cultivate, grow, harvest, manufacture, compound, convert, produce, process, prepare, test, analyze, package, repackage, store, contain, or conceal marijuana, or to inject, ingest, inhale, or otherwise introduce marijuana into the body.

(b) A violation of this section is a Class 3 misdemeanor."

SECTION 18B.8.(c) This section becomes effective December 1, 2014, and applies to offenses committed on or after that date.

AMEND DEFERRED PROSECUTION

SECTION 18B.9.(a) G.S. 15A-1341(a1) reads as rewritten:

"(a1) Deferred Prosecution. – ~~A person who has been charged with~~ Whenever a person pleads guilty to or is found guilty of a Class H or I felony or a ~~misdemeanor may be placed~~ misdemeanor, the court may, without entering a judgment of guilt and with the consent of the person, defer further proceedings and place the person on probation as provided in this Article on motion of the defendant and the prosecutor if the court finds each of the following facts:

(1) Prosecution has been deferred by the prosecutor pursuant to written agreement with the defendant, with the approval of the court, for the purpose of allowing the defendant to demonstrate ~~his~~ the defendant's good conduct.
(2) Each known victim of the crime has been notified of the motion for probation by subpoena or certified mail and has been given an opportunity to be heard.
(3) The defendant has not been convicted of any felony or of any misdemeanor involving moral turpitude.
(4) The defendant has not previously been placed on probation and so states under oath.
(5) The defendant is unlikely to commit another offense other than a Class 3 misdemeanor."

SECTION 18B.9.(b) This section becomes effective December 1, 2014, and applies to offenses committed on or after that date.

UNLAWFUL TO CHARGE FEE TO RETRACT OR REMOVE BOOKING PHOTO AND OTHER CRIMINAL RECORD INFORMATION WHEN NO CONVICTION

SECTION 18B.10.(a) Article 23 of Chapter 15A of the General Statutes is amended by adding a new section to read:

"**§ 15A-502.2. Prohibition on providing copy of booking photograph; statement required; criminal liability for false statement.**

(a) Notwithstanding the provisions of G.S. 132-1, a law enforcement agency shall not provide a copy of a photograph taken pursuant to G.S. 15A-502(a)(1) or G.S. 15A-502(a2) or authorized by G.S. 15A-502(b) in any format to a person requesting a copy of the photograph for the following purposes:
(1) The photograph will be placed in a publication or posted to a Web site; and
(2) Removal of the photograph from the publication or Web site will require the payment of a fee or other consideration.

(b) A person who requests a copy of a photograph taken pursuant to G.S. 15A-502(a)(1) or G.S. 15A-502(a2) or authorized by G.S. 15A-502(b) from a law enforcement agency shall, at the time of making the request, submit a written statement signed by the person affirming that the photograph will not be placed in a publication or posted to a Web site that requires the payment of a fee or other consideration in order to remove or delete the photograph from the publication or Web site. A person who submits a false statement under this subsection is criminally liable under G.S. 14-101.1."

SECTION 18B.10.(b) Article 19 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"**§ 14-101.1. Written false statement to law enforcement agency to obtain booking photograph.**

Any person who, with the intent to deceive a law enforcement agency, submits a false statement to obtain a photograph under G.S. 15A-502.2 is guilty of a Class 1 misdemeanor."

SECTION 18B.10.(c) Article 1 of Chapter 75 of the General Statutes is amended by adding a new section to read:

"**§ 75-43. Unfair use of criminal record information.**

(a) The violation of any provision of this section shall be considered an unfair trade practice, as prohibited by G.S. 75-1.1.

(b) A person commits a violation under this section if the person does both of the following:

(1) Engages in publishing or otherwise disseminating, in print or over the Internet, photographs of an individual taken pursuant to G.S. 15A-502(a)(1) or G.S. 15A-502(a2) or authorized by G.S. 15A-502(b); and

(2) Solicits or accepts the payment of a fee or other consideration to remove the individual's photograph when the individual is acquitted or the charges are dropped or otherwise resolved without a conviction.

(c) Any publisher of a print publication or operator of an Internet Web site that contains criminal record information of a person charged with a crime shall, within 15 days after written notification from the person or the person's designee, remove, or retract if removal is not possible, criminal record information and any other personal information if the person is acquitted or the charges are dropped or otherwise resolved without a conviction. The removal or retraction shall be without charge to the person. Failure of the publisher or operator to remove the person's name or personal information shall result in a civil penalty of one hundred dollars ($100.00) per instance per week and, after 45 days, shall create a presumption of defamation of character of the person.

(d) For the purposes of this section, "criminal record information" includes any and all of the following:

(1) Descriptions or notations of any arrests, any formal criminal charges, and the disposition of those criminal charges.

(2) Photographs of the person taken pursuant to an arrest or other involvement in the criminal justice system.

(3) Personal identifying information, including a person's name, address, date of birth, photograph, and social security number or other government-issued identification number.

(4) Any information collected pursuant to Article 23 of Chapter 15A of the General Statutes."

SECTION 18B.10.(d) This section becomes effective December 1, 2014. Subsection (a) of this section applies to requests made on or after December 1, 2014. Subsection (b) of this section applies to offenses committed on or after December 1, 2014. Subsection (c) of this section applies to photographs and other criminal record information published or disseminated on or after December 1, 2014.

INCREASE PENALTY FOR CRIMINAL OFFENSE OF CARRYING A CONCEALED WEAPON WHEN WEAPON IS A GUN

SECTION 18B.11.(a) G.S. 14-269(c) reads as rewritten:

"(c) Any person violating the provisions of subsection (a) of this section shall be guilty of a Class 2 misdemeanor. Any person violating the provisions of subsection (a1) of this section shall be guilty of a ~~Class 2 misdemeanor~~ Class A1 misdemeanor for the first offense. A second or subsequent offense is punishable as a ~~Class I felony.~~Class H felony."

SECTION 18B.11.(b) This section becomes effective December 1, 2014, and applies to offenses committed on or after that date.

MAINTAIN TRIAL COURT ADMINISTRATOR

SECTION 18B.13. The Administrative Office of the Courts shall maintain the trial court administrator position serving Superior Court Districts 7B and 7C and ensure that the position remains filled during the 2014-2015 fiscal year.

AUTHORIZE THE COURT TO ASSESS A FEE FOR THE COSTS OF THE SERVICES OF A PRIVATE HOSPITAL PERFORMING TOXICOLOGICAL TESTING FOR A PROSECUTORIAL DISTRICT

SECTION 18B.14.(a) 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), ~~or (12)~~ (12), or (13) of this section.

...

(7) For the services of the North Carolina State Crime Laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the Laboratory. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed DNA analysis of the crime, tests of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent.

(8) For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for law enforcement purposes. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed DNA analysis of the crime, test of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The costs shall be assessed only if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the North Carolina State Crime Laboratory under subdivision (7) of this subsection.

(8a) For the services of any private hospital performing toxicological testing under contract with a prosecutorial district, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Judicial Department for reimbursement to and support of the prosecutorial district. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed testing of bodily fluids of the defendant for the presence of alcohol or controlled substances. The costs shall be assessed only if the court finds that the work performed by the local hospital is the equivalent of the same kind of work performed by the North Carolina State Crime Laboratory under subdivision (7) of this subsection.

...

(11) For the services of an expert witness employed by the North Carolina State Crime Laboratory who completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the

sum of six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the State Crime Laboratory. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (7) of this subsection.

(12) For the services of an expert witness employed by a crime laboratory operated by a local government or group of local governments who completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for local law enforcement. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (8) of this subsection.

(13) For the services of an expert witness employed by a private hospital performing toxicological testing under contract with a prosecutorial district who completes a chemical analysis pursuant to G.S. 20-139.1 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Judicial Department for reimbursement to and support of the prosecutorial district. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (8a) of this subsection."

SECTION 18B.14.(b) This section becomes effective July 1, 2014, and applies to fees assessed or collected on or after that date.

REPEAL OF TRANSFER OF CERTAIN FEE PROCEEDS TO THE NC STATE BAR

SECTION 18B.15.(a) G.S. 7A-304(a)(4) 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), (11), or (12) of this section.

...

(4) For support of the General Court of Justice, the sum of one hundred twenty-nine dollars and fifty cents ($129.50) 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)~~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."

SECTION 18B.15.(b) G.S. 7A-305 reads as rewritten:

"**§ 7A-305. Costs in civil actions.**

(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

...

(2) For support of the General Court of Justice, the sum of one hundred eighty dollars ($180.00) in the superior court and the sum of one hundred thirty dollars ($130.00) in the district court except that if the case is assigned to a magistrate the sum shall be eighty dollars ($80.00). If a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, upon assignment the party filing the notice of designation pursuant to G.S. 7A-45.4 or the motion for complex business designation shall pay an additional one thousand dollars ($1,000) for support of the General Court of Justice; if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3 by a court on its own motion, upon assignment the plaintiff shall pay an additional one thousand dollars ($1,000) for support of the General Court of Justice. Sums collected under this subdivision shall be remitted to the State Treasurer. 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)~~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.

...

(a5) In every civil action in the superior or district court wherein a party files a pleading containing one or more counterclaims, third-party complaints, or cross-claims, except for counterclaim and cross-claim actions brought under Chapter 50B of the General Statutes for which costs are assessed pursuant to subsection (a1) of this section, the following shall be assessed:

...

(3) For support of the General Court of Justice, the sum of one hundred eighty dollars ($180.00) in the superior court, except that if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, filing fees shall be collected and disbursed in accordance with subsection (a) of this section, and the sum of one hundred thirty dollars ($130.00) in the district court, except that if the case is assigned to a magistrate, the sum shall be eighty dollars ($80.00). Sums collected under this subdivision shall be remitted to the State Treasurer. 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)~~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.

...."

SECTION 18B.15.(c) G.S. 7A-307(a)(2) reads as rewritten:

"(a) In the administration of the estates of decedents, minors, incompetents, of missing persons, and of trusts under wills and under powers of attorney, in trust proceedings under

G.S. 36C-2-203, in estate proceedings under G.S. 28A-2-4, and in collections of personal property by affidavit, the following costs shall be assessed:

...

(2) For support of the General Court of Justice, the sum of one hundred six dollars ($106.00), plus an additional forty cents (40¢) per one hundred dollars ($100.00), or major fraction thereof, of the gross estate, not to exceed six thousand dollars ($6,000). Gross estate shall include the fair market value of all personalty when received, and all proceeds from the sale of realty coming into the hands of the fiduciary, but shall not include the value of realty. In collections of personal property by affidavit, the fee based on the gross estate shall be computed from the information in the final affidavit of collection made pursuant to G.S. 28A-25-3 and shall be paid when that affidavit is filed. In all other cases, this fee shall be computed from the information reported in the inventory and shall be paid when the inventory is filed with the clerk. If additional gross estate, including income, comes into the hands of the fiduciary after the filing of the inventory, the fee for such additional value shall be assessed and paid upon the filing of any account or report disclosing such additional value. For each filing the minimum fee shall be fifteen dollars ($15.00). Sums collected under this subdivision shall be remitted to the State Treasurer. ~~The State Treasurer shall remit the sum of one dollar and fifty cents ($1.50) of each one hundred six dollar ($106.00) General Court of Justice fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4.~~"

SECTION 18B.15.(d) G.S. 7A-306(a)(2) reads as rewritten:

"(a) In every special proceeding in the superior court, the following costs shall be assessed:

...

(2) For support of the General Court of Justice the sum of one hundred six dollars ($106.00). In addition, in proceedings involving land, except boundary disputes, if the fair market value of the land involved is over one hundred dollars ($100.00), there shall be an additional sum of thirty cents (30¢) per one hundred dollars ($100.00) of value, or major fraction thereof, not to exceed a maximum additional sum of two hundred dollars ($200.00). Fair market value is determined by the sale price if there is a sale, the appraiser's valuation if there is no sale, or the appraised value from the property tax records if there is neither a sale nor an appraiser's valuation. Sums collected under this subdivision shall be remitted to the State Treasurer. ~~The State Treasurer shall remit the sum of one dollar and fifty cents ($1.50) of each one hundred six dollar ($106.00) General Court of Justice fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4.~~"

SECTION 18B.15.(e) This subsection applies to fees assessed or collected on or after July 1, 2014.

THREE-JUDGE PANEL/CONSTITUTIONALITY OF ACTS

SECTION 18B.16.(a) Article 26A of Chapter 1 of the General Statutes reads as rewritten:

"Article 26A.

"Three-Judge Panel for Redistricting ~~Challenges.~~Challenges and for Certain Challenges to State Laws.

"**§ 1-267.1. Three-judge panel for actions challenging plans apportioning or redistricting State legislative or congressional ~~districts.~~districts; claims challenging the facial validity of an act of the General Assembly.**

(a) Any action challenging the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional districts shall be filed in the Superior Court of Wake County and shall be heard and determined by a three-judge panel of the Superior Court of Wake County organized as provided by subsection (b) of this section.

(a1) Except as otherwise provided in subsection (a) of this section, any challenge to the validity of an act of the General Assembly on its face shall be transferred pursuant to G.S. 1A-1, Rule 42(b)(4) to the Superior Court of Wake County and shall be heard and determined by a three-judge panel of the Superior Court of Wake County, organized as provided by subsection (b1) of this section.

(b) Whenever any person files in the Superior Court of Wake County any action challenging the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional districts, a copy of the complaint shall be served upon the senior resident superior court judge of Wake County, who shall be the presiding judge of the three-judge panel required by subsection (a) of this section. Upon receipt of that complaint, the senior resident superior court judge of Wake County shall notify the Chief Justice, who shall appoint two additional resident superior court judges to the three-judge panel of the Superior Court of Wake County to hear and determine the action. Before making those appointments, the Chief Justice shall consult with the North Carolina Conference of Superior Court Judges, which shall provide the Chief Justice with a list of recommended appointments. To ensure that members of the three-judge panel are drawn from different regions of the State, the Chief Justice shall appoint to the three-judge panel one resident superior court judge from the First through Fourth Judicial Divisions and one resident superior court judge from the Fifth through Eighth Judicial Divisions. In order to ensure fairness, to avoid the appearance of impropriety, and to avoid political bias, no member of the panel, including the senior resident superior court judge of Wake County, may be a former member of the General Assembly. Should the senior resident superior court judge of Wake County be disqualified or otherwise unable to serve on the three-judge panel, the Chief Justice shall appoint another resident superior court judge of Wake County as the presiding judge of the three-judge panel. Should any other member of the three-judge panel be disqualified or otherwise unable to serve on the three-judge panel, the Chief Justice shall appoint as a replacement another resident superior court judge from the same group of judicial divisions as the resident superior court judge being replaced.

(b1) Any challenge to the validity of an act of the General Assembly on its face filed in the Superior Court of Wake County, other than a challenge to plans apportioning or redistricting State legislative or congressional districts that shall be heard pursuant to subsection (b) of this section, or any claim transferred to the Superior Court of Wake County pursuant to subsection (a1) of this section, shall be assigned by the senior resident superior court judge of Wake County to the three-judge panel established pursuant to subsection (b2) of this section.

(b2) The Chief Justice of the Supreme Court shall appoint three resident superior court judges to a three-judge panel of the Superior Court of Wake County to hear and determine challenges to the validity of statutes and acts pursuant to subsection (a1) of this section. The initial judges appointed to the panel shall remain as a standing three-judge panel to hear any actions transferred to the panel for determination pursuant to this section, and the Chief Justice shall appoint a presiding judge of the three-judge panel. To ensure that members of the three-judge panel are drawn from different regions of the State, the Chief Justice shall appoint to the three-judge panel one resident superior court judge from the First or Second Judicial Division, one resident superior court judge from the Seventh or Eighth Judicial Division, and

one resident superior court judge from the Third, Fourth, Fifth, or Sixth Division. Should any member of the three-judge panel be disqualified or otherwise unable to serve on the three-judge panel, or is removed from the panel at the discretion of the Chief Justice, the Chief Justice shall appoint as a replacement another resident superior court judge from the same group of judicial divisions as the resident superior court judge being replaced.

(c) No order or judgment shall be entered affecting the validity of any act of the General Assembly that apportions or redistricts State legislative or congressional ~~districts~~ districts, or affects the validity of any act of the General Assembly, except by the three-judge panel of the Superior Court of Wake County organized as provided by subsection (b) or subsection (b1) of this section. In the event of disagreement among the three resident superior court judges comprising the three-judge panel, then the opinion of the majority shall prevail.

(d) This section applies only to civil proceedings, and nothing in this section shall be deemed to apply to a defendant in criminal proceedings, or to proceedings in which Chapter 15A of the General Statutes, is applicable."

SECTION 18B.16.(b) G.S. 1-81.1 reads as rewritten:

"**§ 1-81.1. Venue in apportionment or redistricting ~~cases.~~cases; certain injunctive relief actions.**

(a) Venue lies exclusively with the Wake County Superior Court in any action concerning any act of the General Assembly apportioning or redistricting State legislative or congressional districts.~~districts lies exclusively with the Wake County Superior Court.~~

(a1) Venue lies exclusively with the Wake County Superior Court with regard to any claim, seeking an order or judgment of a court, either final or interlocutory, to restrain the enforcement, operation, or execution of an act of the General Assembly, in whole or in part, based upon an allegation that the act of the General Assembly is unconstitutional on its face pursuant to the United States Constitution or North Carolina Constitution.

(b) Any action brought concerning an act of the General Assembly apportioning or redistricting the State legislative or congressional districts shall be filed in the Superior Court of Wake County."

SECTION 18B.16.(c) G.S. 1A-1, Rule 42, reads as rewritten:

"**Rule 42. Consolidation; separate trials.**

(a) Consolidation. – Except as provided in subdivision (b)(2) of this section, when actions involving a common question of law or fact are pending in one division of the court, the judge may order a joint hearing or trial of any or all the matters in issue in the actions; he may order all the actions consolidated; and he may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay. When actions involving a common question of law or fact are pending in both the superior and the district court of the same county, a judge of the superior court in which the action is pending may order all the actions consolidated, and he may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.

(b) Separate trials. –

(1) The court may in furtherance of convenience or to avoid prejudice and shall for considerations of venue upon timely motion order a separate trial of any claim, cross-claim, counterclaim, or third-party claim, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party claims, or issues.

(2) Upon motion of any party in an action that includes a claim commenced under Article 1G of Chapter 90 of the General Statutes involving a managed care entity as defined in G.S. 90-21.50, the court shall order separate discovery and a separate trial of any claim, cross-claim, counterclaim, or third-party claim against a physician or other medical provider.

(3) Upon motion of any party in an action in tort wherein the plaintiff seeks damages exceeding one hundred fifty thousand dollars ($150,000), the court shall order separate trials for the issue of liability and the issue of damages, unless the court for good cause shown orders a single trial. Evidence relating solely to compensatory damages shall not be admissible until the trier of fact has determined that the defendant is liable. The same trier of fact that tries the issues relating to liability shall try the issues relating to damages.

(4) Pursuant to G.S. 1-267.1, any challenge to the validity of an act of the General Assembly on its face, other than a challenge to plans apportioning or redistricting State legislative or congressional districts, shall be heard by a three-judge panel in the Superior Court of Wake County. If a claimant brings such a challenge in any court in this State, or if such a challenge is raised by the defendant in the defendant's motions or pleadings in any court in this State, the court shall, on its own motion, transfer that portion of the action challenging the validity of the act of the General Assembly to the Superior Court of Wake County for resolution by the three-judge panel. The court shall retain jurisdiction over all other matters. The court may dispose of all matters that are not contingent upon the outcome of the constitutional challenge. Those matters that are contingent upon the outcome of the constitutional challenge shall be stayed pending a ruling on the constitutional challenge and until all appeal rights are exhausted."

SECTION 18B.16.(d) G.S. 1A-1, Rule 62, reads as rewritten:

"Rule 62. Stay of proceedings to enforce a judgment.

(a) Automatic stay; exceptions – Injunctions and receiverships. – Except as otherwise stated herein, no execution shall issue upon a judgment nor shall proceedings be taken for its enforcement until the expiration of the time provided in the controlling statute or rule of appellate procedure for giving notice of appeal from the judgment. Unless otherwise ordered by the court, an interlocutory or final judgment in an action for an injunction or in a receivership action shall not be stayed during the period after its entry and until an appeal is taken or during the pendency of an appeal. The provisions of section (c) govern the suspending, modifying, restoring, or granting of an injunction during the pendency of an appeal.

(b) Stay on motion for new trial or for judgment. – In its discretion and on such conditions for the security of the adverse party as are proper, the court may stay the execution of or any proceedings to enforce a judgment pending the disposition of a motion for a new trial or to alter or amend a judgment made pursuant to Rule 59, or of a motion for relief from a judgment or order made pursuant to Rule 60, or of a motion for judgment made pursuant to Rule 50, or of a motion for amendment to the findings or for additional findings made pursuant to Rule 52(b). If the time provided in the controlling statute or rule of appellate procedure for giving notice of appeal from the judgment had not expired before a stay under this subsection was entered, that time shall begin to run immediately upon the expiration of any stay under this section, and no execution shall issue nor shall proceedings be taken for enforcement of the judgment until the expiration of that time.

(c) Injunction pending appeal. – When an appeal is taken from an interlocutory or final judgment granting, dissolving, or denying an injunction, the court in its discretion may suspend, modify, restore, or grant an injunction during the pendency of the appeal upon such terms as to bond or otherwise as it considers proper for the security of the rights of the adverse party.

(d) Stay upon appeal. – When an appeal is taken, the appellant may obtain a stay of execution, subject to the exceptions contained in section (a), by proceeding in accordance with

and subject to the conditions of G.S. 1-289, G.S. 1-290, G.S. 1-291, G.S. 1-292, G.S. 1-293, G.S. 1-294, and G.S. 1-295.

When stay is had by giving supersedeas bond, the bond may be given at or after the time of filing the notice of appeal or of procuring the order allowing the appeal as the case may be, and stay is then effective when the supersedeas bond is approved by the court.

(e) Stay in favor of North Carolina, city, county, local board of education, or agency thereof. – When an appeal is taken by the State of North Carolina, or a city or a county thereof, a local board of education, or an officer in his official capacity or agency thereof or by direction of any department or agency of the State of North Carolina or a city or county thereof or a local board of education and the operation or enforcement of the judgment is stayed, no bond, obligation, or other security shall be required from the appellant.

(f) Power of appellate court not limited. – The provisions of this rule do not limit any power of an appellate court or of a judge or justice thereof to stay proceedings during the pendency of an appeal or to suspend, modify, restore, or grant an injunction during the pendency of an appeal or to make any order appropriate to preserve the status quo or the effectiveness of the judgment subsequently to be entered.

(g) Stay of judgment as to multiple claims or multiple parties. – When a court has ordered a final judgment under the conditions stated in Rule 54(b), the court may stay enforcement of that judgment until the entering of a subsequent judgment or judgments and may prescribe such conditions as are necessary to secure the benefit thereof to the party in whose favor the judgment is entered.

(h) Injunction pending appeal of as-applied constitutional challenge. – Notwithstanding any other provision of law, where a trial court grants interlocutory, temporary, or permanent injunctive or declaratory relief restraining the State or a political subdivision of the State from enforcing the operation or execution of an act of the General Assembly as applied against a party in a civil action, the court shall stay the relief granted pending appeal. This subsection does not apply to facial challenges heard by a three-judge panel pursuant to G.S. 1-267.1."

SECTION 18B.16.(e) G.S. 7A-27 reads as rewritten:

"**§ 7A-27. Appeals of right from the courts of the trial divisions.**

(a) Appeal lies of right directly to the Supreme Court in all cases in which the defendant is convicted of murder in the first degree and the judgment of the superior court includes a sentence of death.

(a1) Appeal lies of right directly to the Supreme Court from any order or judgment of a court, either final or interlocutory, that holds that an act of the General Assembly, based upon the United States Constitution or North Carolina Constitution, is unconstitutional on its face.

(b) Appeal lies of right directly to the Court of Appeals in any of the following cases:

(1) From any final judgment of a superior court, other than the one described in subsection (a) of this section, or one based on a plea of guilty or nolo contendere, including any final judgment entered upon review of a decision of an administrative agency, except for a final judgment entered upon review of a court martial under G.S. 127A-62.

(2) From any final judgment of a district court in a civil action.

(3) From any interlocutory order or judgment of a superior court or district court in a civil action or proceeding which does any of the following:

a. Affects a substantial right.

b. In effect determines the action and prevents a judgment from which an appeal might be taken.

c. Discontinues the action.

d. Grants or refuses a new trial.

e. Determines a claim prosecuted under G.S. 50-19.1.

f. Grants temporary injunctive relief restraining the State or a political subdivision of the State from enforcing the operation or execution of an act of the General Assembly as applied against a party in a civil action. This subsection does not apply to facial challenges heard by a three-judge panel pursuant to G.S. 1-267.1.

(4) From any other order or judgment of the superior court from which an appeal is authorized by statute.

(c) through (e) Repealed by Session Laws 2013-411, s. 1, effective August 23, 2013."

SECTION 18B.16.(f) This section becomes effective July 1, 2014, and applies to any action filed on or after that date in which a party alleges that an act of the General Assembly is unconstitutional, based upon the United States Constitution or North Carolina Constitution.

PART XIX. DEPARTMENT OF CULTURAL RESOURCES

CLOSURE OF HOUSE IN THE HORSESHOE STATE HISTORIC SITE

SECTION 19.1. Effective July 1, 2014, the Department of Cultural Resources, Division of State Historic Sites and Properties, shall close the House in the Horseshoe State Historic Site in Moore County.

CAP GRANTS FROM STATE AID TO LIBRARIES FUND

SECTION 19.2. The Department of Cultural Resources shall not allocate a grant to any municipal, county, or regional library from the Aid to Public Libraries Fund that exceeds four hundred thousand dollars ($400,000) for the 2014-2015 fiscal year.

PART XX. DEPARTMENT OF INSURANCE

FIRE AND RESCUE SQUAD SUPPLEMENTAL PENSIONS AND GRANT FUNDS

SECTION 20.1.(a) Effective October 1, 2014, G.S. 58-86-55 reads as rewritten:

"**§ 58-86-55. Monthly pensions upon ~~retirement.~~ attaining the age of 55 years.**

(a) Any member who has served 20 years as an "eligible firefighter" or "eligible rescue squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly pension from this fund. The monthly pension shall be in the amount of one hundred seventy dollars ($170.00) per month. Any retired firefighter receiving a pension shall, effective July 1, 2008, receive a pension of one hundred seventy dollars ($170.00) per month.

(b) Members shall pay ten dollars ($10.00) per month as required by G.S. 58-86-35 and G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad member" shall receive a pension prior to July 1, 1983. ~~No member shall be entitled to a pension hereunder until the member's official duties as a fireman or rescue squad worker for which the member is paid compensation shall have been terminated and the member shall have retired as such according to standards or rules fixed by the board of trustees.~~

(c) A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid from the fund a monthly benefit in an amount of one hundred seventy dollars ($170.00) per month beginning the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. Any disabled

member shall not be required to make the monthly payment of ten dollars ($10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

(d) A member who is totally and permanently disabled for any cause, other than line of duty, who leaves the fire or rescue squad service because of this disability and who has at least 10 years of service with the pension fund, may be permitted to continue making a monthly contribution of ten dollars ($10.00) to the fund until the member has made contributions for a total of 240 months. The member shall upon attaining the age of 55 years be entitled to receive a pension as provided by this section. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application and annually thereafter.

(e) A member who, because the member's residence is annexed by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General Statutes, or whose department is closed because of an annexation by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General Statutes, or whose volunteer department is taken over by a city or county, and because of such annexation or takeover is unable to perform as a firefighter or rescue squad worker of any status, and if the member has at least 10 years of service with the pension fund, may be permitted to continue making a monthly contribution of ten dollars ($10.00) to the fund until the member has made contributions for a total of 240 months. The member upon attaining the age of 55 years and completion of such contributions shall be entitled to receive a pension as provided by this section. Any application to make monthly contributions under this section shall be subject to a finding of eligibility by the Board of Trustees upon application of the member.

(f) The pensions provided shall be in addition to all other pensions or benefits under any other statutes of the State of North Carolina or the United States, notwithstanding any exclusionary provisions of other pensions or retirement systems provided by law."

SECTION 20.1.(b) G.S. 105-228.5(d)(3) reads as rewritten:

"(3) Additional Rate on Property Coverage Contracts. – An additional tax at the rate of seventy-four hundredths percent (0.74%) applies to gross premiums on insurance contracts for property coverage. The tax is imposed on ten percent (10%) of the gross premiums from insurance contracts for automobile physical damage coverage and on one hundred percent (100%) of the gross premiums from all other contracts for property coverage. ~~Twenty-five percent (25%)~~ Twenty percent (20%) of the net proceeds of this additional tax must be credited to the Volunteer Fire Department Fund established in Article 87 of Chapter 58 of the General Statutes. Twenty percent (20%) of the net proceeds must be credited to the Department of Insurance for disbursement pursuant to G.S. 58-84-25. Up to twenty percent (20%), as determined in accordance with G.S. 58-87-10(f), must be credited to the Workers' Compensation Fund. The remaining net proceeds must be credited to the General Fund.

...."

SECTION 20.1.(c) The Department of State Treasurer shall report by March 1, 2015, and annually thereafter for two years, to the House Committee on State Personnel and the Senate Committee on Pensions & Retirement and Aging on the Department's progress toward the following efforts related to the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund:

(1) Building appropriate lapse assumptions into the State's annual required contribution to the pension fund.

(2) Collecting timely member contributions to the pension fund.

SECTION 20.1.(d) Effective January 1, 2015, and applicable to the 2015 grant process, G.S. 58-87-1(a1) reads as rewritten:

"(a1) Grant Program. – An eligible fire department may apply to the Commissioner for a grant under this section. In awarding grants under this section, the Commissioner must, to the extent possible, select applicants from all parts of the State based upon need. The Commissioner must award the grants on May 15 of each year subject to the following limitations:

(1) The size of a grant may not exceed thirty thousand dollars ($30,000).

(2) The applicant shall match the grant on a dollar-for-dollar ~~basis.~~ basis, unless the applicant receives less than fifty thousand dollars ($50,000) per year from other sources, in which case the applicant shall match one dollar ($1.00) for each three dollars ($3.00) of grant funds.

(3) The grant may be used only for equipment purchases, payment of highway use taxes on those purchases, or capital expenditures necessary to provide fire protection services.

...."

SECTION 20.1.(e) G.S. 58-87-1(c) reads as rewritten:

"(c) Report. – The Commissioner must submit a written report to the General Assembly within 60 days after the grants have been made. This report must contain the following:

(1) The amount of the grant and the name of the recipient.

(2) The Fund balance at the beginning of the grant cycle.

(3) Cash receipts through the grant cycle.

(4) Cash disbursements through the grant cycle.

(5) The Fund balance at the end of the grant cycle."

SECTION 20.1.(f) G.S. 58-87-5 is amended by adding a new subsection to read:

"(d) Report. – The Commissioner shall submit a written report to the General Assembly within 60 days after the grants have been made. This report shall contain the following:

(1) The amount of the grant and the name of the recipient.

(2) The Fund balance at the beginning of the grant cycle.

(3) Cash receipts through the grant cycle.

(4) Cash disbursements through the grant cycle.

(5) The Fund balance at the end of the grant cycle."

SECTION 20.1.(g) Effective July 1, 2015, G.S. 58-87-7 reads as rewritten:

"**§ 58-87-7. Oversight and accountability of grant awards.**

(a) Examination of Purchased Equipment and Supplies. – To increase accountability and to expedite receipt of certain grant awards, notwithstanding any other provision, the Office of the State Fire Marshal and other employees of the Department of Insurance may in their discretion conduct on-site examinations of fire, rescue, and EMS equipment and supplies purchased with funds awarded from either the Volunteer Fire Department Fund or the Volunteer Rescue/EMS ~~Fund.~~ Fund, for up to five years from the date of the grant award. The on-site examinations may include the inspection of equipment purchased from prior grants and may be conducted prior to or simultaneous with the delivery of the grant awards. The on-site examination shall document what equipment and supplies have been purchased by the volunteer fire department or volunteer rescue/EMS department and whether those items were received by the department and visually reviewed by the on-site examiner. Items that have already been distributed or put in the field shall be noted by the on-site examiner. The Office of the State Fire Marshal shall maintain records of on-site inspections and provide ~~them, or a summary thereof, in reports~~ reports of such inspections, upon request, to the State Auditor or the Office of State Budget and Management.

(b) Reimbursement to Funds. – If equipment purchased with grant funds is disposed of within five years of the date of the grant award funding its purchase, then the grant recipient shall reimburse the appropriate fund the amount of matching funds used for the purchase of the equipment, less depreciation.

(c) Transfer of Purchased Equipment. – If a grant recipient shall cease to exist within five years of the date of award of the grant, it shall transfer any and all equipment purchased with such grant funds to whichever department shall assume responsibility for providing service to the grant recipient's area of service or to another appropriate department that may effectively use the equipment."

SECTION 20.1.(h) By the effective date of subsection (g) of this section, the Department of Insurance shall take the following actions to facilitate the implementation and enforcement of G.S. 58-87-7:

(1) Adopt rules to establish specific standards and procedures for the following:
   a. G.S. 58-87-7(b), enacted by subsection (g) of this section.
   b. G.S. 58-87-7(c), enacted by subsection (g) of this section, including guidelines for determining which department receives the equipment of a dissolved department and under what circumstances.

(2) Provide transfer of equipment forms to fire and rescue departments that receive grant equipment from dissolved departments.

Prior to the beginning of the 2015 grant cycle, the Department shall modify the Agreement of Payment forms to include information regarding the disposition of grant equipment in the event of dissolution.

SECTION 20.1.(i) No later than January 1, 2015, the Department of Insurance shall report to the Joint Program Evaluation Oversight Committee on the Department's efforts to update and correct its computer code that assigns points to grant applicants for funds awarded under Article 87 of Chapter 58 of the General Statutes.

PART XXI. RESERVED

PART XXII. GENERAL ASSEMBLY

CREATE JOINT LEGISLATIVE COMMITTEE ON GENERAL GOVERNMENT

SECTION 22.1.(a) Chapter 120 of the General Statutes is amended by adding a new Article to read:

"Article 34.

"Joint Legislative Oversight Committee on General Government.

"**§ 120-295. Creation and membership of Joint Legislative Oversight Committee on General Government.**

(a) The Joint Legislative Oversight Committee on General Government is established. The Committee consists of 12 members as follows:

(1) Six members of the Senate appointed by the President Pro Tempore of the Senate. At least three of the members shall be members of the Senate appropriations committee that has jurisdiction over the agencies set out in G.S. 120-296(a)(1).

(2) Six members of the House of Representatives appointed by the Speaker of the House of Representatives. At least three of the members shall be members of the House of Representatives appropriations subcommittee that has jurisdiction over the agencies set out in G.S. 120-296(a)(1).

(b) Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year. Members may complete a term of service on

the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

(c) A member continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment.

"**§ 120-296. Purpose and powers of Committee.**

(a) The Joint Legislative Oversight Committee on General Government shall examine on a continuing basis the services provided by the departments and agencies set out in this subsection, in order to make ongoing recommendations to the General Assembly on ways to improve the effectiveness, efficiency, and quality of State government services. The Committee has the following powers and duties:

(1) Study the programs, organization, operations, and policies of the following agencies:

a. Department of Administration.
b. Department of State Auditor.
c. Department of Cultural Resources.
d. Governor's Office.
e. Housing Finance Agency.
f. Department of Insurance.
g. Lieutenant Governor's Office.
h. Office of Administrative Hearings.
i. Office of State Personnel.
j. Department of Revenue.
k. Department of Secretary of State.
l. State Board of Elections.
m. Office of State Budget and Management.
n. Office of State Controller.
o. State Ethics Commission.
p. Department of State Treasurer.
q. General Assembly.
r. Any other agency under the jurisdiction of the Senate and House of Representatives appropriations subcommittees on General Government.

(2) Review compliance of budget actions directed by the General Assembly.

(3) Monitor expenditures, deviations, and changes made by the agencies set out in subdivision (a)(1) of this section to the certified budget.

(4) Review policy changes as directed by law.

(5) Receive presentations of reports from agencies directed in the law, including audits, studies, and other reports.

(6) Review any issues that arise during the interim period between sessions of the General Assembly and provide a venue for any of these issues to be heard in a public setting.

(7) Monitor the quality of services provided by general government agencies to other agencies and the public.

(8) Identify opportunities for general government agencies to coordinate and collaborate to eliminate duplicative functions.

(9) Have presentations and reports on any other matters that the Committee considers necessary to fulfill its mandate.

(b) The Committee may make reports to the General Assembly. A report to the General Assembly may contain legislation needed to implement a recommendation of the Committee.

"**§ 120-297. Organization of Committee.**

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on General Government. The Committee shall meet upon the joint call of the cochairs.

(b) A quorum of the Committee is five members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

(c) Members of the Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Supervisors of Clerks of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

(d) The Committee cochairs may establish subcommittees for the purpose of examining issues relating to services provided by particular divisions within the State's general government departments.

"**§ 120-298. Reports to Committee.**

Whenever a department, office, or agency set out in subdivision (a)(1) of G.S. 120-296 is required by law to report to the General Assembly or to any of its permanent committees or subcommittees on matters affecting the services the department or agency provides, the department or agency shall transmit a copy of the report to the cochairs of the Joint Legislative Oversight Committee on General Government."

SECTION 22.1.(b) This section is effective when it becomes law.

PART XXIII. RESERVED

PART XXIV. OFFICE OF STATE BUDGET AND MANAGEMENT

MUSEUM OF WAXHAW AMPHITHEATER

SECTION 24.1. Funds appropriated in this act for The Andrew Jackson Historical Foundation, Inc., a nonprofit organization, to rebuild the dilapidated amphitheater at the Museum of the Waxhaw shall be used to supplement any other funds obtained for this purpose.

WOMEN'S SHELTER FOR MACON AND JACKSON COUNTIES

SECTION 24.2. Funds appropriated in this act for Resources, Education, Assistance, Counseling, and Housing of Macon County, Inc., a nonprofit organization, for the construction of a facility to shelter battered women and their children in Macon and Jackson Counties shall be matched on a dollar-for-dollar basis by non-State funds.

STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS AND REDEPLOYMENT OF RESOURCES FROM HR/PAYROLL MANAGEMENT

SECTION 24.3. Section 6.7 of S.L. 2007-323 is repealed.

PART XXV. OFFICE OF THE STATE AUDITOR

PRIVATE AUDIT OF PENSION FUND

SECTION 25.1.(a) For the State Retirement Systems listed in G.S. 147-69.2(b)(8), the State Treasurer shall prepare a comprehensive annual financial report that conforms with the standards established by the Governmental Accounting Standards Board. In the

management discussion and analysis section of the comprehensive annual financial report, the State Treasurer shall include a discussion of the State Retirement Systems' risk and returns compared to benchmarks, total management fees and incentives paid, and comparisons to peer cost benchmarks.

SECTION 25.1.(b) The State Auditor shall select a commercial independent third-party audit firm to conduct an audit of the comprehensive annual financial report prepared by the State Treasurer pursuant to subsection (a) of this section. The State Auditor shall provide the audit firm's report, and the State Treasurer shall provide the comprehensive annual financial report prepared pursuant to subsection (a) of this section, to the General Assembly on or before January 1, 2015.

SECTION 25.1.(c) The State Treasurer shall transfer to the State Auditor the funds necessary to conduct the third-party audit required under this section.

PART XXVI. DEPARTMENT OF REVENUE

MODIFY TAX LOCATOR SERVICES CAP

SECTION 26.1.(a) 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:

...

(3) To pay for taxpayer ~~locater~~ locator services, not to exceed ~~one hundred fifty~~five hundred thousand dollars ~~($150,000)~~($500,000) a year.

...."

SECTION 26.1.(b) This section becomes effective July 1, 2014.

SECONDARY TAXPAYER ASSISTANCE CALL CENTER REPORT

SECTION 26.2.(a) The Department of Revenue shall study the feasibility of establishing and locating a second taxpayer assistance call center within the State. In conducting the feasibility study, the Department shall issue a report that considers each of the following:

(1) The necessity of establishing a second taxpayer assistance call center. In considering this element, the Department shall provide historical data for the previous 10 years for the following measures. If data from the previous 10 years is not available for a particular measure, the Department may provide data for a shorter period, but not less than three years.

a. Current and projected call volumes.

b. The history and length of call center outages for the current facility.

c. The number of calls dropped or abandoned.

d. The percentage of calls answered within 30 seconds.

e. Average and median wait-time for calls.
f. Calls answered per agent.
g. Average backlog of unanswered questions or issues, including any callbacks.
h. Resolution rate for taxpayer questions at levels 1, 2, and 3.
i. Average resolution time for taxpayer questions at levels 1, 2, and 3.

(2) Site location options, including the following:
a. Potential site locations.
b. Cost associated with locating a new site, or relocating the existing facility.
c. Site development and leasing cost options.
d. Labor pool access data for proposed locations and impact on local employment for each proposed site.

(3) A listing of deficiencies in current call center facilities and equipment, including a list of current assets and equipment, estimates for both repair and replacement costs of those assets and equipment, and projected impact on labor costs and taxpayer assistance measures.

(4) To the extent not required elsewhere in this feasibility study, a cost-benefit analysis that includes total and itemized cost estimates and projected benefits for all options considered by the Department.

SECTION 26.2.(b) The Department of Revenue shall submit its feasibility study to the Senate Appropriations Committee on General Government and Information Technology and to the House Appropriations Subcommittee on General Government on or before January 1, 2015.

PART XXVII. RESERVED

PART XXVIII. RESERVED

PART XXIX. RESERVED

PART XXX. DEPARTMENT OF ADMINISTRATION

ELIMINATE AUTHORITY FOR STATE CONTRIBUTION TO COUNTY VETERANS SERVICE PROGRAMS

SECTION 30.1. G.S. 165-6(9) is repealed.

CLOSURE OF CERTAIN NC DIVISION OF VETERANS AFFAIRS OFFICES PROHIBITED

SECTION 30.2. The District Offices of the North Carolina Division of Veterans Affairs located in the Town of Garner and the City of Wilson shall not be closed during the 2013-2015 fiscal biennium.

PART XXXI. HOUSING FINANCE AGENCY

WORKFORCE HOUSING LOAN PROGRAM

SECTION 31.1.(a) Of the funds appropriated in this act to the North Carolina Housing Trust Fund, the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2014-2015 fiscal year shall be used by the North Carolina Housing Finance Agency for the purpose of making loans for qualified North Carolina low-income housing development.

SECTION 31.1.(b) The following definitions apply in this section:

(1) Code. – As defined in G.S. 105-228.90.

(2) Qualified North Carolina low-income housing development. – A qualified low-income project or building that is allocated a federal tax credit under section 42(h)(1) of the Code.

(3) Qualified residential unit. – A housing unit that meets the requirements of section 42 of the Code.

SECTION 31.1.(c) Of the funds referred to in subsection (a) of this section, the Housing Finance Agency shall, pursuant to criteria established by the Agency, make loans to a taxpayer who is allocated a federal low-income housing tax credit under section 42 of the Code to construct or substantially rehabilitate a qualified North Carolina low-income housing development. The amount of the loan to the taxpayer shall equal the funds referred to in subsection (a) of this section divided by the number of qualified residential units constructed or substantially rehabilitated in the 2014-2015 fiscal year and then multiplied by the number of qualified residential units constructed or substantially rehabilitated by the taxpayer in the 2014-2015 fiscal year. However, the Agency shall take into consideration all eligible sources of funding for each development project and may reduce the amount of the loan authorized in this subsection if there are other eligible sources of funding available for the development project. No loan made to a taxpayer under this subsection shall exceed one million dollars ($1,000,000) if the low-income housing development is located in a low-income county, as designated by the Agency; seven hundred fifty thousand dollars ($750,000) in a medium-income county, as designated by the Agency; and two hundred fifty thousand dollars ($250,000) in a high-income county, as designated by the Agency.

SECTION 31.1.(d) By February 1, 2015, the Housing Finance Agency shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the number of loans made under this section, the amount of each loan, and whether the low-income housing development is located in a low-, medium-, or high-income county, as designated by the agency.

PART XXXII. RESERVED

PART XXXIII. RESERVED

PART XXXIV. DEPARTMENT OF TRANSPORTATION

STATE AID TO MUNICIPALITIES APPROPRIATION BASELINE

SECTION 34.1. G.S. 136-41.1 reads as rewritten:

"**§ 136-41.1. Appropriation to municipalities; allocation of funds generally; allocation to Butner.**

(a) There is annually appropriated out of the State Highway Fund a sum equal to ten and four-tenths percent (10.4%) of the net amount after refunds that was produced during the fiscal year by the tax imposed under Article 36C of Chapter 105 of the General Statutes and on the equivalent amount of alternative fuel taxed under Article 36D of that Chapter. One-half of the amount appropriated shall be allocated in cash on or before October 1 of each year to the cities and towns of the State in accordance with this section. The second one-half of the amount appropriated shall be allocated in cash on or before January 1 of each year to the cities and towns of the State in accordance with this section. The appropriation from the Highway Fund shall be based on revenue collected during the fiscal year preceding the date the distribution is made.

Seventy-five percent (75%) of the funds appropriated for cities and towns shall be distributed among the several eligible municipalities of the State in the percentage proportion that the population of each eligible municipality bears to the total population of all eligible municipalities according to the most recent annual estimates of population as certified to the Secretary of Revenue by the State Budget Officer. This annual estimation of population shall include increases in the population within the municipalities caused by annexations accomplished through July 1 of the calendar year in which these funds are distributed. Twenty-five percent (25%) of said fund shall be distributed among the several eligible municipalities of the State in the percentage proportion that the mileage of public streets in each eligible municipality which does not form a part of the State highway system bears to the total mileage of the public streets in all eligible municipalities which do not constitute a part of the State highway system.

It shall be the duty of the mayor of each municipality to report to the Department of Transportation such information as it may request for its guidance in determining the eligibility of each municipality to receive funds under this section and in determining the amount of allocation to which each is entitled. Upon failure of any municipality to make such report within the time prescribed by the Department of Transportation, the Department of Transportation may disregard such defaulting unit in making said allotment.

The funds to be allocated under this section shall be paid in cash to the various eligible municipalities on or before October 1 and January 1 of each year as provided in this section. Provided that eligible municipalities are authorized within the discretion of their governing bodies to enter into contracts for the purpose of maintenance, repair, construction, reconstruction, widening, or improving streets of such municipalities at any time after January 1 of any calendar year in total amounts not to exceed ninety percent (90%) of the amount received by such municipality during the preceding fiscal year, in anticipation of the receipt of funds under this section during the next fiscal year, to be paid for out of such funds when received.

The Department of Transportation may withhold each year an amount not to exceed one percent (1%) of the total amount appropriated for distribution under this section for the purpose of correcting errors in allocations: Provided, that the amount so withheld and not used for correcting errors will be carried over and added to the amount to be allocated for the following year.

The word "street" as used in this section is hereby defined as any public road maintained by a municipality and open to use by the general public, and having an average width of not less than 16 feet. In order to obtain the necessary information to distribute the funds herein allocated, the Department of Transportation may require that each municipality eligible to receive funds under this section submit to it a statement, certified by a registered engineer or surveyor of the total number of miles of streets in such municipality. The Department of Transportation may in its discretion require the certification of mileage on a biennial basis.

...."

CLARIFY DOT PRIVATE DEVELOPER REPORTING

SECTION 34.2. G.S. 136-28.6 reads as rewritten:

"§ 136-28.6. Participation by the Department of Transportation with private developers.

...

(h) The Secretary shall report in writing, on a quarterly basis, to the Joint Legislative Commission on Governmental Operations on all agreements entered into between a private developer and the Department of Transportation for participation in private engineering and construction contracts under this ~~section.~~section, as well as (i) agreements by counties and municipalities to participate in private engineering and construction contracts under subsection

(i) of this section and (ii) pass-through funding from private developers to counties or municipalities for State transportation projects.

(i) Counties and municipalities may participate financially in private engineering, land acquisition, and construction contracts for transportation projects which meet the requirements of subsection (b) of this section within their jurisdiction.

...."

REPEAL RIGHT TURN ON RED REPORT

SECTION 34.3. G.S. 20-158(b)(2)d. is repealed.

TURNPIKE AUTHORITY ANNUAL AUDIT DATE CHANGE

SECTION 34.4. G.S. 136-89.193 reads as rewritten:

"**§ 136-89.193. Annual plan of work; annual and quarterly reports.**

(a) Annual Plan of Work. – The Authority shall annually develop a plan of work for the fiscal year, describing the activities and projects to be undertaken, accompanied by a budget. This annual plan of work shall be subject to the concurrence of the Board of Transportation.

(b) Annual Reports. – The Authority shall, promptly following the close of each fiscal year, submit an annual report of its activities for the preceding year to the Governor, the General Assembly, and the Department of Transportation. ~~Each report shall be accompanied by an~~ In addition, an annual audit of its books and ~~accounts.~~accounts shall be submitted to the Governor, the General Assembly, and the Department of Transportation when completed in October of each year.

...."

DEPARTMENT OF TRANSPORTATION OUT-OF-STATE TRAVEL

SECTION 34.5. Expenditures for out-of-state travel by the Department of Transportation for the 2014-2015 fiscal year and all subsequent fiscal years shall not exceed the amount expended during the 2009-2010 fiscal year. For purposes of this section, "expenditures for out-of-state travel" includes transportation, conference, registration, and education expenses, lodging, and meals for Department of Transportation employees traveling outside of the State.

HIGHWAY USE TAX AND FUEL EXCISE TAX CHANGES

SECTION 34.6.(a) G.S. 105-187.3 reads as rewritten:

"**§ 105-187.3. Rate of tax.**

(a) Amount. – The rate of the use tax imposed by this Article is three percent (3%) of the retail value of a motor vehicle for which a certificate of title is issued. The tax is payable as provided in G.S. 105-187.4. The maximum tax is ~~one thousand dollars ($1,000)~~two thousand dollars ($2,000) for each certificate of title issued for a Class A or Class B motor vehicle that is a commercial motor vehicle, as defined in G.S. 20-4.01. The maximum tax is ~~one thousand five hundred dollars ($1,500)~~two thousand dollars ($2,000) for each certificate of title issued for a recreational vehicle that is not subject to the ~~one thousand dollar ($1,000) maximum tax.~~commercial motor vehicle tax imposed by this section.

...."

SECTION 34.6.(b) G.S. 105-187.3, as amended by subsection (a) of this section, reads as rewritten:

"**§ 105-187.3. Rate of tax.**

(a) Amount. – The rate of the use tax imposed by this Article is three percent (3%) of the retail value of a motor vehicle for which a certificate of title is issued. The tax is payable as provided in G.S. 105-187.4. The maximum tax is ~~two thousand dollars ($2,000)~~three thousand

dollars ($3,000) for each certificate of title issued for a Class A or Class B motor vehicle that is a commercial motor vehicle, as defined in G.S. 20-4.01. The maximum tax is ~~two thousand dollars ($2,000)~~three thousand dollars ($3,000) for each certificate of title issued for a recreational vehicle that is not subject to the commercial motor vehicle tax imposed by this section.

...."

SECTION 34.6.(c) G.S. 105-187.6 reads as rewritten:

"**§ 105-187.6. Exemptions from highway use tax.**

...

(c) Out-of-state Vehicles. – A maximum tax of ~~one hundred fifty dollars ($150.00)~~two hundred fifty dollars ($250.00) applies when a certificate of title is issued for a motor vehicle that, at the time of applying for a certificate of title, is and has been titled in another state for at least 90 days."

SECTION 34.6.(d) G.S. 105-449.106(b) is repealed.

SECTION 34.6.(e) Section 34.29(b) of S.L. 2013-360, as amended by Section 8.1 of S.L. 2013-363, reads as rewritten:

"**SECTION 34.29.(b)** This section becomes effective ~~July 1, 2014.~~October 1, 2014."

SECTION 34.6.(f) Subsection (a) of this subsection becomes effective January 1, 2015 and applies to certificates of title issued on or after that date. Subsection (b) of this section becomes effective July 1, 2015 and applies to certificates of title issued on or after that date. Subsection (c) of this section becomes effective October 1, 2014 and applies to certificates of title issued on or after that date. Subsection (d) of this section become effective January 1, 2015.

CONVERSION OF PAPER TITLES

SECTION 34.7.(a) G.S. 20-58.4A is amended by adding a new subsection to read:

"(l) The Division may convert an existing paper title to an electronic lien upon request of a primary lienholder. The Division or a party contracting with the Division under this section is authorized to collect a fee not to exceed three dollars ($3.00) for each conversion."

SECTION 34.7.(b) G.S. 20-63(h) is amended by adding a new subdivision to read:

"(11) Conversion of an existing paper title to an electronic lien upon request of a primary lienholder."

REMOTE DRIVERS LICENSE RENEWAL

SECTION 34.8.(a) G.S. 20-7 reads as rewritten:

"**§ 20-7. Issuance and renewal of drivers licenses.**

...

(f) Duration and Renewal of Licenses. – Drivers licenses shall be issued and renewed pursuant to the provisions of this subsection:

...

(6) Remote renewal. – The Division may offer remote renewal of a drivers license issued by the Division. For purposes of this subdivision, "remote renewal" means renewal of a drivers license by mail, telephone, electronic device, or other secure means approved by the Commissioner.

a. Requirements. – To be eligible for remote renewal under this subdivision, a person must meet all of the following requirements:

1. The license holder possesses a valid, unexpired Class C drivers license that was issued when the person was at least 18 years old.

2. The license holder is currently less than 66 years old.

3. The license holder's current license includes no restrictions other than a restriction for corrective lenses.
4. The license holder attests, in a manner designated by the Division, that (i) the license holder is a resident of the State and currently resides at the address on the license to be renewed, (ii) the license holder's name as it appears on the license to be renewed has not changed, and (iii) all other information required by the Division for an in-person renewal under this Article has been provided completely and truthfully.
5. The most recent renewal was an in-person renewal and not a remote renewal under this subdivision.
6. The license holder is otherwise eligible for renewal under this subsection.

b. Waiver of requirements. – When renewing a drivers license pursuant to this subdivision, the Division may waive the examination and photograph that would otherwise be required for the renewal.

c. Duration of remote renewal. – A renewed drivers license issued to a person by remote renewal under this subsection expires on the birthday of the licensee in the eighth year after issuance.

d. Rules. – The Division may adopt rules to implement this subdivision.

e. Federal law. – Nothing in this subdivision shall be construed to supersede any more restrictive provisions for renewal of drivers licenses prescribed by federal law or regulation.

...."

SECTION 34.8.(b) This section is effective when it becomes law and applies to drivers licenses renewed on or after the Division of Motor Vehicles adopts rules under G.S. 20-7(f)(6)d., as enacted by subsection (a) of this section.

DMV HEARING FEES

SECTION 34.9.(a) The Department of Transportation, Division of Motor Vehicles, shall develop a plan and proposed schedule of fees to recover the direct and indirect costs incurred for the performance of administrative hearings required by law or under rules adopted by the Board of Transportation. The plan and proposed schedule shall address, at a minimum, the following:

(1) Current hearing process and recommended modifications to achieve cost-efficiencies, including proposed revisions to existing laws or rules.
(2) Historical and projected funding requirements for each category of hearing performed by the Division.
(3) Schedule of fees and projected receipts.
(4) Proposed processes and rules for the collection of fees and the refunding of fees for hearings initiated by the Division in which the original decision of the Division is reversed.
(5) Implementation milestones.

SECTION 34.9.(b) The Division shall report on its recommended schedule to the Joint Legislative Transportation Oversight Committee no later than December 1, 2014.

SECTION 34.9.(c) The Department shall implement modifications to supporting information technology systems necessary to timely implement the hearing fee schedule required by subsection (a) of this section using funds appropriated to the Department of Transportation, Information Technology Section for the 2014-15 fiscal year.

DEPARTMENT OF TRANSPORTATION AIRCRAFT FLEET

SECTION 34.10.(a) The Division of Aviation of the Department of Transportation shall sell the following aircraft from its fleet as expeditiously as possible in order to modernize the fleet:

(1) Sikorsky S-76C helicopter.

(2) Cessna 550 Citation Bravo airplane.

Proceeds from these sales as well as any future sales under the plan required by subsection (b) of this section shall be credited to a nonreverting reserve within the Highway Fund to be used for future aircraft or equipment acquisitions by the Division of Aviation. The Division shall not acquire or dispose of additional aviation assets prior to its report to the Joint Legislative Transportation Oversight Committee required by subsection (c) of this section.

SECTION 34.10.(b) The Division of Aviation shall develop a plan to further reduce operating requirements and optimize its fleet to fulfill its regional passenger and photogrammetry missions, addressing, at a minimum, the following:

(1) Asset utilization.

(2) Assets recommended for disposal or acquisition.

(3) Contracted services.

(4) Cost efficiencies.

(5) Recommendations for adjustments to passenger transport rates.

(6) Interagency coordination of assets and personnel.

SECTION 34.10.(c) The Division shall report on the plan required by subsection (b) of this section to the Joint Legislative Transportation Oversight Committee no later than October 1, 2014.

PAVEMENT PRESERVATION PROGRAM

SECTION 34.11.(a) Article 2A of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-44.17. Pavement preservation program.**

(a) Program Established; Definition; Standard. – The Department of Transportation shall establish the pavement preservation program. For purposes of this section, "pavement preservation" shall mean the use by the Department of the most cost-effective prevention applications to extend pavement life, improve safety, and to meet motorist expectations, while delaying costly rehabilitation or reconstruction activities. When selecting preservation applications to be used in the pavement preservation program, the Department shall select the application that represents the most cost-effective solution to maximize the life of structurally sound pavement.

(b) Eligible Activities. – Applications eligible for funding under the pavement preservation program include the following preservation activities or treatments for asphalt pavement structures:

(1) Chip seals, slurry seals, fog seals, sand seals, scrub seals, and cape seals.

(2) Micro-surfacing.

(3) Profile milling not covered by resurfacing.

(4) Asphalt rejuvenators.

(5) Open graded asphalt friction course.

(6) Overlays less than 1,000 feet in length.

(7) Diamond grinding.

(8) Joint sealing.

(9) Dowel bar retrofit.

(c) Ineligible Activities. – The pavement preservation program shall not include the following preservation activities or treatments:

(1) Contract resurfacing activities or major pavement rehabilitation treatments and pretreatments that are used in combination with a resurfacing treatment, such as profile milling or chip seals.

(2) Routine maintenance activities used to maintain and preserve the condition of roads. Treatments include, but are not limited to, asphalt crack sealing, pothole patching, rut filling, cleaning of roadside ditches and structures, shoulder maintenance, and retracing of pavement markings.

(3) Maintenance and preservation activities performed on bridges or culverts.

(4) Activities related to positive guidance or signal maintenance program functions."

SECTION 34.11.(b) The Department of Transportation shall establish a new account within its maintenance account to receive funds allocated under this section for pavement preservation.

SECTION 34.11.(c) Of funds allocated in this act for pavement preservation, no more than eighty percent (80%) may be used for projects undertaken by the Department, with the remaining funds used for projects outsourced to private contractors.

SECTION 34.11.(d) From funds allocated in this act for pavement preservation, the Department shall treat a minimum of 6,000 lane miles with a chip seal, slurry seal, or micro-surfacing application.

SECTION 34.11.(e) It is the intent of the General Assembly that the Department work cooperatively with the paving industry so that the industry grows in size, scope, and geographic reach and has the capability to fulfill contracts for pavement preservation work across the State. Therefore, the Department is directed to do the following:

(1) Conduct workshops, trainings, or other meetings to encourage greater privatization of pavement preservation activities with the intent of reducing the amount of pavement preservation activities conducted by the Department.

(2) Increase the use of outsourcing of preservation activities to reach the following targets for outsourcing of pavement preservation projects:

a. Fifty percent (50%) of pavement preservation funds allocated yearly by the 2016-2017 fiscal year.

b. Ninety percent (90%) of pavement preservation funds allocated yearly by the 2018-2019 fiscal year.

SECTION 34.11.(f) The Department shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than August 1, 2014, on its outreach plan to achieve greater industry participation in pavement preservation activities for the five-year period beginning with the 2014-2015 fiscal year. The Department shall report no later than December 1, 2014, and annually thereafter to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on the Department's progress toward achieving the goals set forth in this section. The annual report shall include the following:

(1) A monthly examination of expenditures, by treatment type, indicating the amount and percentage performed by contract.

(2) The number of lane miles covered, by treatment type, along with an average cost per lane miles, by treatment type, indicating costs for each type for work performed by the Department and by contract.

(3) The statewide cost per lane mile (hereafter, "unit cost") along with unit cost for each division and for each type of treatment. The Department shall

provide an explanation for unit costs that vary by more than twenty percent (20%) from the statewide unit cost.

SECTION 34.11.(g) Subsections (e) and (f) of this section expire December 31, 2019.

DOT BUDGET TRANSFERS

SECTION 34.12. Of funds appropriated in this act to the Department of Transportation, budget transfers to the Office of the Governor undertaken under the authority set forth in Chapter 143C of the General Statutes shall not exceed two hundred sixty-seven thousand four hundred sixteen dollars ($267,416). These funds shall be used to support the following positions:

Position number	Title
65019379	Assistant Legal Counsel
65019380	Communications Specialist
60008477	Policy Analyst
60008516	Deputy Communications Director
60008502	Boards and Commissions Specialist
60008504	Legislative Director

OUTSOURCING OF PRECONSTRUCTION ACTIVITY

SECTION 34.13.(a) The Department of Transportation shall seek to increase the use of contracts to further privatize preconstruction work where practical, economical, and likely to lead to increased efficiency. In doing so, the Department of Transportation shall meet each of the following privatization requirements:

(1) Increase the outsourcing of all activities performed by the Department's Preconstruction and Technical Services units to sixty-eight percent (68%) of the total cost of activities performed by those units in fiscal year 2014-2015, excluding the cost of activities performed by the Turnpike Authority, the Structures Design and Management unit, and the Bridge Program.

(2) Increase the outsourcing of all activities performed by the Department's Roadway Design unit to fifty percent (50%) of the total cost of activities performed by those units in fiscal year 2014-2015.

(3) Increase the outsourcing of all activities performed by the Department's Project Development and Environmental Analysis unit to sixty-five percent (65%) of the total cost of activities performed by those units in fiscal year 2014-2015.

(4) The Department's Right-of-Way unit shall increase the total expenditures for outsourced activity by five percent (5%) in fiscal year 2014-2015.

SECTION 34.13.(b) The Department may credit any reduction in expenditures due to a reduction in force towards meeting the requirements imposed by subsection (a) of this section.

SECTION 34.13.(c) The Department shall increase contracts for construction of transportation projects on a design-build basis awarded under the provisions of G.S. 136-28.11.

SECTION 34.13.(d) The Department shall report no later than October 1, 2014, and quarterly thereafter, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division regarding its implementation of this section, including any reductions in force used to meet privatization requirements.

DOT SIGNAGE

SECTION 34.14.(a) G.S. 136-89.56 reads as rewritten:

"**§ 136-89.56. Commercial enterprises.**

No commercial enterprises or activities shall be authorized or conducted by the Department of Transportation, or the governing body of any city or town, within or on the property acquired for or designated as a controlled-access facility, as defined in this Article, except for:

(1) Materials displayed at welcome centers which shall be directly related to travel, accommodations, tourist-related activities, tourist-related services, and attractions. The Department of Transportation shall issue rules regulating the display of these materials. These materials may contain advertisements for real estate; and

(2) Vending machines permitted by the Department of Transportation and placed by the Division of Services for the Blind, Department of Health and Human Services, as the State licensing agency designated pursuant to Section 2(a)(5) of the Randolph-Sheppard Act (20 USC 107a(a)(5)). The Department of Transportation shall regulate the placing of the vending machines in highway rest areas and shall regulate the articles to be dispensed. In order to permit the establishment of adequate fuel and other service facilities by private owners or their lessees for the users of a controlled-access facility, the Department of Transportation shall permit access to service or frontage roads within the publicly owned right-of-way of any controlled-access facility established or designated as provided in this Article, at points which, in the opinion of the Department of Transportation, will best serve the public interest. The location of such fuel and other service facilities may be indicated to the users of the controlled-access facilities by appropriate signs, the size, style, and specifications of which shall be determined by the Department of Transportation.

The location of fuel, gas, food, lodging, camping, and attraction facilities may be indicated to the users of the controlled-access facilities by appropriate logos placed on signs owned, controlled, and erected by the Department of Transportation. The owners, operators or lessees of fuel, gas, food, lodging, camping, and attraction facilities who wish to place a logo identifying their business or service on a sign shall furnish a logo meeting the size, style and specifications determined by the Department of Transportation and shall pay the Department ~~for the costs of initial installation and subsequent maintenance. The fees for logo sign installation and maintenance shall be set by the Board of Transportation based on cost.~~a fee set by the Board of Transportation. The Board shall set the fee to cover the initial costs of signs, sign installation and maintenance, and the costs of administering the program."

SECTION 34.14.(b) G.S. 136-140.19 reads as rewritten:

"**§ 136-140.19. ~~Department~~ Board of Transportation to adopt rules to implement the TODS program.**

The ~~Department~~ Board of Transportation shall adopt rules to implement the TODS program created by this Article. The rules shall include all of the following:

(1) The ~~Department~~ Board shall set fees to cover the initial costs of signs, sign installation and maintenance, and the costs of administering the program.

(2) The ~~Department~~ Board shall establish a standard for the size, color, and letter height of the TODS as specified in the National Manual of Uniform Traffic Control Devices for Streets and Highways.

...

(8) The ~~Department~~ Board shall limit the placement of TODS to highways other than fully controlled access highways and to rural areas in and around towns or cities with a population of less than 40,000."

SECTION 34.14.(c) G.S. 106-22.5(a) reads as rewritten:

"**§ 106-22.5. Agricultural tourism signs.**

(a) The Department of Agriculture and Consumer Services shall work with the Department of Transportation to provide directional signs on major highways at or in reasonable proximity to the nearest interchange ~~or within one mile~~ leading to an agricultural facility that promotes tourism by providing tours and on-site sales or samples of North Carolina agricultural products to area tourists. The Department shall follow the sign location and placement rules for the Department of Transportation's Tourist-Oriented Directional Signs as authorized by G.S.136-140.19."

STATE PARKS AND TRAILS SIGNAGE

SECTION 34.15.(a) The Department of Transportation, in conjunction with the State Parks and Recreation Division of the Department of Environment and Natural Resources, the Department of Commerce, and Friends of the Mountains-to-Sea Trail, Inc., a nonprofit corporation, shall study the use of highway signage as a means of improving the North Carolina residents' and tourists' awareness of State parks, including historic and cultural sites as well as the Mountains-to-Sea Trail. The study shall include an examination of at least all of the following:

(1) Whether signs currently located on or near highways in this State are sufficient in number, location, and size and presentation to make travelers on the highways of this State aware of the existence and location of all State parks, including historic and cultural sites as well as the Mountains-to-Sea Trail.

(2) Whether signs currently located on or near highways in this State adequately inform travelers that portions of the roads they travel on are part of the current route of the Mountains-to-Sea Trail.

(3) What measures could be taken to improve the efficacy of highway signage in achieving the goals described in subdivisions (1) and (2) of this subsection.

(4) What the costs and benefits of implementing the measures described in subdivision (3) of this subsection would be.

SECTION 34.15.(b) No later than April 1, 2015, the Department of Transportation shall report the results of the study required by this section to the chairs of the Joint Legislative Transportation Oversight Committee and to the Fiscal Research Division.

DOT STAFFING

SECTION 34.16.(a) The Department of Transportation shall review the organization and staffing of the Division of Highways and the Division of Preconstruction and identify areas of unnecessary duplication within management structures and variations in the number of employees reporting to persons identified as supervisors. Based on its review, the Department shall create and implement a plan for staffing changes and staffing efficiencies. The plan should reduce layers of management to the level needed for carrying out the Department's functions and responsibilities and ensure that employees designated as supervisors have workloads and staff size that are appropriate given the function or task for which that supervisor has responsibility.

SECTION 34.16.(b) The Department shall report its progress on implementing this section to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than December 1, 2014.

BOARD OF TRANSPORTATION TO STUDY FEES, SPONSORSHIP, AND PRIVATIZATION

SECTION 34.17.(a) The Board of Transportation shall study how fees, sponsorship, or privatization might be used to reduce the use of public funds for services provided by the Department. The services the Board shall study include, but are not limited to, the following:

(1) Inspection of streets and bridges within a private development for future addition to the State highway system.
(2) Inspection, site review, and permitting of the installation of driveways by private parties providing access to a component of the State highway system.
(3) Review and inspection of encroachments onto the State highway system.
(4) Lease or sale of property related to the resolution of encroachments or the disposition of surplus right-of-way.
(5) Review of or consultation on development plats or plans.
(6) Review, engineering, or consultation regarding drainage issues, improvements, or maintenance adjacent to components of the State highway system.
(8) Training sessions or workshops offered to private consultants and contractors.
(9) Review and engineering consultation regarding traffic plans.

SECTION 34.17.(b) The Board shall also study the existing fee structure for services performed by Highway Division personnel and identify any fees that no longer cover the direct and indirect costs incurred by the Department to perform the service.

SECTION 34.17.(c) The Department of Transportation shall report on the Board's study and recommendations for fee adjustments or additions to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than December 1, 2014. This report shall also include recommendations from the Board on the use of sponsorships for activities, programs, or functions currently performed by the Department or the privatization of these functions, and include the following information:

(1) The current cost of activities proposed for sponsorship support or privatization.
(2) The potential receipts that could reasonably be collected through sponsorships or the cost-savings achieved through privatization.
(3) A proposed process for the screening and selection of sponsors.
(4) Mock-ups of potential sponsorship signage on materials, buildings, vehicles, vessels, or other locations.
(5) Any administrative, statutory, or regulatory changes needed for the Department to proceed with sponsorship or privatization programs.

RENAME AND REDIRECT TAX PROCEEDS OF SYSTEM PRESERVATION PROGRAM

SECTION 34.18.(a) The Department of Transportation shall rename the "system preservation program" (fund center 1500/157839) the "bridge program." Funds allocated to this program shall be used for improvements to structurally deficient and functionally obsolete bridges. All projects funded under this program, with the exception of inspection, pre-engineering, contract preparation, contract administration and oversight, and planning activities, shall be outsourced to private contractors.

SECTION 34.18.(b) G.S. 119-18 reads as rewritten:

"**§ 119-18. Inspection tax and distribution of the tax proceeds.**

...

(b) Proceeds. – The proceeds of the inspection tax levied by this section shall be applied first to the costs of administering this Article and Subchapter V of Chapter 105 of the General

Statutes. The remainder of the proceeds shall be credited on a monthly basis to the Highway Fund to be used for ~~system preservation~~ pavement preservation under the Department of Transportation in the highway maintenance program.

..."

HIGHWAY FUND CREDIT RESERVE

SECTION 34.19.(a) G.S. 136-44.2 is amended by adding a new subsection to read:

"**§ 136-44.2. Budget and appropriations.**

...

(f1) The credit reserve for the Highway Fund consists of the following:

(1) The unreserved credit balance in the Highway Fund on the last day of the fiscal year to the extent the balances exceed the amount estimated for that date in the Current Operations Appropriations Act for the following fiscal year.

(2) The unallotted and unencumbered balances on the last day of the fiscal year for the following:

a. Funds appropriated from the Highway Fund for the multimodal programs of the Department, consisting of funds for bicycle and pedestrian, ferry, railroad, aviation, and public transportation programs, excluding funds deposited in the Freight Rail & Rail Crossing Safety Improvement Fund.

b. Funds appropriated from the Highway Fund for the construction programs of the Department, consisting of funds for secondary construction, access and public service roads, spot safety improvement, contingency, small urban construction, and economic development programs.

(3) The unencumbered and unexpended balances on the last day of the fiscal year for the following:

a. Central and program administration.

b. Transfers to other State agencies or departments not used or returned."

SECTION 34.19.(b) The sum of twelve million dollars ($12,000,000) of the unallotted and unexpended balance of funds within the Bicycle program (fund center 1500/0036), Ferry Operations (fund center 1500/7825), Railroad program (fund center 1500/7829), Airports program (fund center 1500/7830), and the Public Transportation program (fund center 1500/7831), excluding funds deposited in the Freight Rail & Rail Crossing Safety Improvement Fund, shall be transferred to the Pavement Preservation program created in Section 34.11 of this act.

SALE OF CERTAIN FORMER NC RAILROAD PROPERTIES

SECTION 34.20.(a) Subject to the right of first refusal in subsection (b) of this section, the Department of Administration shall dispose of the following parcels following the procedures set out in Chapter 146 of the General Statutes, provided that the Department may not dispose of the properties by gift or for less than fair market value:

Property Description	County	Nearest Town	Parcel ID
4th Street Lot	Carteret	Morehead	638620808907000
Station & Former Industrial Lot	Carteret	Morehead	638620718127000
Waterfront & Riparian Rights	Carteret	Morehead	638620708857000 & 638620709868000

SECTION 34.20.(b) Before the Department disposes of any property described in subsection (a), the city of Morehead City, Carteret County, or the city and county jointly shall be given the right of first refusal to purchase, lease, or rent any or all of the parcels at fair market value as determined by rules adopted by the Department under G.S. 146-29. Any lease or rental agreement under this subsection shall provide that the lessee or tenant may not sublease the property, except to a public entity for a public purpose. The right of first refusal shall expire on June 30, 2015.

SECTION 34.20.(c) Following expiration of the right of first refusal period set forth in subsection (b) of this section, or upon written notice from the city of Morehead City and Carteret County waiving the right of first refusal, the Department shall dispose of the properties by sale.

SECTION 34.20.(d) Notwithstanding G.S. 146-30, the Department shall deposit the net proceeds from the disposition of the properties into the Freight Rail & Rail Crossing Safety Improvement Fund of the Highway Fund.

MAINTENANCE CONDITION ASSESSMENT PROGRAM CHANGES

SECTION 34.21. G.S. 136-44.3 reads as rewritten:

"**§ 136-44.3. Maintenance program.**

The Department shall establish performance standards for the maintenance and operation of the State highway system. In each even-numbered year, the Department of Transportation shall survey the condition of the State highway system and shall prepare a report of the findings of the survey. The report shall provide both quantitative and qualitative descriptions of the condition of the system and shall provide estimates of the following:

(1) The annual cost to meet and sustain the established performance standards for the ~~primary and secondary~~State highway system, delineated by costs to the primary or secondary system, to ~~include: (i) routine maintenance and operations, (ii) system preservation, and (iii) pavement and bridge rehabilitation.~~include the following categories of work: (i) contract resurfacing, (ii) pavement preservation, (iii) routine highway maintenance, (iv) disasters and emergencies, (v) structurally sound bridge maintenance, and (vi) structurally unsound bridge rehabilitation, repair, or replacement.

(2) Projected system condition and corresponding optimal funding requirements for a seven-year plan to sustain established performance standards. The report shall also identify target levels of service for each maintenance activity and assess historical program performance across divisions, including project delivery rates, staffing, and direct and indirect costs. The Department shall clearly denote prioritized maintenance needs and recommended resource allocations and distribution methods to achieve each target.

(3) Any significant variations in system conditions among highway divisions. The report should include an examination of how well the highway divisions streamline project delivery, maximize efficiency, and prioritize spending based on needs and make recommendations on ways to improve these processes. The report should analyze the cost of delivering maintenance activities by division and make recommendations on how to reduce these costs regionally and statewide.

(4) An assessment of the level of congestion throughout the primary highway system based on traffic data, and a ranking of the most congested areas based on travel time reliability and the average number of congested hours,

together with the Department's recommendations for congestion reduction and mobility improvement.

(5) An analysis of existing highway division staffing levels and recommendations to ensure staffing levels are distributed appropriately based on need.

(6) A cross-divisional comparison summary document, not to exceed one page in length, which includes the divisional performance data described in subdivision (2) of this section as well as the most deficient roads and bridges in each division.

On the basis of the report and from funds available, the Department of Transportation shall develop a statewide annual maintenance program for the State highway system, which shall be subject to the approval of the Board of Transportation and is consistent with performance standards.

The report on the condition of the State highway system and maintenance funding needs shall be presented to the Joint Legislative Transportation Oversight Committee by December 31 of each even-numbered year, and copies shall be made available to any member of the General Assembly upon request."

DIVISION OF MOTOR VEHICLES POSITION FUNDING

SECTION 34.22. The Department of Transportation shall not use funds appropriated for the 2014-2015 fiscal year from the Highway Trust Fund to fund positions within the Division of Motor Vehicles.

DOT CASH MANAGEMENT

SECTION 34.23.(a) G.S. 143C-6-11 reads as rewritten:

"**§ 143C-6-11. Highway appropriation.**

...

(f) ~~Five Percent (5%) of the Cash Balance Required.~~Seven and One-Half Percent (7.5%) Cash Balance Required. – The Department of Transportation shall maintain an available cash balance at the end of each month equal to at least ~~five percent (5%)~~seven and one-half percent (7.5%) of ~~the unpaid balance of the total transportation project contract obligations.~~the total appropriations for the current fiscal year from the Highway Fund and the Highway Trust Fund. In projecting cash balances in future years, the Department shall use the estimated cash flow as specified in the Current Operations Appropriation Act. In the event this cash position is not maintained, no further transportation project contract commitments may be entered into until the cash balance has been regained. ~~For the purposes of awarding contracts involving federal aid, any amount due from the federal government and the Highway Bond Fund as a result of unreimbursed expenditures may be considered as cash for the purposes of this provision.~~Any federal funds on hand shall not be considered as cash for the purposes of this subsection.

...

(k) The Department of Transportation shall do all of the following:

(1) Utilize cash flow financing to the extent possible to fund transportation projects with the goal of reducing the combined average daily cash balance of the Highway Fund and the Highway Trust Fund to an amount equal to ~~the twelve percent (12%) of the combined estimate of the yearly receipts of the Funds.~~ between fifteen and twenty percent (15-20%) of the total appropriations for the current fiscal year from those funds. In projecting cash balances in future years, the Department shall use the estimated cash flow as specified in the Current Operations Appropriation Act. Any federal funds on

hand shall not be considered as cash for the purposes of this subsection. The target amount shall include an amount necessary to make all municipal-aid funding requirements of the Department.

(2) Establish necessary management controls to facilitate use of cash flow financing, such as establishment of a financial planning committee, development of a monthly financing report, establishment of appropriate fund cash level targets, review of revenue forecasting procedures, and reduction of accrued unbilled costs.

(3) Report annually, on October 1 of each year, to the Joint Legislative Transportation Oversight Committee on its cash management policies and results."

SECTION 34.23.(b) The Board of Transportation shall study the Department's cash management policies and identify ways to strengthen these policies in order to prevent excessive cash balances. The Department shall report to the House of Representatives Appropriations Subcommittee on Transportation, the Senate Appropriations Committee on Department of Transportation, and the Fiscal Research Division by April 1, 2015, on the findings from this study and any resulting policy changes made based on the findings of the study.

SECTION 34.23.(c) In any month in which the Department's total cash balance on hand from the Highway Fund and the Highway Trust Fund exceeds one billion dollars ($1,000,000,000), the Department shall report its cash balance no later than the 15th day of the following month as follows:

(1) To the Board of Transportation.

(2) If the General Assembly is in session, the Department shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Transportation, the Chairs of the Senate Appropriations Committee on Department of Transportation, and the Fiscal Research Division.

(3) If the General Assembly is not in session, the Department shall report to the Chairs of the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

The report shall include an explanation from the Department of the reasons the cash balance has exceeded the amount specified in this subsection, the actions to be taken by the Department to reduce the cash balance, and the estimated amount of time it will take to bring the cash balance to the target identified in G.S. 143C-6-11(k)(1), as amended by subsection (a) of this section.

SECTION 34.23.(d) Subsection (c) of this section becomes effective July 1, 2015.

DOT LEGAL SERVICES

SECTION 34.24.(a) Section 34.27 of S.L. 2013-360 reads as rewritten:

"**SECTION 34.27.** The Department of Transportation may engage the services of private counsel with the pertinent expertise to ~~timely defend or otherwise resolve legal challenges~~provide legal services related to transportation projects undertaken by the Department. The Department shall supervise and manage the private counsel engaged under this section and shall not be required to obtain written permission or approval from the Attorney General under G.S. 114-2.3. ~~The Department shall report the engagement of private counsel authorized by this section within 30 days to the General Assembly, as follows:~~

~~(1) If the General Assembly is in session, the Department shall report to the Chairs of the Appropriations Subcommittee on Transportation of the House of Representatives, the Chairs of the Appropriations Committee on Transportation of the Senate, and the Fiscal Research Division.~~

~~(2) If the General Assembly is not in session, or adjourns sine die during the 30-day period, the Department shall report to the Chairs of the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.~~"

SECTION 34.24.(b) It is the intent of the General Assembly that the Department of Transportation exercise the authority granted by subsection (a) of this section to maximize operational and project delivery benefits attributed to the avoidance or successful defense of litigation. To accomplish this intent, the Department is directed to increase its utilization of external counsel to no less than ten percent (10%) of new cases arising during the 2014-2015 fiscal year, increasing to no less than twenty percent (20%) of new cases arising during the 2015-2016 fiscal year.

SECTION 34.24.(c) The Department shall develop performance metrics to evaluate its utilization of in-house and outside counsel, to include the following:

(1) A summary of new matters opened by legal area.
(2) Case cycle times.
(3) Resolution of cases.
(4) A comparison of in-house costs to billable rates for external counsel.
(5) The process for procurement for legal services.

The Department shall report no later than January 1, 2015, and quarterly thereafter, to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Justice and Public Safety Oversight Committee regarding the performance metrics set forth in this subsection.

SECTION 34.24.(d) G.S. 136-103.1 reads as rewritten:

"**§ 136-103.1. Outside counsel.**

The ~~Attorney General~~Secretary of Transportation is authorized to employ outside counsel as ~~he~~ the Secretary deems necessary for the purpose of obtaining title abstracts and title certificates for transportation system rights-of-way and for assistance in the trial of condemnation cases involving the acquisition of rights-of-way and other interests in land for the purpose of transportation construction. Compensation, as approved by the ~~Attorney General,~~Secretary, shall be paid out of the appropriations from the Highway Fund."

SECTION 34.24.(e) Legal positions assigned to the Department from the Department of Justice which become vacant during the 2014-2015 fiscal year shall not be filled.

PART XXXV. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 35.1.(a) G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred forty-one thousand two hundred sixty-five dollars ($141,265)~~ one hundred forty-two thousand seventy-four dollars ($142,074) annually, payable monthly."

SECTION 35.1.(b) Section 35.1(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 35.1.(b)** ~~Effective for the 2013-2015 fiscal biennium, the~~ The annual salaries for members of the Council of State, payable monthly, shall ~~remain unchanged~~ be increased by eight hundred nine dollars ($809.00) as follows:

Council of State	Annual Salary
Lieutenant Governor	~~$124,676~~$125,485
Attorney General	~~124,676~~125,485
Secretary of State	~~124,676~~125,485
State Treasurer	~~124,676~~125,485

State Auditor	~~124,676~~125,485
Superintendent of Public Instruction	~~124,676~~125,485
Agriculture Commissioner	~~124,676~~125,485
Insurance Commissioner	~~124,676~~125,485
Labor Commissioner	~~124,676~~125,485"

SECTION 35.1.(c) Section 35.1(a) of S.L. 2013-360 is repealed.

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 35.2. Section 35.2 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.2.** ~~Effective for the 2013-2015 fiscal biennium, the~~ The annual salaries, payable monthly, for the following executive branch officials shall ~~remain unchanged~~ be increased by eight hundred nine dollars ($809.00) as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	~~$110,868~~$111,677
State Controller	~~155,159~~155,968
Commissioner of Banks	~~124,676~~125,485
Chair, Board of Review, Division of Employment Security	~~122,255~~123,064
Members, Board of Review, Division of Employment Security	~~120,737~~121,546
Chairman, Parole Commission	~~101,235~~102,044
Members of the Parole Commission	~~93,464~~94,273
Chairman, Utilities Commission	~~138,849~~139,658
Members of the Utilities Commission	~~124,676~~125,485
Executive Director, North Carolina Agricultural Finance Authority	~~107,915~~108,724"

JUDICIAL BRANCH

SECTION 35.3.(a) Section 35.3 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.3.(a)** ~~Effective for the 2013-2015 fiscal biennium, the~~ The annual salaries, payable monthly, for specified judicial branch officials shall ~~remain unchanged~~ be increased by eight hundred nine dollars ($809.00) as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	~~$142,623~~$143,432
Associate Justice, Supreme Court	~~138,896~~139,705
Chief Judge, Court of Appeals	~~136,682~~137,491
Judge, Court of Appeals	~~133,109~~133,918
Judge, Senior Regular Resident Superior Court	~~129,492~~130,301
Judge, Superior Court	~~125,875~~126,684
Chief Judge, District Court	~~114,301~~115,110
Judge, District Court	~~110,684~~111,493
District Attorney	~~120,737~~121,546
Administrative Officer of the Courts	~~128,259~~129,068
Assistant Administrative Officer of the Courts	~~117,152~~117,961
Public Defender	~~120,737~~121,546
Director of Indigent Defense Services	~~124,498~~125,307

~~**SECTION 35.3.(b)** Effective for the 2013-2015 fiscal biennium, the annual salaries of employees of the Judicial Department shall remain unchanged as follows:~~

~~(1) The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall remain unchanged.~~

~~(2) Notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.~~

~~(3) The annual salaries of assistant and deputy clerks of court set under G.S. 7A-102(c1) shall remain unchanged.~~

~~(4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or G.S. 7A-171.1(a1)(1) shall remain unchanged.~~"

SECTION 35.3.(b) Except for employees eligible to receive step increases under G.S. 7A-102(c1), G.S. 7A-171.1(a), or G.S. 7A-171.1(a1)(1), the annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by eight hundred nine dollars ($809.00).

SECTION 35.3.(c) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed seventy-two thousand six hundred six dollars ($72,606) and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-eight thousand four hundred thirty-seven dollars ($38,437), effective July 1, 2014.

SECTION 35.3.(d) G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	~~$ 83,390~~$84,199
100,000 to 149,999	~~93,578~~94,387
150,000 to 249,999	~~103,766~~104,575
250,000 and above	~~113,958~~114,767

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

SECTION 35.3.(e) G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	$32,609
Maximum	~~55,424~~ 56,233
Deputy Clerks	**Annual Salary**
Minimum	$28,223
Maximum	~~43,107.~~ 43,916."

SECTION 35.3.(f) G.S. 7A-171.1(a)(1) reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A

magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6. The minimum and maximum salary amounts are as follows:

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary Range Minimum - Maximum
Entry Rate	~~$33,025~~$33,834
Step 1	35,951 - 36,760
Step 2	39,135 - 39,944
Step 3	42,640 - 43,449
Step 4	46,551 - 47,360
Step 5	50,959 - 51,768
Step 6	~~55,901.~~55,901 - 56,710."

SECTION 35.3.(g) G.S. 7A-171.1(a1)(1) reads as rewritten:

"(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The minimum and maximum salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

	Minimum	Maximum
Less than 1 year of service	~~$26,846~~	$27,655
1 or more but less than 3 years of service	28,027 -	28,836
3 or more but less than 5 years of service	30,405 -	31,214

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a)."

LEGISLATIVE BRANCH

SECTION 35.4.(a) Section 35.4 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.4.** For the 2013-2015 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly. ~~Effective for the 2013-2015 fiscal biennium, salaries in the legislative branch shall remain unchanged, as follows:~~

~~(1) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.~~

~~(2) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.~~

~~(3) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged.~~"

SECTION 35.4.(b) G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~three hundred eighty-five dollars ($385.00)~~ four hundred one dollars ($401) 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 35.4.(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 five thousand three hundred thirty-three dollars ($105,333),~~ one hundred six thousand one hundred forty-two dollars ($106,142), 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 35.4.(d) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2014, shall be increased by eight hundred nine dollars ($809.00).

COMMUNITY COLLEGES PERSONNEL

SECTION 35.5. Section 35.5 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.5.(a)** The annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall ~~remain unchanged for the 2013-2015 fiscal biennium.~~be increased by eight hundred nine dollars ($809.00).

"**SECTION 35.5.(b)** ~~For the 2013-2015 fiscal biennium, the~~ Effective July 1, 2014, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall ~~remain unchanged. The~~ be increased by eight hundred nine dollars ($809.00). The minimum salaries for nine-month, full-time curriculum community college faculty shall ~~also remain unchanged~~ be increased as follows:

Education Level	Minimum Salary
Vocational Diploma/Certificate or Less	~~$34,314~~$35,123
Associate Degree or Equivalent	~~34,819~~35,628
Bachelor's Degree	~~37,009~~37,818
Masters Degree or Education Specialist	~~38,952~~39,761
Doctoral Degree	~~41,753~~42,562

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members."

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 35.6. Section 35.6 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.6.(a)** The annual compensation of all University of North Carolina ~~EPA faculty, EPA nonfaculty, SPA employees, and teachers employed by the North Carolina School of Science and Mathematics shall remain unchanged for the 2013-2015 fiscal biennium.~~ employees who are not exempt from the North Carolina Human Resources Act shall be increased by eight hundred nine dollars ($809.00).

"**SECTION 35.6.(b)** The annual compensation of all employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall remain unchanged for the ~~2013-2015 fiscal biennium.~~2013-2014 fiscal year."

SALARY ADJUSTMENT REQUIREMENTS/LIMIT ON CUMULATIVE INCREASES

SECTION 35.7. Section 35.8 of S.L. 2013-360 reads as rewritten:

"**SECTION 35.8.(a)** The annual compensation of all employees subject to or exempt from the ~~State Personnel Act,~~ North Carolina Human Resources Act, including employees of local boards of education, community colleges, and The University of North Carolina, for the ~~2013-2015 fiscal biennium~~ 2013-2014 fiscal year shall remain unchanged from that authorized on June 30, 2013, or the last date in pay status during the 2011-2013 fiscal biennium, if earlier, unless an increase is authorized by this section or under the Salary Adjustment Fund established by this act.

SECTION 35.8.(b) Salary increases may be awarded during the ~~2013-2015 fiscal biennium~~ 2013-2014 fiscal year under this ~~section~~ subsection only for the following special circumstances:

(1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, salaries may be increased for reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties or responsibilities, none of which are subject to the salary freeze otherwise provided by this Part. All other salary increases are prohibited.

(1a) For employees of the North Carolina Community College System, notwithstanding subdivision (1) of this subsection, salaries may be increased if the increase is (i) funded from local funding sources or (ii) for the purposes of retention or equity.

(2) For The University of North Carolina, (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund; (ii) faculty, nonfaculty, and other employee adjustments, including retention adjustments, funded from non-State funding sources; (iii) faculty, nonfaculty, and other employees for the purposes of retention or equity.

(3) For employees of the judicial branch, for local supplementation as authorized by G.S. 7A-300.1.

The cumulative salary adjustment allowed under this subsection ~~for each fiscal year~~ during the ~~2013-2015 fiscal biennium~~ 2013-2014 fiscal year may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 35.8.(b1) For fiscal year 2014-2015, the cumulative salary adjustment awarded to any employee may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 35.8.(c) The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the ~~2013-2015 fiscal biennium.~~2013-2014 fiscal year.

SECTION 35.8.(d) The salary increase provisions of G.S. 20-187.3 are suspended for the ~~2013-2015 fiscal biennium.~~2013-2014 fiscal year.

SECTION 35.8.(e) ~~During the 2013-2015 fiscal biennium,~~ For the 2013-2014 fiscal year, notwithstanding G.S. 53C-2-3(c), employees of the Office of the Commissioner of Banks shall

not be awarded (i) compensation increases unless allowed under subdivision (1) of subsection (b) of this section or (ii) compensation bonuses.

SECTION 35.8.(f) Employees of the Lottery Commission shall not receive compensation bonuses during the ~~2013-2015 fiscal biennium.~~2013-2014 fiscal year."

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED SALARY INCREASES

SECTION 35.8.(a) The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated salary increases in amounts set forth in the committee report described in Section 38.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for legislatively mandated salary increases.

SECTION 35.8.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases exceed the amount required by that agency for that purpose, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated salary increases.

SECTION 35.8.(c) No later than October 1, 2014, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases. This report shall include at least the following information for each State agency for the 2014-2015 fiscal year:

(1) The total amount of funds that the agency received for legislatively mandated salary increases.

(2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.

(3) The total amount of funds used by the agency for legislatively mandated salary increases.

(4) The total amount of funds received by the agency for legislatively mandated salary increases that are anticipated to revert at the end of the fiscal year.

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 35.9.(a) Salaries and related benefits for positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

SECTION 35.9.(b) The salary increases provided in this act become effective July 1, 2014, and do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2014.

SECTION 35.9.(c) Payroll checks issued to employees after July 1, 2014, which represent payment of services provided prior to July 1, 2014, shall not be eligible for salary increases provided for in this act. This subsection applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

SECTION 35.9.(d) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

MOST STATE EMPLOYEES

SECTION 35.10.(a) Section 35.7 of S.L. 2013-360 reads as rewritten:

"SECTION 35.7. ~~For the 2013-2015 fiscal biennium, the salaries in effect June 30, 2013, for the following employees shall remain unchanged, effective July 1, 2013:~~ Except as otherwise specifically set forth in this act, the salaries in effect for the following employees on June 30, 2014, shall be increased by eight hundred nine dollars ($809.00):

(1) Permanent full-time State officials and persons whose salaries are set in accordance with the ~~State Personnel Act.~~North Carolina Human Resources Act.

(2) Permanent full-time State officials and persons in positions exempt from the ~~State Personnel Act.~~North Carolina Human Resources Act.

(3) Permanent part-time State ~~employees.~~employees and temporary and permanent hourly State employees, on a prorated and equitable basis subject to the availability of funds in the employing State agency, department, or institution and within regular State Budget Act procedures.

~~(4) Temporary and permanent hourly State employees.~~

Employees eligible to receive step increases under G.S. 20-187.3, 7A-102(c1), 7A-171.1(a), or 7A-171.1(a1)(1) shall not receive the eight hundred nine dollars ($809.00) salary increase authorized by this act."

SECTION 35.10.(b) An employee eligible to receive a step increase as provided by this act may move up no more than one step on the applicable salary schedule.

STATE EMPLOYEES REASSIGNMENT/NO THIRTY-FIVE-MILE RADIUS REQUIREMENT

SECTION 35.11.(a) G.S. 126-5(e)(2) reads as rewritten:

"(e) An exempt employee may be transferred, demoted, or separated from his or her position by the department head authorized to designate the exempt position except:

...

(2) When an employee who has 10 years or more cumulative service, including the immediately preceding 12 months, in subject positions prior to placement in an exempt position is removed from an exempt position, for reasons other than just cause, the employee shall be reassigned to a subject position within the same department or agency, or if necessary within another agency, ~~and within a 35-mile radius of the exempt position,~~ at the same grade and salary, including all across-the-board increases since placement in the position designated as exempt, as ~~his~~ the employee's most recent subject position."

SECTION 35.11.(b) This section is effective when it becomes law and applies to State employees hired before June 30, 2013.

AMEND THE SALARY CONTINUATION LAWS TO PROVIDE THAT ONLY LAW ENFORCEMENT OFFICERS INJURED AND INCAPACITATED AS THE RESULT OF THE HEIGHTENED RISK AND SPECIAL HAZARDS POSED BY THEIR OFFICIAL DUTIES RECEIVE A HIGHER COMPENSATION RATE FOR THE TWO-YEAR PERIOD BEFORE REVERTING TO THE RATES PROVIDED UNDER THE WORKERS' COMPENSATION LAWS

SECTION 35.12.(a) Article 12B of Chapter 143 of the General Statutes reads as rewritten:

"Article 12B.

"Salary Continuation Plan for Certain State Law-Enforcement Officers.

"**§ 143-166.13. Persons entitled to benefits under Article.**

(a) The following persons who are subject to the Criminal Justice Training and Standards Act are entitled to benefits under this Article:

(1) State Government Security Officers, Department of Administration;
(2) State Correctional Officers, Division of Adult Correction of the Department of Public Safety;
(3) State Probation and Parole Officers, Division of Adult Correction of the Department of Public Safety;
(4) Sworn State Law-Enforcement Officers with the power of arrest, Division of Adult Correction of the Department of Public Safety;
(5) Alcohol Law-Enforcement Agents, Department of Public Safety;
(6) State Highway Patrol Officers, Department of Public Safety;
(7) General Assembly Special Police, General Assembly;
(8) Sworn State Law-Enforcement Officers with the power of arrest, Department of Health and Human Services;
(9) Juvenile Justice Officers, Division of Juvenile Justice of the Department of Public Safety;
(10) Insurance Investigators, Department of Insurance;
(11) State Bureau of Investigation Officers and Agents, Department of Justice;
(12) Director and Assistant Director, License and Theft Enforcement Section, Division of Motor Vehicles, Department of Transportation;
(13) Members of License and Theft Enforcement Section, Division of Motor Vehicles, Department of Transportation, designated by the Commissioner of Motor Vehicles as either "inspectors" or uniformed weigh station personnel;
(14) Utilities Commission Transportation Inspectors and Special Investigators;
(15) North Carolina Ports Authority Police, Department of Transportation;
(16) Sworn State Law-Enforcement Officers with the power of arrest, Department of Environment and Natural Resources;
(17) Sworn State Law-Enforcement Officers with the power of arrest, Department of Public Safety.
(18) Sworn State Law-Enforcement Officers with the power of arrest, Department of Revenue.
(19) Sworn State Law-Enforcement Officers with the power of arrest, University System.

(b) The following persons are entitled to benefits under this Article regardless of whether they are subject to the Criminal Justice Training and Standards Act:

(1) Driver License Examiners injured by accident arising out of and in the course of giving a road test, Division of Motor Vehicles, Department of Transportation;
(2) Employees of the Division of Adult Correction of the Department of Public Safety injured by a direct and deliberate act of an offender supervised by the Division or while performing supervisory duties over offenders which place the employees at risk of such injury.

(c) As used in this Article, the term "eligible person" or "person" shall mean any individual listed under subsection (a) or (b) of this section.

"§ 143-166.14. Payment of salary notwithstanding incapacity; Workers' Compensation Act applicable after two years; duration of payment.

The salary of any ~~of the above listed persons~~eligible person shall be paid as long as ~~his~~the person's employment in that position continues, notwithstanding ~~his~~the person's total or partial incapacity to perform any duties to which ~~he~~the person may be lawfully assigned, if that incapacity is the result of an injury ~~by accident or an occupational disease arising out of and in~~

~~the course of the performance by him of his~~or injuries proximately caused by the heightened risk and special hazards directly related to the violent nature of the eligible person's official duties, except if that incapacity continues for more than two years from its inception, the person shall, during the further continuance of that incapacity, be subject to the provisions of Chapter 97 of the General Statutes pertaining to workers' compensation. Salary paid to ~~a~~an eligible person pursuant to this Article shall cease upon the resumption of ~~his~~the person's regularly assigned duties, retirement, resignation, or death, whichever first occurs, except that temporary return to duty shall not prohibit payment of salary for a subsequent period of incapacity which can be shown to be directly related to the original injury.

"§ 143-166.15. Application of § 97-27; how payments made.

Notwithstanding the provisions of G.S. 143-166.14 of this Article, the persons entitled to benefits shall be subject to the provisions of G.S. 97-27 during the two-year period of payment of full salary. All payments of salary shall be made at the same time and in the same manner as other salaries are paid to other persons in the same department.

"§ 143-166.16. Effect on workers' compensation and other benefits; application of § 97-24.

The provisions of G.S. 143-166.14 shall be in lieu of all compensation provided for the first two years of incapacity by G.S. 97-29 and 97-30, but shall be in addition to any other benefits or compensation to which such person shall be entitled under the provisions of the Workers' Compensation Act. The provisions of G.S. 97-24 will commence at the end of the two-year period for which salary is paid pursuant to G.S. 143-166.14.

"§ 143-166.17. Period of incapacity not charged against sick leave or other leave.

The period for which the salary of any person is paid pursuant to G.S. 143-166.14 while ~~he~~ the person is incapacitated as a result of an injury ~~by accident or an occupational disease arising out of and in the course of the performance by him of his~~or injuries proximately caused by the heightened risk and special hazards directly related to the violent nature of the eligible person's official duties, shall not be charged against any sick or other leave to which ~~he~~the person shall be entitled under any other provision of law.

"§ 143-166.18. Report of incapacity.

Any person designated in G.S. 143-166.13, who, as a result of an injury ~~by accident arising out of and in the course of the performance by him of his~~or injuries proximately caused by the heightened risk and special hazards directly related to the violent nature of the eligible person's official duties, is totally or partially incapacitated to perform any duties to which ~~he~~the person may be lawfully assigned, shall report the incapacity as soon as practicable in the manner required by the secretary or other head of the department to which the agency is assigned by statute.

"§ 143-166.19. Determination of cause and extent of incapacity; hearing before Industrial Commission; appeal; effect of refusal to perform duties.

Upon the filing of the report, the secretary or other head of the department or, in the case of the General Assembly, the Legislative Services Officer, shall determine the cause of the incapacity and to what extent the claimant may be assigned to other than ~~his~~the claimant's normal duties. The finding of the secretary or other head of the department shall determine the right of the claimant to benefits under this Article. Notice of the finding shall be filed with the North Carolina Industrial Commission. ~~Unless the claimant, within 30 days after he receives notice, files with the North Carolina Industrial Commission, upon the form it shall require, a request for a hearing, the finding of the secretary or other department head shall be final.~~The finding of the secretary or other department head shall be final unless the claimant, within 30 days of receipt of the notice, files a request for a hearing with the North Carolina Industrial Commission using a form required by the Commission. Upon the filing of a request, the North Carolina Industrial Commission shall proceed to hear the matter in accordance with its

regularly established procedure for hearing claims filed under the Worker's Compensation Act, and shall report its findings to the secretary or other head of the department. From the decision of the North Carolina Industrial Commission, an appeal shall lie as in other matters heard and determined by the Commission. Any person who refuses to perform any duties to which ~~he~~ the person may be properly assigned as a result of the finding of the secretary, other head of the department or of the North Carolina Industrial Commission shall be entitled to no benefits pursuant to this Article as long as the refusal continues. Any eligible person whose salary continuation benefits are terminated by the secretary or other head of the department shall be immediately entitled to benefits under G.S. 97-29 or G.S. 97-30. Such benefits under G.S. 97-29 or G.S. 97-30 shall only be suspended or terminated by the employer pursuant to G.S. 97-18.1.

"**§ 143-166.20. Subrogation.**

The same rights and remedies set forth in G.S. 97-10.2 shall apply in all third party liability cases occurring under this Article, including cases involving the right of the affected State agency to recover the salary paid to an injured officer during ~~his~~the officer's period of disability."

SECTION 35.12.(b) This section becomes effective October 1, 2014, and applies to injuries occurring on or after that date.

SALARY-RELATED CONTRIBUTIONS

SECTION 35.13.(a) Section 35.15(b) of S.L. 2013-360 reads as rewritten:

"**SECTION 35.15.(b)** Effective July 1, 2013, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the ~~2013-2015 fiscal biennium~~2013-2014 fiscal year are (i) fourteen and sixty-nine hundredths percent (14.69%) – Teachers and State Employees; (ii) nineteen and sixty-nine hundredths percent (19.69%) – State Law Enforcement Officers; (iii) twelve and sixty-eight hundredths percent (12.68%) – University Employees' Optional Retirement Program; (iv) twelve and sixty-eight hundredths percent (12.68%) – Community College Optional Retirement Program; (v) thirty-three and forty-one hundredths percent (33.41%) – Consolidated Judicial Retirement System; and (vi) five and forty hundredths percent (5.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and forty hundredths percent (5.40%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes forty-four hundredths percent (0.44%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredths percent (0.01%) for the Qualified Excess Benefit Arrangement."

SECTION 35.13.(b) Effective July 1, 2014, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2014-2015 fiscal year are (i) fifteen and twelve hundredths percent (15.12%) – Teachers and State Employees; (ii) twenty and twelve hundredths percent (20.12%) – State Law Enforcement Officers; (iii) twelve and seventy-four hundredths percent (12.74%) – University Employees' Optional Retirement Program; (iv) twelve and seventy-four hundredths percent (12.74%) – Community College Optional Retirement Program; (v) thirty-two and fifty-two hundredths percent (32.52%) – Consolidated Judicial Retirement System; and (vi) five and forty-nine hundredths percent (5.49%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and forty-nine hundredths percent (5.49%) for hospital and

medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes forty-one hundredths percent (0.41%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredths percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 35.13.(c) Section 35.15(d) of S.L. 2013-360 reads as rewritten:

"**SECTION 35.15.(d)** Effective July 1, 2014, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2014-2015 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare eligible employees and retirees – ~~four thousand two hundred twenty four dollars ($4,224)~~four thousand one hundred seventy-nine dollars ($4,179) and (ii) non-Medicare eligible employees and retirees – ~~five thousand four hundred thirty five dollars ($5,435).~~five thousand three hundred seventy-eight dollars ($5,378)."

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

SECTION 35.14.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(ttt) From and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2013, shall be increased by eight-tenths of one percent (0.8%) of the allowance payable on June 1, 2014, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2013, but before June 30, 2014, shall be increased by a prorated amount of eight-tenths of one percent (0.8%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2013, and June 30, 2014."

SECTION 35.14.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(ee) From and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2013, shall be increased by eight-tenths of one percent (0.8%) of the allowance payable on June 1, 2014. Furthermore, from and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2013, but before June 30, 2014, shall be increased by a prorated amount of eight-tenths of one percent (0.8%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2013, and June 30, 2014."

SECTION 35.14.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(y) In accordance with subsection (a) of this section, from and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2014, shall be increased by eight-tenths of one percent (0.8%) of the allowance payable on June 1, 2014. Furthermore, from and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2014, but before June 30, 2014, shall be increased by a prorated amount of eight-tenths of one percent (0.8%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2014, and June 30, 2014."

USE OF FUNDS APPROPRIATED FOR STATE RETIREMENT SYSTEM CONTRIBUTION INCREASES

SECTION 35.15.(a) The appropriations set forth in Section 2.1 of this act include appropriations for State Retirement System contribution increases in amounts set forth in the committee report described in Section 38.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for State Retirement System contribution increases.

SECTION 35.15.(b) If the Director of the Budget determines that funds appropriated to a State agency for increases exceed the amount required by that agency for that purpose, the Director may reallocate those funds to other State agencies that received insufficient funds for State Retirement System contribution increases.

SECTION 35.15.(c) No later than October 1, 2014, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for State Retirement System contribution increases. This report shall include at least the following information for each State agency for the 2014-2015 fiscal year:

(1) The total amount of funds that the agency received for State Retirement System contribution increases.

(2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.

(3) The total amount of funds used by the agency for State Retirement System contribution increases.

(4) The total amount of funds received by the agency for State Retirement System contribution increases that are anticipated to revert at the end of the fiscal year.

ALTERNATIVE HEALTH BENEFIT COVERAGE FOR NONPERMANENT FULL-TIME STATE EMPLOYEES

SECTION 35.16.(a) Section 1 of S.L. 2013-324 is repealed. The amendment to G.S. 135-48.43(a)(2) made in Section 4 of S.L. 2013-324 is repealed.

SECTION 35.16.(b) G.S. 135-48.22 reads as rewritten:

"**§ 135-48.22. Board powers and duties.**

The Board of Trustees shall have the following powers and duties:

(1) Approve benefit programs, as provided in G.S. 135-48.30(a)(2).

(2) Approve premium rates, co-pays, deductibles, and coinsurance percentages and maximums for the Plan, as provided in G.S. 135-48.30(a)(2).

(2a) Approve the benefit program, premium rates, co-pays, deductibles, and coinsurance percentages and maximums for the coverage offered under G.S. 135-48.40(e).

(3) Oversee administrative reviews and appeals, as provided in G.S. 135-48.24.

(4) Approve large contracts, as provided in G.S. 135-48.33(a).

(5) Consult with and advise the State Treasurer as required by this Article and as requested by the State Treasurer.

(6) Develop and maintain a strategic plan for the Plan."

SECTION 35.16.(c) G.S. 135-48.40 is amended by adding a new subsection to read:

"(e) Other Contributory Coverage. – Any employee of an employing unit is eligible for coverage under this section on a contributory basis, subject to the provisions of G.S. 135-48.43 and of this section, if (i) the employee's employing unit determines that the employee is a full-time employee and (ii) the employee does not qualify for coverage under subdivision (1),

(5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b). For the purposes of this subsection, the full-time status of an employee shall be determined by the employing unit, in its sole discretion, in accordance with Section 4980H of the Internal Revenue Code and the applicable regulations, as amended. The coverage offered and the contribution required for coverage under this section shall be determined by the Treasurer and approved by the Board of Trustees. Such coverage shall do all of the following:

(1) Be designed to meet the requirements of minimum essential coverage under the Patient Protection and Affordable Care Act, P.L. 111-148, and the applicable regulations, as amended (Affordable Care Act).

(2) Provide no greater coverage than a bronze-level plan, as defined under the Affordable Care Act.

(3) Minimize the required employer contribution in an administratively feasible manner."

SECTION 35.16.(d) G.S. 135-48.43 (a)(2) reads as rewritten:

"(2) New employees may apply for coverage to be effective on the first day of the month following employment, or on a like date the following month if the employee has ~~enrolled.~~enrolled, except that the effective date of coverage for employees who become eligible in accordance with G.S. 135-48.40(e) will be determined by the employing unit in a manner that is consistent with section 4980H of the Internal Revenue Code and the applicable regulations, as amended."

SECTION 35.16.(e) Article 1 of Chapter 116 of the General Statutes is amended by adding the following new section:

"**§ 116-17.3. Health plans for nonretirement eligible employees.**

The university may establish or maintain, through the purchase of insurance or otherwise, health plans or programs to provide medical, surgical, or hospital care and pharmacy benefits, including dependent coverage, to employees who are not eligible for coverage under subdivision (1), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b). If the university establishes a plan under this section, then such employees are not eligible for coverage under G.S. 135-48.40(e)."

SECTION 35.16.(f) Subsection (a) of this section is effective when this act becomes law. Subsections (b) through (e) of this section become effective January 1, 2015, and apply to plan years beginning on or after that date.

SEPARATE INSURANCE BENEFITS PLAN FOR LAW ENFORCEMENT

SECTION 35.17. Section 35.17(c) of S.L. 2013-360 reads as rewritten:

"**SECTION 35.17.(c)** For each fiscal year of the 2013-2015 fiscal biennium, the Department of State Treasurer shall calculate the total compensation for which the Department of Public Safety and Department of Justice have paid retirement contributions on behalf of sworn law enforcement officers. The Department of State Treasurer shall multiply this total compensation by five and forty hundredths percent (5.40%) for months during the 2013-2014 fiscal year and by ~~five and fifty-five hundredths percent (5.55%)~~ five and forty-nine hundredths percent (5.49%) for months during the 2014-2015 fiscal year and shall ensure that the General Fund is fully reimbursed for these costs by executing periodic transfers of the resulting amounts from the Separate Insurance Benefits Plan established under G.S. 143-166.60 to the General Fund."

PART XXXVI. CAPITAL APPROPRIATIONS

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 36.1. Section 36.2(a) of S.L. 2013-360 reads as rewritten:

"**SECTION 36.2.(a)** There is appropriated from the General Fund for the 2013-2015 fiscal biennium the following amounts for capital improvements:

Capital Improvements – General Fund	**2013-2014**	**2014-2015**
Department of Administration		
Sandhills State Veterans Facility – Committal Enclosure	$ 125,000	-
Goldsboro State Veterans' Cemetery	600,000	-
Department of Agriculture and Consumer Services		
Western NC Agricultural Center – McGough Arena Roof		$ 2,000,000
Department of Cultural Resources		
USS North Carolina Battleship Hull Repairs		3,000,000
Department of Environment and Natural Resources		
Water Resources Development Projects	11,522,000	5,810,000
Department of Justice		
Western Crime Lab Planning	1,442,000	-
Department of Public Safety		
Samarkand Training Facility	5,250,000	5,173,000
National Guard	5,000,000	3,250,000
Office of State Budget and Management-Special Appropriations		
NC History Museum Challenge Grant		1,000,000
Outer Banks Land Management Reserve		3,000,000
The University of North Carolina System		
University of North Carolina Asheville – Land Purchases	2,000,000	-
Appalachian State University – Health Sciences Building Advance Planning	2,000,000	-
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$ 27,939,000**	~~**$8,423,000**~~ **$23,233,000**"

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 36.2.(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 nine million six hundred fifty thousand dollars ($9,650,000) in federal funds.

Name of Project	**2014-2015**
(1) B. Everett Jordan Lake Water Supply Storage	$ 200,000

(2)	Wilmington Harbor Maintenance – Disposal Area 8 & 10	4,000,000
(3)	Morehead City Harbor Maintenance	-
(4)	Wilmington Harbor Deepening	600,000
(5)	Wilmington Harbor Improvements Feasibility Study	200,000
(6)	Natural Resources Conservation Service (NRCS) Equipment Projects	2,000,000
(7)	Planning Assistance to Communities	25,000
(8)	Hookerton, NC – Stream Bank Erosion Repair (Sec 14)	410,000
(9)	State/Local Water Resource Development Grants	1,000,000
TOTALS		**$ 8,435,000**

SECTION 36.2.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the five million eight hundred ten thousand dollars ($5,810,000) appropriated for water resources development projects in Section 36.2(a) of S.L. 2013-360, as amended by Section 36.1(a) of this section. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

Name of Project		**Amount Carried Forward**
(1)	Wilmington Harbor Maintenance – Disposal Area 8 & 10	$ 2,000,000
(2)	Wilmington Harbor Deepening	600,000
(3)	Planning Assistance to Communities	25,000
TOTALS		**$ 2,625,000**

SECTION 36.2.(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 2014-2015 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 2014-2015 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 2015-2016 fiscal year.

SECTION 36.2.(d) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) All projects listed in this section.
(2) The estimated cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of each project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 36.2.(e) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2013-2015 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 36.3. 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:

Name of Project	**Amount of Non-General Fund Funding Authorized for FY 2014-2015**
Department of Administration	
Salisbury Veteran Home Renovation	$ 3,715,000
Department of Agriculture and Consumer Services	
Alexander County Head Quarters Site Development and Modular Placement	210,000
Alexander County Office Purchase	100,000
Tidewater Research Station – Deer Fence	20,000
DuPont Recreational State Forest – Trail Improvement	100,000
Raleigh Farmers Market	
Parking	200,000
New Vendor Building	700,000
Research Stations	
Safety Improvements	80,000
Land Acquisitions	1,000,000
Jordan Lake Classroom Development and Modular Placement	75,000
Western North Carolina Agricultural Center	
Livestock Improvements	3,000,000
E&F Barns Roof Replacements	500,000
North Carolina State Fairgrounds	
HVAC Improvements	1,500,000
Renovations to Existing Buildings	2,000,000
Infrastructure Repairs	1,550,000
Horse Complex Improvements	2,000,000
Mountain Island Educational Forest – Visitor and Interpretive Center	3,000,000
Holmes Educational State Forest – Repair and Renovation of Facilities	15,000
Tuttle Education Forest – Repair and Renovation of Facilities	15,000
Piedmont Research Station – New Bridge	200,000
Western North Carolina Farmers Market – Paving Improvements	100,000
Rendezvous Mountain Education State Forest – Repair and Renovation	15,000
Department of Cultural Resources	
Museum of Art – East Building Technology Improvement	1,118,750
Department of Justice	
Raleigh Crime Lab Renovation	807,000
Department of Public Safety	
Caledonia Farms Grain Station	361,340
Maury Correctional Institution – Industrial Area Uplift	2,830,499

Raleigh Facilities Maintenance – Latrine Renovations	165,000
Raleigh Troop Motor Pool – Latrine Renovations	130,000
Camp Butner Training Site	
Range Control Building	738,000
Training Building	495,000
Multipurpose Building	800,000
Water Tower and System Improvements	494,000
Land Buffer Acquisitions	300,000
Youngsville Field Maintenance Shop – Lighting Upgrade	95,000
High Point Field Maintenance Shop	
Office and Storage Building	525,000
Military Owned Vehicle Lot Paving	525,000
Morrisville Army Aviation Support Facility	
Latrine Renovations	88,000
Guard Shack and Access Improvements	525,000
Fort Bragg Regional Training Site	
Fire Alarm System	27,000
Wash Rack Addition	525,000
Red Springs Field Maintenance Shop Expansion	788,000
Winston-Salem Field Maintenance Shop – Addition and Alteration	775,000
Wildlife Resources Commission	
Land Acquisition	3,750,000
Fishing Access Areas – New Construction	200,000
Boating Access Areas	
New Construction	900,000
Renovations	900,000
Balsam Depot – Renovation	1,300,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$39,257,589**

JUVENILE FACILITIES PROJECTS

SECTION 36.4.(a) Notwithstanding G.S. 143C-4-3, of the funds allocated to the Department of Public Safety from the Reserve for Repairs and Renovations for the 2013-2014 fiscal year, the sum of one million seven hundred seventy-four thousand dollars ($1,774,000) for Dobbs Youth Development Center Kitchen Renovations may be used by the Department to support construction, expansions, renovations, and repairs necessary to implement the Department's 2014 Juvenile Justice Facilities Strategic Plan.

SECTION 36.4.(b) Section 16D.9 of S.L. 2013-360 is repealed.

USE OF CERTAIN FUNDS CARRIED FORWARD BY UNC FOR CAPITAL PROJECTS

SECTION 36.5. G.S. 143C-8-12 reads as rewritten:

"**§ 143C-8-12. University system capital improvement projects from sources that are not General Fund sources: approval of new project or change in scope of existing project.**

(a) Notwithstanding any other provision of this Chapter, the Board of Governors of The University of North Carolina may approve: (i) expenditures to plan a capital improvement project of The University of North Carolina the planning for which is to be funded entirely with non-General Fund money, (ii) expenditures for a capital improvement project of The University

of North Carolina that is to be funded and operated entirely with non-General Fund money, or (iii) a change in the scope of any previously approved capital improvement project of The University of North Carolina provided that both the project and change in scope are funded entirely with non-General Fund money. The Board of Governors shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations.

(b) For purposes of this section, the term "non-General Fund money" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3 and G.S. 116-30.3B. These funds shall only be used for projects listed in G.S. 143C-4-3(b)."

REPEAL UNC CHANCELLORS' AUTHORITY TO APPROVE CERTAIN MAINTENANCE PROJECTS

SECTION 36.6. G.S. 116-13.1 reads as rewritten:

"**§ 116-13.1. Capital ~~facilities; reports; chancellors may authorize certain repair, renovation, and maintenance projects.~~facilities; reports.**

...

~~(c) Approval of Certain Repair and Maintenance Projects. Notwithstanding G.S. 143C-8-7, the chancellor of a constituent institution may approve the expenditure of available operating funds in an amount not to exceed one million dollars ($1,000,000) per project for projects that are of a type listed in G.S. 143C-4-3(b) and that are for State facilities and related infrastructure that are supported from the General Fund. Funds contractually obligated to an approved project shall not revert at the end of the fiscal year and will remain available to fund the completion of the project. Projects approved pursuant to this subsection shall in all other respects accord with applicable laws governing capital improvement projects. The chancellor of a constituent institution shall report the approval of an expenditure under this subsection to the Office of State Budget and Management and to the Fiscal Research Division of the Legislative Services Commission within 60 days of the approval.~~"

EXPAND UNC LEASING AUTHORITY

SECTION 36.7.(a) G.S. 116-198.34(5) reads as rewritten:

"**§ 116-198.34. General powers of Board of Governors.**

The Board may exercise any one or more of the following powers:

...

(5) To acquire, hold, lease, and dispose of real and personal property in the exercise of its powers and the performance of its duties hereunder and to lease all or any part of any project or projects and any existing facilities upon such terms and conditions as the Board determines, subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes.

Notwithstanding G.S. 143-341 and Chapter 146 of the General Statutes, an acquisition for a period of 10 years or less or a disposition of ~~65 years~~ 99 years or less by easement, lease, or rental agreement of real property or space in any building on the Centennial Campus, on the Horace Williams Campus, on a Millennial Campus, or on a Kannapolis Research Campus shall not require the approval of the Governor and the Council of State. The Board shall report the acquisitions or dispositions described in this paragraph of this subdivision to the Department of Administration for inclusion in the inventory maintained by Department pursuant to G.S. 143-341(4)a. and b. and the information regarding those transactions that is required by G.S. 143-341(4)a. and b. All other acquisitions and dispositions made under this subdivision for a period in excess of the terms described in this

paragraph of this subdivision are subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes."

SECTION 36.7.(b) Section 11.10(b) of S.L. 2013-360, as amended by Section 3.12 of S.L. 2013-363, is repealed.

INCREASE NATIONAL GUARD FLEXIBILITY WITH RESPECT TO CERTAIN CAPITAL PROJECTS

SECTION 36.8.(a) G.S. 143C-8-12, as amended by Section 36.5 of this act, reads as rewritten:

"**§ 143C-8-12. ~~University system capital~~Capital improvement projects from sources ~~that are not General Fund sources: approval of new project or change in scope of existing project.~~other than the General Fund.**

(a) University Projects. – Notwithstanding any other provision of this Chapter, the Board of Governors of The University of North Carolina may ~~approve: (i) expenditures to plan a capital improvement project of The University of North Carolina the planning for which is to be funded entirely with non-General Fund money, (ii) expenditures for a capital improvement project of The University of North Carolina that is to be funded and operated entirely with non-General Fund money, or (iii) a change in the scope of any previously approved capital improvement project of The University of North Carolina provided that both the project and change in scope are funded entirely with non-General Fund money. The Board of Governors shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations.~~approve any of the following:

(1) Expenditures to plan a capital improvement project of The University of North Carolina, the planning for which is to be funded entirely with non-General Fund money.

(2) Expenditures for a capital improvement project of The University of North Carolina that is to be funded and operated entirely with non-General Fund money.

(3) A change in the scope of any previously approved capital improvement project of The University of North Carolina provided that both the project and change in scope are funded entirely with non-General Fund money.

(b) Carryforward Funds. – For purposes of this section, the term 'non-General Fund money' includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3 and G.S. 116-30.3B. These funds shall only be used for projects listed in G.S. 143C-4-3(b).

(c) National Guard Projects. – Notwithstanding any other provision of this Chapter, the North Carolina National Guard may approve expenditures for a capital project of the North Carolina National Guard but only if (i) the project will be funded entirely with federal funds and (ii) any operating costs associated with the project will be paid entirely with federal funds.

(d) Reporting. – The Board of Governors and the National Guard shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations."

SECTION 36.8.(b) Section 36.11(c) of S.L. 2013-360 reads as rewritten:

"**SECTION 36.11.(c)** Where the actual costs are different from the estimated costs under subsection (a) of this section, the Adjutant General of the National Guard may adjust the allocations among projects as needed. However, State funds shall not be allocated to a project in excess of the maximum amount of State funds authorized to be allocated to the project under subsection (a) of this section. If any projects funded under subsection (a) of this section are delayed or cancelled and the budgeted State funds cannot be used during the 2013-2015 fiscal

biennium, 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) Future project feasibility studies.
(2) Survey, testing, and permitting.
(3) Planning and execution for reversion of facilities no longer in use.
(4) Armory and facilities projects approved by the Congress of the United States that are not listed in subsection (a) of this section and that require State-matching funds."

SECTION 36.8.(c) Article 8 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-129.6. Exemption for certain training projects of the North Carolina National Guard.**

Expenditures for a capital project (i) that is for training purposes and for a single exercise or undertaking at a National Guard facility; (ii) that has a total cost that does not exceed one hundred thousand dollars ($100,000); and (iii) that will be funded entirely with federal funds shall not be subject to this Article."

MUSEUM OF HISTORY CHALLENGE GRANT/EXPANSIONS, RENOVATIONS, AND EXHIBITS

SECTION 36.9.(a) The funds appropriated in this act to the Office of State Budget and Management-Special Appropriations for the North Carolina Museum of History Challenge Grant shall be allocated to the North Carolina Museum of History upon the Museum's raising of the sum of one million dollars ($1,000,000) in non-State funding.

SECTION 36.9.(b) The General Assembly authorizes expansions, renovations, and exhibit designs at the North Carolina Museum of History to be funded at a maximum cost of two million dollars ($2,000,000) with funds allocated to the North Carolina Museum of History pursuant to subsection (a) of this section and non-State funding raised pursuant to that subsection. All non-State funds shall be spent before any State funds are spent on this project.

USS NORTH CAROLINA BATTLESHIP HULL REPAIRS

SECTION 36.10. The General Assembly authorizes USS North Carolina Battleship hull repairs to be funded at a maximum cost of thirteen million dollars ($13,000,000) in accordance with this section. The sum of three million dollars ($3,000,000) of funds appropriated in Section 36.2(a) of S.L. 2013-360, as amended by Section 36.1(a) of this act, shall be used for this project. The remainder of the project shall be funded with receipts or from other non-General Fund sources available to the Department of Cultural Resources, and those funds are hereby appropriated for that purpose.

USE OF UNSPENT FUNDS FOR MCGOUGH ARENA ROOF REPAIRS

SECTION 36.11. Funds appropriated in Section 36.2(a) of S.L. 2013-360, as amended by Section 36.1(a) of this act, for repairs to the roof of the McGough Arena at the Western North Carolina Agricultural Center that remain unspent and unencumbered after completion of that project may be used for projects at the State Fair Grounds that are of a type listed in G.S. 143C-4-3(b).

TWO-THIRDS BONDS ACT OF 2014

SECTION 36.12.(a) Short Title. – This section may be cited as the "Two-Thirds Bonds Act of 2014."

SECTION 36.12.(b) Findings and Determinations. – It is the intent and purpose of the General Assembly by this section to provide for the issuance of general obligation bonds or notes of the State in order to provide funds for the cost of State capital facilities.

SECTION 36.12.(c) Definitions. – The following definitions apply in this section unless the context otherwise requires:

(1) Bonds. – Bonds issued under this section.

(2) Cost. – The term includes all of the following:

a. The cost of constructing, reconstructing, renovating, repairing, enlarging, acquiring, and improving State capital facilities, including the acquisition of land, rights-of-way, easements, franchises, equipment, machinery, furnishings, and other interests in real or personal property acquired or used in connection with a State capital facility.

b. The cost of engineering, architectural, and other consulting services as may be required.

c. Administrative expenses and charges.

d. The cost of providing personnel to ensure effective project management.

e. The cost of bond insurance, investment contracts, credit enhancement and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs of bond and note issuance, to the extent and as determined by the State Treasurer.

f. Finance charges, reserves for debt service, and other types of reserves required pursuant to the terms of any bond or note or related documents, interest before and during construction or acquisition of a State capital facility and, if considered advisable by the State Treasurer, for a period not exceeding two years after the estimated date of completion of construction or acquisition.

g. The cost of bond insurance, investment contracts, credit enhancement facilities and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs of the incurrence or issuance of any bond or note.

h. The cost of reimbursing the State for any payments made for any cost described in this subdivision.

i. Any other costs and expenses necessary or incidental to the purposes of this section.

(3) Credit facility. – An agreement entered into by the State Treasurer on behalf of the State with a bank, savings and loan association or other banking institution, an insurance company, reinsurance company, surety company or other insurance institution, a corporation, investment banking firm or other investment institution, or any financial institution or other similar provider of a credit facility, which provider may be located within or without the United States, such agreement providing for prompt payment of all or any part of the principal or purchase price (whether at maturity, presentment or tender for purchase, redemption or acceleration), redemption premium, if any, and interest on any bonds or notes payable on demand or tender by the owner, in consideration of the State agreeing to repay the provider of the credit facility in accordance with the terms and provisions of such agreement.

(4) Notes. – Notes issued under this section.
(5) Par formula. – A provision or formula adopted by the State to provide for the adjustment, from time to time, of the interest rate or rates borne by any bonds or notes, including:
a. A provision providing for such adjustment so that the purchase price of such bonds or notes in the open market would be as close to par as possible.
b. A provision providing for such adjustment based upon a percentage or percentages of a prime rate or base rate, which percentage or percentages may vary or be applied for different periods of time.
c. Such other provision as the State Treasurer may determine to be consistent with this act and will not materially and adversely affect the financial position of the State and the marketing of bonds or notes at a reasonable interest cost to the State.
(6) State. – The State of North Carolina, including any State agency.
(7) State agency. – Any agency, institution, board, commission, bureau, council, department, division, officer, or employee of the State. The term does not include counties, municipal corporations, political subdivisions, local boards of education, or other local public bodies.

SECTION 36.12.(d) Authorization of Bonds and Notes. – The State Treasurer is authorized, by and with the consent of the Council of State, to issue and sell at one time or from time to time general obligation bonds of the State to be designated "State of North Carolina General Obligation Bonds," with any additional designations as may be determined, or notes of the State, in the aggregate principal amount of up to two hundred twenty-one million four hundred thousand dollars ($221,400,000), this amount being not in excess of two thirds of the amount by which the State's outstanding indebtedness was reduced during the biennium ended June 30, 2013, for the purpose of providing funds, with any other available funds, for the purposes authorized by this section.

SECTION 36.12.(e) Uses of Bond and Note Proceeds. – The proceeds of bonds and notes shall be used for financing the cost of State capital facilities as provided in this section. Any additional moneys which may be received by grant from the United States of America or any agency or department thereof or from any other source to aid in financing the cost of any State capital facilities authorized by this section may be placed by the State Treasurer in a separate fund or funds and shall be disbursed, to the extent permitted by the terms of the grant, without regard to any limitations imposed by this section.

The proceeds of bonds and notes may be used with any other moneys made available by the General Assembly for the cost of State capital facilities, including the proceeds of any other State bond or special indebtedness issues, whether heretofore made available or which may be made available at the session of the General Assembly at which this section is ratified or any subsequent sessions. The proceeds of bonds and notes shall be expended and disbursed under the direction and supervision of the Director of the Budget. The funds provided by this section shall be disbursed for the purposes provided in this section upon warrants drawn on the State Treasurer by the State Controller, which warrants shall not be drawn until requisition has been approved by the Director of the Budget and which requisition shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.

The Office of State Budget and Management shall provide semiannual reports to the Chairs of the Senate and House of Representatives Appropriation Committees and to the Fiscal Research Division on the expenditure of moneys authorized by this section. The reports shall continue until the completion of the projects provided for in this section.

SECTION 36.12.(f) Allocation of Proceeds. – The proceeds of bonds and notes shall be allocated and expended as provided in this subsection:

(1) A maximum aggregate principal amount of fifteen million four hundred thousand dollars ($15,400,000) to finance the capital facility costs of a Western Crime Lab.

(2) A maximum aggregate principal amount of two hundred million six hundred thousand dollars ($200,600,000) to finance the capital facility costs of projects previously authorized or subsequently to be authorized by the General Assembly to be financed pursuant to Article 9 of Chapter 142 of the General Statutes but for which some or all of the amount of bonds authorized to be issued under that Article have not yet been issued. To the extent that bonds and notes are issued pursuant to this subdivision, there shall be a corresponding reduction in the amount of debt that has been authorized to be issued, but has not been issued pursuant to Article 9 of Chapter 142 of the General Statutes.

SECTION 36.12.(g) Issuance of bonds and notes. –

(1) Terms and conditions. – Bonds or notes may bear a date or dates, may be serial or term bonds or notes, or any combination thereof, may mature in such amounts and at such time or times, not exceeding 40 years from their date or dates, may be payable at such place or places, either within or without the United States of America, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, may bear interest at such rate or rates, which may vary from time to time, and may be made redeemable before maturity, at the option of the State or otherwise as may be provided by the State, at such price or prices, including a price less than or greater than the face amount of the bonds or notes, and under such terms and conditions, all as may be determined by the State Treasurer, by and with the consent of the Council of State.

(2) Signatures; form and denomination; registration. – Bonds or notes may be issued in certificated or uncertificated form. If issued in certificated form, bonds or notes shall be signed on behalf of the State by the Governor or shall bear the Governor's facsimile signature, shall be signed by the State Treasurer or shall bear the State Treasurer's facsimile signature, and shall bear the Great Seal of the State, or a facsimile of the Seal shall be impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall also bear a manual signature which may be that of a bond registrar, trustee, paying agent or designated assistant of the State Treasurer. Should any officer whose signature or facsimile signature appears on bonds or notes cease to be such officer before the delivery of the bonds or notes, the signature or facsimile signature shall nevertheless have the same validity for all purposes as if the officer had remained in office until delivery. Bonds or notes may bear the facsimile signatures of persons who at the actual time of the execution of the bonds or notes shall be the proper officers to sign any bond or note, although at the date of the bond or note such persons may not have been such officers. The form and denomination of bonds or notes, including the provisions with respect to registration of the bonds or notes and any system for their registration, shall be as the State Treasurer may determine in conformity with this section.

(3) Manner of sale; expenses. – Subject to the approval by the Council of State as to the manner in which bonds or notes shall be offered for sale, whether at public or private sale, whether within or without the United States, and whether by publishing notices in certain newspapers and financial journals, mailing notices, inviting bids by correspondence, negotiating contracts of purchase or otherwise, the State Treasurer is authorized to sell bonds or notes at one time or from time to time at any rates of interest, which may vary from time to time, and at any prices, including a price less than or greater than the face amount of the bonds or notes, as the State Treasurer may determine. All expenses incurred in the preparation, sale, and issuance of bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes or other available moneys.

(4) Notes; repayment. –

a. By and with the consent of the Council of State, the State Treasurer is hereby authorized to borrow money and to execute and issue notes of the State for the same, but only in the following circumstances and under the following conditions:

1. For anticipating the sale of bonds, the issuance of which the Council of State has approved, if the State Treasurer considers it advisable to postpone the issuance of the bonds;
2. For the payment of interest on or any installment of principal of any bonds then outstanding, if there are not sufficient funds in the State treasury with which to pay the interest or installment of principal as they respectively become due;
3. For the renewal of any loan evidenced by notes authorized in this section;
4. For the purposes authorized in this section; and
5. For refunding bonds or notes as authorized in this section.

b. Funds derived from the sale of bonds or notes may be used in the payment of any bond anticipation notes issued under this section. Funds provided by the General Assembly for the payment of interest on or principal of bonds shall be used in paying the interest on or principal of any notes and any renewals thereof, the proceeds of which shall have been used in paying interest on or principal of the bonds.

(5) Refunding bonds and notes. – By and with the consent of the Council of State, the State Treasurer is authorized to issue and sell refunding bonds and notes pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding bonds or notes issued pursuant to this section. The refunding bonds and notes may be combined with any other issues of State bonds and notes similarly secured. Refunding bonds or notes may be issued at any time prior to the final maturity of the debt obligation to be refunded. The proceeds from the sale of any refunding bonds or notes shall be applied to the immediate payment and retirement of the bonds or notes being refunded or, if not required for the immediate payment of the bonds or notes being refunded, the proceeds shall be deposited in trust to provide for the payment and retirement of the bonds or notes being refunded and to pay any expenses incurred in connection with the refunding. Money in a trust fund may be invested in (i) direct obligations of the United States government, (ii) obligations the principal of and interest on which are guaranteed by the

United States government, (iii) obligations of any agency or instrumentality of the United States government if the timely payment of principal and interest on the obligations is unconditionally guaranteed by the United States government or (iv) certificates of deposit issued by a bank or trust company located in the State if the certificates are secured by a pledge of any of the obligations described in (i), (ii), or (iii) above having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured. This section does not limit the duration of any deposit in trust for the retirement of bonds or notes being refunded but that have not matured and are not presently redeemable, or if presently redeemable, have not been called for redemption.

(6) Tax exemption. – Bonds and notes shall at all times be free from taxation by the State or any political subdivision or any of their agencies, excepting estate, inheritance or gift taxes, income taxes on the gain from the transfer of bonds or notes, and franchise taxes. The interest on bonds or notes is not subject to taxation as income.

(7) Investment eligibility. – Bonds and notes are securities in which all of the following may invest, including capital in their control or belonging to them: public officers, agencies, and public bodies of the State and its political subdivisions, all insurance companies, trust companies, investment companies, banks, savings banks, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State, executors, administrators, trustees, and other fiduciaries. Bonds and notes are hereby made securities which may properly and legally be deposited with and received by any officer or agency of the State or political subdivision of the State for any purpose for which the deposit of bonds, notes, or obligations of the State or any political subdivision is now or may hereafter be authorized by law.

(8) Faith and credit. – The faith and credit and taxing power of the State are hereby pledged for the payment of the principal of and the interest on bonds and notes. The State expressly reserves the right to amend any provision of this section to the extent it does not impair any contractual right of a bond owner.

(9) Other agreements. – The State Treasurer may authorize, execute, obtain, or otherwise provide for bond insurance, investment contracts, credit and liquidity facilities, interest rate swap agreements and other derivative products, and any other related instruments and matters the State Treasurer determines are desirable in connection with issuance, incurrence, carrying, or securing of bonds or notes. The State Treasurer is authorized to employ and designate any financial consultants, underwriters, and bond attorneys to be associated with any bond or note issue under this section as the State Treasurer considers necessary.

SECTION 36.12.(h) Variable Rate Demand Bonds and Notes. – In fixing the details of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

(1) Be made payable from time to time on demand or tender for purchase by the owner, if a credit facility supports the bonds or notes, unless the State Treasurer specifically determines that a credit facility is not required upon a finding and determination by the State Treasurer that the absence of a credit facility will not materially and adversely affect the financial position of the

State and the marketing of the bonds or notes at a reasonable interest cost to the State;

(2) Be additionally supported by a credit facility;

(3) Be made subject to redemption or a mandatory tender for purchase prior to maturity;

(4) Bear interest at a rate or rates that may vary for any period of time, as may be provided in the proceedings providing for the issuance of the bonds or notes, including, without limitation, such variations as may be permitted pursuant to a par formula; and

(5) Be made the subject of a remarketing agreement whereby an attempt is made to remarket bonds or notes to new purchasers prior to their presentment for payment to the provider of the credit facility or to the State.

If the aggregate principal amount payable by the State under a credit facility is in excess of the aggregate principal amount of bonds or notes secured by the credit facility, whether as a result of the inclusion in the credit facility of a provision for the payment of interest for a limited period of time or the payment of a redemption premium or for any other reason, then the amount of authorized but unissued bonds or notes during the term of such credit facility shall not be less than the amount of such excess, unless the payment of such excess is otherwise provided for by agreement of the State executed by the State Treasurer.

SECTION 36.12.(i) Interpretation of Section. –

(1) Additional method. – The foregoing sections of this section shall be deemed to provide an additional and alternative method for the doing of the things authorized under it and shall be regarded as supplemental and additional to powers conferred by other laws, and shall not be regarded as in derogation of any powers now existing.

(2) Statutory references. – References in this section to specific sections or Chapters of the General Statutes or to specific acts are intended to be references to such sections, Chapters, or acts as they may be amended from time to time by the General Assembly.

(3) Broad construction. – This section, being necessary for the health and welfare of the people of the State, shall be broadly construed to effect the purposes thereof.

(4) Inconsistent provisions. – Insofar as the provisions of this section are inconsistent with the provisions of any general, special, or local laws, or parts thereof, the provisions of this section shall be controlling.

(5) Severability. – If any provision of this section or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the section which can be given effect without the invalid provision or application, and to this end the provisions of this section are declared to be severable.

SECTION 36.12.(j) This section is effective when it becomes law.

USE OF FUNDS IN OUTER BANKS LAND MANAGEMENT RESERVE

SECTION 36.13. Funds appropriated in Section 36.2(a) of S.L. 2013-360, as amended by Section 36.1(a) of this act, to the Outer Banks Land Management Reserve shall be transferred to the Outer Banks Land Management Fund created by G.S. 143-345.18A, as enacted by Section 14.7(a) of this act, but only to the extent that the funds are needed to purchase some or all of the property described in Section 14.7(h) of this act. Notwithstanding G.S. 143-345.18A, as enacted by Section 14.7(a) of this act, these funds shall only be used to pay the costs of acquiring the property described in Section 14.7(h) of this act. Any of the funds

that are not spent or encumbered for this purpose as of June 30, 2015, shall revert to the General Fund.

PART XXXVII. FINANCE PROVISIONS

CLARIFY "NET GENERAL FUND TAX COLLECTED" FOR PURPOSES OF THE CORPORATE INCOME TAX RATE REDUCTION TRIGGER

SECTION 37.1.(a) G.S. 105-130.3C reads as rewritten:

"**§ 105-130.3C. Rate reduction trigger.**

(a) Trigger. – If the amount of net General Fund tax collected in fiscal year 2014-2015 or fiscal year 2015-2016 exceeds the ~~anticipated General Fund tax collections~~ targeted amount for that fiscal year, the rate of tax set in G.S. 105-130.3 may be decreased in accordance with this section effective for the taxable year that begins on the following January 1. ~~The amount of net General Fund tax collected for a fiscal year is the amount reported by the State Controller in the State's Comprehensive Annual Financial Report, required to be prepared under G.S. 143B-426.39.~~ The Secretary must ~~monitor the net General Fund tax collections and~~ notify taxpayers if the rate decreases under this section. The rate is decreased by one percent (1%) if net General Fund tax collections for fiscal year 2014-2015 exceed the targeted amount of twenty billion two hundred million dollars ($20,200,000,000). The rate is decreased by one percent (1%) if net General Fund tax collections for fiscal year 2015-2016 exceed the targeted amount of twenty billion nine hundred seventy-five million dollars ($20,975,000,000). Effective for taxable years beginning on or after January 1, 2017, the rate of tax set in G.S. 105-130.3 is the rate determined in accordance with this section.

(b) Tax Collections. – For purposes of this section, the amount of net General Fund tax collected for a fiscal year is the amount of net revenue as reported by the Department of Revenue's June Statement of Collection as "Total General Fund Revenue" for the 12-month period that ended the previous June 30, modified as follows:

(1) Less any large one-time, nonrecurring revenue as reported to the Fiscal Research Division of the General Assembly by the Department and verified by the Fiscal Research Division of the General Assembly.

(2) Adjusted by any changes in net collections resulting from the suspension or termination of transfers out of General Fund tax collections."

SECTION 37.1.(b) This section is effective when it becomes law.

MODIFY COUNTY HOLD HARMLESS FOR REPEALED LOCAL TAXES

SECTION 37.2.(a) Effective July 1, 2014, G.S. 105-523 reads as rewritten:

"**§ 105-523. County hold harmless for repealed local taxes.**

(a) Intent. – It is the intent of the General Assembly that each county benefit by at least ~~five hundred thousand dollars ($500,000)~~ three hundred seventy-five thousand dollars ($375,000) annually from the exchange of a portion of the local sales and use taxes for the State's agreement to assume the responsibility for the non-administrative costs of Medicaid.

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

...

(2) Hold harmless threshold. – The amount of a county's Medicaid service costs and Medicare Part D clawback payments assumed by the State under G.S. 108A-54 for the fiscal year, less ~~five hundred thousand dollars ($500,000).~~three hundred seventy-five thousand dollars ($375,000). A county's Medicaid service costs for fiscal years 2008-2009, 2009-2010, and 2010-2011 are determined without regard to the changes made to the Federal

Medical Assistance Percentage by section 5001 of the American Recovery and Reinvestment Act of 2009.

...."

SECTION 37.2.(b) Effective July 1, 2015, G.S. 105-523, as amended by subsection (a) of this section, reads as rewritten:

"**§ 105-523. County hold harmless for repealed local taxes.**

(a) Intent. – It is the intent of the General Assembly that each county benefit by at least ~~three hundred seventy-five thousand dollars ($375,000)~~two hundred fifty thousand dollars ($250,000) annually from the exchange of a portion of the local sales and use taxes for the State's agreement to assume the responsibility for the non-administrative costs of Medicaid.

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

...

(2) Hold harmless threshold. – The amount of a county's Medicaid service costs and Medicare Part D clawback payments assumed by the State under G.S. 108A-54 for the fiscal year, less ~~three hundred seventy-five thousand dollars ($375,000).~~two hundred fifty thousand dollars ($250,000). A county's Medicaid service costs for fiscal years 2008-2009, 2009-2010, and 2010-2011 are determined without regard to the changes made to the Federal Medical Assistance Percentage by section 5001 of the American Recovery and Reinvestment Act of 2009.

...."

SECTION 37.2.(c) Effective July 1, 2016, G.S. 105-523, as amended by subsection (b) of this section, reads as rewritten:

"**§ 105-523. County hold harmless for repealed local taxes.**

(a) Intent. – It is the intent of the General Assembly that each county benefit by at least ~~two hundred fifty thousand dollars ($250,000)~~one hundred twenty-five thousand dollars ($125,000) annually from the exchange of a portion of the local sales and use taxes for the State's agreement to assume the responsibility for the non-administrative costs of Medicaid.

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

...

(2) Hold harmless threshold. – The amount of a county's Medicaid service costs and Medicare Part D clawback payments assumed by the State under G.S. 108A-54 for the fiscal year, less ~~two hundred fifty thousand dollars ($250,000).~~one hundred twenty-five thousand dollars ($125,000). A county's Medicaid service costs for fiscal years 2008-2009, 2009-2010, and 2010-2011 are determined without regard to the changes made to the Federal Medical Assistance Percentage by section 5001 of the American Recovery and Reinvestment Act of 2009.

...."

SECTION 37.2.(d) Effective July 1, 2017, G.S. 105-523, as amended by subsection (c) of this section, reads as rewritten:

"**§ 105-523. County hold harmless for repealed local taxes.**

(a) Intent. – It is the intent of the General Assembly that each county ~~benefit by at least one hundred twenty-five thousand dollars ($125,000) annually~~be held harmless from the exchange of a portion of the local sales and use taxes for the State's agreement to assume the responsibility for the non-administrative costs of Medicaid.

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

...

(2) Hold harmless threshold. – The amount of a county's Medicaid service costs and Medicare Part D clawback payments assumed by the State under

G.S. 108A-54 for the fiscal ~~year, less one hundred twenty-five thousand dollars ($125,000).~~year. A county's Medicaid service costs for fiscal years 2008-2009, 2009-2010, and 2010-2011 are determined without regard to the changes made to the Federal Medical Assistance Percentage by section 5001 of the American Recovery and Reinvestment Act of 2009.

...."

PART XXXVIII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 38.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 38.2.(a) The Senate Appropriations/Base Budget Committee Report on the Continuation, Expansion and Capital Budgets for Senate Bill 744, dated May 29, 2014, which was distributed in the Senate and used to explain this act, shall indicate action by the Senate on this act and shall, therefore, be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as appropriate, and for these purposes shall be considered a part of this act and, as such, shall be printed as a part of the Session Laws.

SECTION 38.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2014-2015 budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted recommended adjustments to the budget to the General Assembly in May 2014 in the document "The Governor of North Carolina's Recommended Budget Adjustments" for the 2014-2015 fiscal year for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly are set out in the Committee Report.

SECTION 38.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation.

In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

REPORT BY FISCAL RESEARCH DIVISION ON CHANGES TO 2014-2015 BUDGET/PUBLICATION

SECTION 38.3.(a) The Fiscal Research Division of the Legislative Services Commission shall issue a report on budget actions taken by the 2013 Regular Session of the General Assembly in 2014. The report shall be in the form of a revision of the Committee Report adopted for Senate Bill 744 pursuant to G.S. 143C-5-5 and shall include all modifications made to the 2014-2015 budget prior to sine die adjournment of the 2013 Regular Session.

SECTION 38.3.(b) The Director of the Fiscal Research Division of the Legislative Services Commission 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 ONLY TO 2014-2015 FISCAL YEAR

SECTION 38.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2014-2015 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2014-2015 fiscal year.

EFFECT OF HEADINGS

SECTION 38.5. 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.

APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY

SECTION 38.6.(a) Except where expressly repealed or amended by this act, the provisions of S.L. 2013-360, S.L. 2013-363, S.L. 2013-364, and S.L. 2013-397 remain in effect.

SECTION 38.6.(b) Notwithstanding any modifications by this act in the amounts appropriated, except where expressly repealed or amended, the limitations and directions for the 2014-2015 fiscal year in S.L. 2013-360, S.L. 2013-363, S.L. 2013-364, and S.L. 2013-397 that applied to appropriations to particular agencies or for particular purposes apply to the newly enacted appropriations and budget reductions of this act for those same particular purposes.

SEVERABILITY

SECTION 38.7. 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 38.8. Except as otherwise provided, this act becomes effective July 1, 2014.

Attachment 5

SENATE APPROPRIATIONS/ BASE BUDGET COMMITTEE

REPORT ON THE CONTINUATION, EXPANSION, AND CAPITAL BUDGETS

Senate Bill 744

North Carolina General Assembly

May 29, 2014

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General Fund Availability Statement

		FY 2014-15
1	Unappropriated Balance Remaining from Previous Year	323,693,704
2	Anticipated Undercollections from FY 2013-14	(445,400,000)
3	Anticipated Reversions from FY 2013-14	371,600,000
4	**Less Earmarkings of Year End Fund Balance**	
5	Savings Reserve	(42,989,870)
6	Repairs and Renovations	(42,989,870)
7	**Beginning Unreserved Fund Balance**	**163,913,964**
8		
9	**Revenues Based on Existing Tax Structure**	**19,972,100,000**
10		
11	**Non-tax Revenues**	
12	Investment Income	11,300,000
13	Judicial Fees	244,500,000
14	Disproportionate Share	109,000,000
15	Master Settlement Agreement	137,500,000
16	Other Non-Tax Revenues	195,500,000
17	Insurance	77,000,000
18	Highway Fund Transfer	215,900,000
19	**Subtotal Non-tax Revenues**	**990,700,000**
20		
21	**Total General Fund Availability**	**21,126,713,964**
22		
23	**Adjustments to Availability: 2014 Session**	
24	Transfer from Cash Balances from Department of Agriculture and Consumer Services Special Funds	1,449,680
25	Transfer from Cash Balances from Alcoholic Beverage Control Enterprise Fund	3,500,000
26	Transfer from Interest from Department of Environment and Natural Resources (DENR) Special Funds	938,670
27	Diversion of Funds from DENR Inspection and Maintenance Control Special Fund	3,000,000
28	Diversion of Funds from DENR Water and Air Account Special Fund	1,000,000
29	Transfer of Federal Insurance Contribution Act (FICA) Fund Cash Balance	5,255,000
30	Adjustment of Transfer from Insurance Regulatory Fund	(399,128)
31	Adjustment of Transfer from Treasurer's Office	1,959,528
32	Increase from ABC Permit Fees	9,600,000
33	Redirection of Funds from Gross Premiums Tax on Property Coverage Contracts to General Fund	1,600,000
34	Four-year Phaseout of Provision of Medicaid Hold Harmless Law Guaranteeing Counties $500,000 Benefit	5,990,000
35	**Subtotal Adjustments to Availability: 2014 Session**	**33,893,750**
36		
37	**Revised General Fund Availability**	**21,160,607,714**
38		
39	Less: General Fund Appropriations	(21,160,607,714)
40		
41	**Unappropriated Balance Remaining**	**0**

SUMMARY:

GENERAL FUND APPROPRIATIONS

Summary of General Fund Appropriations Fiscal Year 2014-15 2014 Legislative Session						
		Legislative Adjustments				Revised
	Enacted Budget 2014-15	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2014-15
Education:						
Community Colleges	1,016,487,467	23,002,241	(851,572)	22,150,669	0.00	1,038,638,136
Public Education	8,046,101,622	62,998,391	3,543,410	66,541,801	0.00	8,112,643,423
University System	2,599,901,709	13,731,197	3,920,862	17,652,059	0.00	2,617,553,768
Total Education	**11,662,490,798**	**99,731,829**	**6,612,700**	**106,344,529**	**0.00**	**11,768,835,327**
Health and Human Services:						
Central Management and Support	76,301,328	(5,028,255)	0	(5,028,255)	1.00	71,273,073
Aging and Adult Services	54,342,341	(969,549)	0	(969,549)	0.00	53,372,792
Blind and Deaf / Hard of Hearing Services	8,178,618	0	0	0	0.00	8,178,618
Child Development and Early Education	254,314,609	(1,893,496)	(16,138,232)	(18,031,728)	(1.00)	236,282,881
Health Service Regulation	16,411,479	(288,000)	0	(288,000)	0.00	16,123,479
Medical Assistance	3,608,119,091	47,290,810	148,898,158	196,188,968	0.00	3,804,308,059
Mental Health, Dev. Disabilities, & Sub. Abuse Services	704,985,988	(13,233,565)	(16,598,589)	(29,832,154)	(45.66)	675,153,834
NC Health Choice	57,747,933	(15,813,961)	0	(15,813,961)	0.00	41,933,972
Public Health	141,941,587	(4,488,034)	(5,782,163)	(10,270,197)	(21.00)	131,671,390
Social Services	176,558,432	11,389,357	1,000,000	12,389,357	9.00	188,947,789
Vocational Rehabilitation	38,773,169	(575,336)	0	(575,336)	(11.95)	38,197,833
Total Health and Human Services	**5,137,674,575**	**16,389,971**	**111,379,174**	**127,769,145**	**(69.61)**	**5,265,443,720**
Justice and Public Safety:						
Public Safety	1,690,014,006	65,131,903	(4,501,732)	60,630,171	174.08	1,750,644,177
Judicial	456,426,252	3,502,988	0	3,502,988	0.00	459,929,240
Judicial - Indigent Defense	111,357,264	416,556	0	416,556	(1.00)	111,773,820
Justice	82,308,926	(48,229,079)	0	(48,229,079)	(638.50)	34,079,847
Total Justice and Public Safety	**2,340,106,448**	**20,822,368**	**(4,501,732)**	**16,320,636**	**(465.42)**	**2,356,427,084**
Natural And Economic Resources:						
Agriculture and Consumer Services	115,409,902	(3,058,654)	3,979,671	921,017	(34.45)	116,330,919
Commerce	56,733,282	(3,888,417)	(302,936)	(4,191,353)	(1.00)	52,541,929
Commerce - State Aid	15,624,767	21,473	250,000	271,473	0.00	15,896,240
Environment and Natural Resources	157,767,236	4,101,287	5,121,103	9,222,390	19.78	166,989,626
Labor	16,696,339	(47,201)	0	(47,201)	0.00	16,649,138
Wildlife Resources Commission	14,476,588	(521,982)	400,000	(121,982)	1.00	14,354,606
Total Natural and Economic Resources	**376,708,114**	**(3,393,494)**	**9,447,838**	**6,054,344**	**(14.67)**	**382,762,458**

Summary of General Fund Appropriations						
Fiscal Year 2014-15						
2014 Legislative Session						
		Legislative Adjustments				Revised
	Enacted Budget 2014-15	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2014-15
General Government:						
Administration	67,047,033	(2,023,279)	0	(2,023,279)	(11.00)	65,023,754
Auditor	11,217,468	118,338	0	118,338	0.00	11,335,806
Cultural Resources	63,008,100	(556,787)	0	(556,787)	(13.00)	62,451,313
Cultural Resources - Roanoke Island	450,000	(9,000)	0	(9,000)	0.00	441,000
General Assembly	51,634,767	705,474	(750,000)	(44,526)	0.00	51,590,241
Governor	7,172,132	(50,798)	0	(50,798)	(1.00)	7,121,334
Housing Finance Agency	8,411,632	(169,678)	10,000,000	9,830,322	0.00	18,241,954
Insurance	38,003,624	(399,128)	0	(399,128)	(7.80)	37,604,496
Lieutenant Governor	675,089	(5,629)	0	(5,629)	0.00	669,460
Office of Administrative Hearings	5,027,130	24,521	0	24,521	0.00	5,051,651
Revenue	80,896,458	(1,772,532)	2,500,000	727,468	(10.00)	81,623,926
Secretary of State	11,575,183	(22,720)	0	(22,720)	(5.00)	11,552,463
State Board of Elections	5,693,244	(55,410)	0	(55,410)	0.00	5,637,834
State Budget and Management	7,534,217	(71,259)	0	(71,259)	(1.00)	7,462,958
State Budget and Management -- Special	1,520,000	0	175,000	175,000	0.00	1,695,000
State Controller	28,710,691	(516,705)	2,117,205	1,600,500	(4.75)	30,311,191
Treasurer - Operations	7,026,305	1,897,200	62,328	1,959,528	12.00	8,985,833
Fire, Rescue, & National Guard Pension & LDD Benefits	23,179,042	(2,474,496)	0	(2,474,496)	0.00	20,704,546
Total General Government	**418,782,115**	**(5,381,888)**	**14,104,533**	**8,722,645**	**(41.55)**	**427,504,760**
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	723,721,279	(8,240,916)	0	(8,240,916)	0.00	715,480,363
Federal Reimbursement	1,616,380	0	0	0	0.00	1,616,380
Subtotal Debt Service	**725,337,659**	**(8,240,916)**	**0**	**(8,240,916)**	**0.00**	**717,096,743**

Summary of General Fund Appropriations Fiscal Year 2014-15 2014 Legislative Session						
		Legislative Adjustments				Revised
	Enacted Budget 2014-15	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2014-15
Statewide Reserves:						
Salary Adjustment Reserve	7,500,000	0	0	0	0.00	7,500,000
State Health Plan Contribution	89,000,000	(22,000,000)	0	(22,000,000)	0.00	67,000,000
State Retirement System Contributions	36,000,000	0	0	0	0.00	36,000,000
Reserve for Future Benefit Needs	56,400,000	(56,400,000)	0	(56,400,000)	0.00	0
Judicial Retirement System Contributions	1,000,000	0	0	0	0.00	1,000,000
Firemen's and Rescue Squad Workers' Pension Fund	(820,000)	0	0	0	0.00	(820,000)
Information Technology Fund	10,470,657	2,493,162	3,510,000	6,003,162	0.00	16,473,819
Information Technology Reserve Fund	31,582,485	(2,043,607)	(9,617,485)	(11,661,092)	0.00	19,921,393
NC Government Efficiency and Reform Project	2,000,000	0	0	0	0.00	2,000,000
One North Carolina Fund	9,000,000	0	(7,144,263)	(7,144,263)	0.00	1,855,737
Unemployment Insurance (UI) Reserve	13,600,000	0	0	0	0.00	13,600,000
Reserve for Voter ID	1,000,000	0	0	0	0.00	1,000,000
Contingency and Emergency Fund	5,000,000	0	0	0	0.00	5,000,000
Reserve for Pending Legislation	4,500,000	0	0	0	0.00	4,500,000
Disability Income Plan	0	(3,200,000)	0	(3,200,000)	0.00	(3,200,000)
Job Development Investment Grants (JDIG)	63,045,357	0	(15,571,684)	(15,571,684)	0.00	47,473,673
Subtotal Statewide Reserves	**329,278,499**	**(81,150,445)**	**(28,823,432)**	**(109,973,877)**	**0.00**	**219,304,622**
Total Reserves and Debt Service	**1,054,616,158**	**(89,391,361)**	**(28,823,432)**	**(118,214,793)**	**0.00**	**936,401,365**
Total General Fund for Operations	**20,990,378,208**	**38,777,425**	**108,219,081**	**146,996,506**	**(591.25)**	**21,137,374,714**
Capital Improvements						
National Guard Projects	3,250,000	0	0	0	0.00	3,250,000
Samarkand Training Facility	5,173,000	0	0	0	0.00	5,173,000
McGough Arena Roof Repair	0	0	2,000,000	2,000,000	0.00	2,000,000
USS North Carolina Battleship	0	0	3,000,000	3,000,000	0.00	3,000,000
Water Resources Development Projects	0	0	5,810,000	5,810,000	0.00	5,810,000
Outer Banks Land Management Reserve	0	0	3,000,000	3,000,000	0.00	3,000,000
Museum of History Expansion	0	0	1,000,000	1,000,000	0.00	1,000,000
Total Capital Improvements	**8,423,000**	**0**	**14,810,000**	**14,810,000**	**0.00**	**23,233,000**
Total General Fund Budget	**20,998,801,208**	**38,777,425**	**123,029,081**	**161,806,506**	**(591.25)**	**21,160,607,714**

EDUCATION
Section F

Public Education

GENERAL FUND

Total Budget Enacted 2013 Session

FY 14-15
$8,046,101,622

Legislative Changes

A. Reserve for Salaries & Benefits

1	**Compensation Increase Reserve - Educators** Provides funds for the new 21-step Professional Status Teacher Salary Schedule as well as an experience-based step for educators opting into this new schedule. It increases the Statewide guaranteed minimum starting educator pay to $33,000 annually. Assuming that all educators opt into the Professional Status Schedule, local supplement amounts remain unchanged, there is no turnover, and there are no changes to educators' education attainment or certifications, this schedule provides, on average, an 11% salary increase. Under this comparison, average educator salary from all fund sources would increase to over $51,000. For individuals at the top of the new salary schedule, funds are provided for a 1% salary bonus. Two corresponding provisions in the Salaries and Benefits section of the bill provide additional information on this item.	$465,317,000 $3,410,000	R NR
2	**Compensation Increase Reserve - School-based Administrators** Provides funds for salary schedule changes and an experience-based step for all step-eligible school-based administrators. In addition, funds are provided for a nonrecurring salaries and benefits bonus of $1,000 ($809 bonus) for all school-based administrators who do not receive a salary increase on this schedule. A corresponding provision in the Salaries and Benefits section of the bill provides additional information on this item.	$5,818,632 $133,410	R NR
3	**Compensation Increase Reserve - Non-certified and Central Office Staff** Provides a $618 recurring salary and benefit increase ($500 salary increase) for permanent full-time non-certified and central office staff.	$32,635,439	R
4	**Compensation Increase Reserve - Department of Public Instruction (DPI)** Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees located administratively under the State Board of Education.	$891,973	R

5 **State Retirement System Contributions - School District Personnel** $21,514,025 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.

6 **State Retirement System Contributions - DPI** $183,857 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.

B. Technical Adjustments

7 **Average Daily Membership (ADM) (Multiple Fund Codes)** ($37,453,734) R

Revises projected ADM for FY 2014-15 to reflect 6,286 fewer students than originally projected. The adjustment includes revisions to all position, dollar, and categorical allotments.

Total allotted ADM for FY 2014-15 is 1,520,305, an increase of 10,320 students over FY 2013-14.

8 **Average Certified Personnel Salaries (Multiple Fund Codes)** ($64,923,926) R

Revises budgeted funding for certified personnel salaries based on actual salary data from December 2013. The adjustment does not reduce any salary paid to certified personnel, nor does it reduce the number of guaranteed State-funded teachers, administrators, or instructional support personnel.

9 **Education Lottery Receipts (1800)** ($56,298,342) R

Adjusts the receipts budgeted for the Classroom Teachers allotment to reflect an updated distribution between the four Lottery programs. This adjustment does not impact the combined total funding from Lottery and General Fund sources available for the Classroom Teachers allotment.

C. Public School Funding Adjustments

10 **Excellent Public Schools Act (Multiple Fund Codes)** $6,015,859 R

Provides additional funds to the Department of Public Instruction to carry out elements of the Excellent Public Schools Act contained in Section 7A.1 and Section 7A.7 of S.L. 2012-142. DPI will have $38.0 million available to implement these requirements.

11 **Classroom Teachers (1800)** ($43,362,064) R

Revises adjustment made in the 2013 budget to reduce the classroom teachers allocations in Grades 2 and 3 from 1 teacher per 18 students to 1 teacher per 17 students. This adjustment will forego an additional 788 new teaching positions budgeted to be added in FY 2014-15. FY 2014-15 classroom teacher allocations and class size requirements will remain the same as they are in FY 2013-14. $3.72 billion remains in the budget for this allotment.

12 **Excellent Public Schools Act - Five Extra Days (Multiple Fund Codes)** ($391,637) R

Eliminates funding that had been provided to support a requirement that local education agencies (LEAs) provide additional instructional days (S.L. 2011-145, Section 7.29). A subsequent amendment to G.S. 115C-84.2.(a).(1) eliminated this mandate. Funding had previously supported $40,168 for additional costs related to substitute teachers and $351,469 for additional costs related to student transportation.

13 **Education-Based Salary Supplements Restoration (1800)** $18,700,000 R

Provides additional funding necessary to restore education-based salary supplements for master's, advanced or doctoral degrees for certain personnel, as directed in a corresponding special provision.

14 **School Bus Replacement (1830)** ($3,369,983) R

Reduces this allotment supporting the purchase of replacement school buses to reflect lower-than-expected bus prices and departmental operational efficiencies. This reduction does not reduce the number of replacement buses to be purchased in FY 2014-15. $46.2 million remains in this allotment to support the purchase of 579 replacement buses in FY 2014-15.

15 **Teacher Assistants (1800)** ($233,182,240) R

Reduces funding for teacher assistants and modifies the basis for funding in this allotment. For FY 2014-15, this allotment will provide $971.75 per student in ADM in grades K-1. Previously, this allotment had provided funding on the basis of ADM in grades K-3. LEAs may continue to place teacher assistants in any K-3 classroom with these funds. $240.2 million will remain in this allotment in FY 2014-15.

16	**Central Office Administration (1810)** Reduces the allotment to LEAs for the salaries and benefits of central office staff by 5%. This staff includes, but is not limited to, superintendents, associate and assistant superintendents, finance officers, athletic trainers, and transportation directors. $91.1 million will remain to support these local staff in FY 2014-15.	($4,795,567)	R
17	**Transportation (1830)** Reduces by 6% the total support for the allotment, which supports the salaries of transportation personnel, the maintenance of yellow buses, and support for the Driver Training program, which will now be distributed via this allotment. A corresponding provision redirects a transfer from the Highway Fund for Driver Training into this allotment. This transfer will only occur in FY 2014-15, as it is repealed beginning in July 1, 2015 in a corresponding provision. Combined General Fund and receipt support for this allotment will be $448.0 million in FY 2014-15.	($28,608,891)	R
18	**Small County Supplemental Funding (1800)** Revises the funding formula to provide differentiated funding based on the size of eligible districts as directed in a corresponding special provision. $46.3 million will be available for this allotment in FY 2014-15.	$3,581,140	R
19	**Panic Alarms (1830)** Reduces available funding for this program to reflect FY 2013-14 actual expenditures. $900,000 will be available for awards in FY 2014-15, slightly more than the amount awarded in FY 2013-14.	($1,100,000)	R

D. Department of Public Instruction

20	**DPI Flexible Reduction (Multiple Fund Codes)** Reduces State support for DPI by 30%. The State Board of Education may allocate this reduction at its discretion, within the guidelines mandated by a corresponding provision.	($15,078,150)	R

E. Grants

21	**Teaching Fellows (1900)** Eliminates the General Fund appropriation supporting the Teaching Fellows. Obligations to previous Fellows classes will continue to be supported from funds available in the Teaching Fellows Trust Fund. The Teaching Fellows Trust Fund has a cash balance of $4.7 million as of April 30, 2014. A related special provision charges the State Education Assistance Authority with the responsibility for the program's financial closeout.	($3,095,000)	R

Total Legislative Changes	**$62,998,391**	**R**
	$3,543,410	**NR**
Total Position Changes		
Revised Budget	**$8,112,643,423**	

Community Colleges

	GENERAL FUND
Total Budget Enacted 2013 Session	**FY 14-15** **$1,016,487,467**

Legislative Changes

A. Reserve for Salaries & Benefits

22	**Compensation Increase Reserve - Community Colleges** Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$18,397,754	R
23	**State Retirement System Contributions - Community Colleges** Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$3,544,341	R
24	**Compensation Increase Reserve - System Office** Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$163,791	R
25	**State Retirement System Contributions - System Office** Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$44,783	R

B. Technical and Formula Changes

26	**Enrollment Growth Adjustment** Adjusts funds for FY 2014-15 based on the estimated decline in community college enrollment. The Community College system saw its enrollment decline by 2.5% (or 6,156 FTE) from the budgeted amount in the 2013-14 certified budget for a savings of $17.2 million.	($17,199,053)	R

FY 14-15

27 Closing the Skills Gap $16,499,053 R

Directs the System Office to create a fourth tier in its enrollment funding formula. The tier will be funded at a higher rate than the current highest tier. The new tier shall include health care and technical educational programs that train North Carolinians for jobs that have documented skills gaps and that pay higher wages.

28 Transfer to Commerce to Offset Apprenticeship Fees (1622) ($300,000) NR

Transfers $300,000 from the Customized Industry Training Program to the Department of Commerce for the Apprenticeship and Training Bureau's Registered Apprenticeship program, which helps workers learn new specialized skills needed in the workforce.

The Department of Commerce is directed to use the funds to offset fee revenue lost when apprenticeship fees assessed under G.S. 94-12 are waived.

C. Financial Aid Changes

29 Yellow Ribbon G.I. Education Enhancement Program (1900) $1,000,000 R

Funds financial aid for eligible veterans and dependents attending North Carolina community colleges by providing State dollars to leverage federal matching funds via the Yellow Ribbon program.

The Yellow Ribbon Program provides a direct match of school funds to offset the gap for veterans between non-resident tuition rates and the Post -9/11 G.I. Bill, which pays only up to the resident tuition rate. Funds provided in FY 2014-15 are intended for academic year 2015-16 but may be awarded and disbursed in spring 2015.

There is a corresponding special provision for this item.

D. Other Changes

30 Audit Services (1300) $551,572 R
($551,572) NR

Restores recurring funding for the System Office's Audit Services division, which was made non-recurring by S.L. 2013-360. There is a corresponding special provision for this item.

Total Legislative Changes	**$23,002,241**	**R**
	($851,572)	**NR**
Total Position Changes		
Revised Budget	**$1,038,638,136**	

UNC System

GENERAL FUND

Total Budget Enacted 2013 Session

FY 14-15
$2,599,901,709

Legislative Changes

A. Reserve for Salaries & Benefits

31 Compensation Increase Reserve $14,307,259 R

Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time SPA employees.

32 State Retirement System Contributions $4,384,565 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.

B. Financial Aid Changes

33 Yellow Ribbon G.I. Education Enhancement Program $4,863,276 R

Funds financial aid for eligible veterans and dependents attending the University of North Carolina by providing State dollars to leverage federal matching funds via the Yellow Ribbon program.

The Yellow Ribbon Program provides a direct match of school funds to offset the gap for veterans between non-resident tuition rates and the Post -9/11 G.I. Bill, which pays only up to the resident tuition rate. Funds provided in FY 2014-15 are intended for academic year 2015-16 but may be awarded and disbursed in spring 2015.

There is a corresponding special provision for this item.

B. Technical and Formula Changes

34 Enrollment Funding Adjustment ($1,773,018) R

Reduces budgeted enrollment to match revised projections. The FY 2014-15 budget includes $26.7 million of State appropriation for enrollment growth at the UNC System but only requires $24.9 million based on refined enrollment estimates.

35 Enrollment Growth Model Change ($5,326,425) R

Directs UNC General Administration to revise the Enrollment Growth Funding Model for general institutional support. The current model contains an adjustment factor to limit budget cuts to institutional support lines when enrollment declines. UNC is directed to remove this factor from its model and to reduce campus budgets accordingly.

36 Building Reserves (16011; 1260) ($922,599) R

($79,138) NR

Reduces funding in reserves for new facilities due to delays in completion dates.

37 Teacher Preparation Programs through Distance Education ($1,801,861) R

Eliminates funding for the Teacher Preparation Distance Education Reserve. Funding for distance education teacher preparation was originally provided by the 2001 Appropriations Act (S.L. 2001-424, Sec. 31.7); since that time, these programs have also been added to the enrollment growth funding formula.

C. Other Changes

38 NCSU Next Generation Power Electronics Innovation Institute $2,000,000 NR

Provides State matching funds for a federal initiative to establish a regional and national Wide Bandgap Institute at NCSU. This Institute will be part of the U.S. Department of Energy's National Network for Manufacturing Innovation for Wide Bandgap Semiconductors for Power Electronic Devices. The State match represents the first installment of a total $10 million State pledge, and NCSU shall only use these funds to provide the required State match for the federal grant.

39 UNCG Public Private Partnership $2,000,000 NR

Provides funds to support Union Square Inc. a non-profit entity formed to create a public private partnership in downtown Greensboro to build a $37 million, 100,000 square-foot facility to focus on health care education. The space will house expansion of the UNC Greensboro abd Guilford Tech Community College nursing programs and training facilities for Cone Health. The building will include office space, laboratory space, and health care education space.

40 NCSU Food Processing

Provides $250,000 in nonrecurring funding to the College of Agriculture and Life Sciences at NC State University to support the development of the Department's food processing initiative. The University of North Carolina may not collect Facilities and Administrative expenses from these funds. Funding is reflected in the Natural and Economic Resources section of this document.

41 NCSU Plant Science Initiative

Provides $350,000 in nonrecurring funding to the College of Agriculture and Life Sciences at NC State University to support the development of the Department's plant science initiative. The University of North Carolina may not collect Facilities and Administrative expenses from these funds. Funding is reflected in the Natural and Economic Resources section of this document.

Total Legislative Changes	**$13,731,197**	**R**
	$3,920,862	**NR**
Total Position Changes		
Revised Budget	**$2,617,553,768**	

HEALTH
&
HUMAN SERVICES
Section G

Health and Human Services

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$76,301,328**

Legislative Changes

(1.0) Division of Central Management and Support

1	**Compensation Increase Reserve Department-Wide** Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees department-wide.	$6,011,140	R
2	**State Retirement System Contributions Department-Wide** Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment department-wide to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$1,135,828	R
3	**Contracts and Vacant Positions Department-Wide (1119)** Reduces funds for vacant positions and contracts across the department. The Department has the flexibility to achieve this reduction through the elimination of vacant positions and elimination or reduction of contract costs.	($16,000,000)	R
4	**Maintenance - Cost Allocation (1120)** Allocates allowable federal funds for maintenance expenses in the Division of Child Development and Early Education.	($120,000)	R
5	**NC TRACKS (2413,1122)** Provides funding for continued system development by using prior-year earned revenue in the non-recurring amount of $5,223,975 in FY 2014-15. The total FY 2014-15 budget for development costs is $10.7 million and the budget for ongoing operations and maintenance is an additional $10.7 million.	$0	R

6 NC FAST (2411) $0

Provides funding to support the continued development and implementation of the Eligibility Information System for the Child Care, Low Income Energy Assistance and Crisis Intervention Programs, and Federally-Facilitated Exchange Interoperability. The funding will be provided from prior-year earned revenue in the nonrecurring amount of $4,138,002 in FY 2014-15. These projects are funded with 90% federal funds until December 31, 2015. The FY 2014-15 total budget for this project is $55.6 million.

7 Competitive Block Grant Transfers (1910) ($600,223) R

Transfers funds from the competitive block grant to the appropriate Divisions. Funds for maternity homes are transferred to the Division of Social Services in the amount of $375,000. Funds for traumatic brain injury are transferred to the Division of Mental Health, Developmental Disability Services and Substance Abuse Services in the amount of $225,223. Combined with item 8, the competitive block grant is reduced by 2.4% to $9,303,911 recurring.

8 Competitive Block Grant Additional Funds (1910) $375,000 R

Provides recurring funds to increase the competitive block grant. Designates $375,000 in FY 2014-15 for the Big Brothers Big Sisters of the Triangle, Inc. In FY 2015-16 the scope of the competitive block grant is expanded to allow for this organization to apply for funding. Combined with item 7 the competitive block grant is reduced by 2.4% to $9,303,911 recurring.

9 Actuary Positions (1120) $170,000 R

Creates two actuary positions in the Office of the Secretary for the Medicaid Program. The total cost of the positions is $340,000. Federal Medicaid receipts will be used to cover 50% of the total cost. 1.00

10 Health Information Exchange (1910) $4,000,000 R

Provides State matching funds to support the Health Information Exchange.

Total Legislative Changes	**($5,028,255)**	**R**
Total Position Changes	1.00	
Revised Budget	**$71,273,073**	

Health and Human Services

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$54,342,341**	
Legislative Changes		
(2.0) Division of Aging and Adult Services		
11 **Home Care and Community Block Grant Reduction (1370,1451)** Reduces General Fund appropriation for the Home Care and Community Block Grant (HCCBG) by 3%, leaving a balance of $31,808,889.	($969,549)	R
Total Legislative Changes	**($969,549)**	**R**
Total Position Changes		
Revised Budget	**$53,372,792**	

Health and Human Services

GENERAL FUND

Total Budget Enacted 2013 Session	FY 14-15 $254,314,609

Legislative Changes

(3.0) Division of Child Development and Early Education

12 TANF Funds for PreK (1330)

Replaces General Fund appropriation for the PreK program with Temporary Assistance for Needy Families block grant funds on a nonrecurring basis. Combined with item 19, there is a decrease of 3.3% in General Fund appropriation to $62.8 million and a 3.6% increase in total funding for PreK.

($7,195,807) NR

13 Administrative Savings due to Efficiencies and Cost Allocation

Reduces General Fund appropriation budgeting overrealized receipts, and replacing General Fund appropriation with Child Care and Development Fund for Child Care Regulation. Additionally the Division's administrative costs have been reduced due to the move to the Dorothea Dix campus, including the elimination of one position.

#60038615 - Administrative Asst. II - $37,659

($1,893,496) R

-1.00

14 Child Care Subsidy Block Grant Swap Out (1380)

Replaces General Fund appropriation for the Child Care Subsidy program with Child Care Development Fund and Temporary Assistance For Needy Families Emergency Contingency block grant funds on a nonrecurring basis. Both block grants have increased availability for FY 2014-15. Combined with items 15, 16, 17 and 18, General Fund appropriation is reduced by 22% to $49.7 million due to the replacement of State funds with federal funding. Total funding for Child Care Subsidy is unchanged.

($13,982,425) NR

15 Child Care Subsidy Eligibility Changes (1380) ($11,000,000)

Changes eligibility for Child Care Subsidy from 75% of State Median Income to 200% of Federal Poverty Level (FPL) for children age 0-5 and children with special needs. Children who are age 6-12 are eligible at 133% of FPL. This change is effective September 1, 2014. This change in eligibility reduces funding needs by $22 million; half of these funds, $11 million, will be used to reduce the waiting list by 2,300 eligible children. Combined with items 14, 16, 17, and 18, General Fund appropriation is reduced by 22% to $49.7 million due to the replacement of State funds with federal funding in item 14. Total funding for Child Care Subsidy is unchanged.

16 Child Care Subsidy Co-Payments Set at 10% of Income (1380) ($1,812,687) R

Sets co-payments at 10% of income for all households that are required to pay a co-payment effective September 1, 2014. This does not change who pays a co-payment; children receiving child care subsidy through Child Welfare, Child Protective Services and Foster Care will continue to be exempt from the co-payment requirement. This reduction does not change the slot availability for child care subsidy as the amount paid by the Child Care Subsidy Program will be reduced due to the increased co-payment. The co-payment is paid to the child care provider. There were 40,000 children whose families paid a co-payment based on 8% or 9% of their family income out of 110,000 children whose families paid a co-payment in FY 2012-13. Combined with items 14, 15, 17, and 18 General Fund appropriation is reduced by 22% to $49.7 million due to the replacement of state funds with federal funding in item 14. Total funding for Child Care Subsidy is unchanged.

17 Child Care Subsidy Co-Payment No Longer Prorated for Part-time Care (1380) ($2,359,965) R

Eliminates the proration of co-payments for part-time care effective September 1, 2014. This reduction does not result in any loss of child care slots. The increased co-payment will reduce the amount paid to child care providers by the Child Care Subsidy program. Providers collect the co-payment from the parents. There were 26,000 children whose families paid a reduced co-payment due to part-time care out of 110,000 children whose families paid a co-payment in FY 2012-13. Combined with items 14, 15, 16, and 18, General Fund appropriation is reduced by 22% to $49.7 million due to the replacement of State funds with federal funding in item 14. Total funding for Child Care Subsidy is unchanged.

	FY 14-15	
18 Child Care Subsidy Waiting List (1380) Provides funding to reduce the Child Care Subsidy waiting list by an estimated 3,200 children. Combined with items 14, 15, 16, and 17, General Fund appropriation is reduced by 22% to $49.7 million due to the replacement of State funds with federal funding in item 14. Total funding for Child Care Subsidy is unchanged.	$15,172,652	R
19 PreK Expansion (1330) Provides funds for 1,000 additional PreK slots to serve at-risk 4 year olds in the PreK program. Combined with item 12 which replaces General Fund appropriation with federal block grant funds, there is a decrease of 3.3% in General Fund appropriation to $62.8 million and a 3.6% increase in total funding for PreK.	$5,040,000	NR
Total Legislative Changes	**($1,893,496)**	**R**
	($16,138,232)	**NR**
Total Position Changes	-1.00	
Revised Budget	**$236,282,881**	

Health and Human Services

GENERAL FUND

Total Budget Enacted 2013 Session	FY 14-15 $176,558,432	
Legislative Changes		
(4.0) Division of Social Services		
20 State/County Special Assistance Caseloads (1570) Reduces funding for State/County Special Assistance (SA) due to decreasing caseloads. The reduced funding has no impact on assistance for eligible recipients. Combined with item 21, reduces General Fund appropriation for SA by 7.2%, leaving $65.2 million recurring.	($4,215,542)	R
21 State County Special Assistance Income Eligibility (1570) Changes the income eligibility for the State/County Special Assistance Program from a method that bases income eligibility on the payment rate for the facility type where the recipient resides, to a method based on the federal poverty level for all recipients regardless of where they reside. The SA eligibility level is set at 100% of the Federal Poverty Level. Current recipients of SA are grandfathered in and will continue to receive SA. Combined with item 20, the General Fund appropriation for SA is reduced by 7.2%, leaving $65.2 million recurring.	($807,864)	R
22 State Funding for County Medicaid Administration Eliminated (1376) Eliminates funding provided to local departments of social services to offset counties' cost for Medicaid enrollment. The federal match rate is increasing from 50% to 75% for eligibility determination for Medicaid, therefore counties will receive additional federal funds for this activity.	($1,682,806)	R
23 Adult Care Home Case Management (1453) Eliminates funding for the Adult Care Home Case Management Service (ACHCM) which ended in June 2013. This service provided funding for county departments of social services workers to perform the assessment and case management for individuals in adult care homes and licensed family homes who were heavy need residents. The Personal Care Services (PCS) Program now uses an independent assessment to determine eligibility for PCS and therefore the Case Management Service is no longer needed.	($856,058)	R

	FY 14-15	
24 County Child Protective Services Caseloads (1430) Provides funding to replace $4.5 million in federal block grant funds utilized to pay for Child Protective Services (CPS) workers that counties lost in FY 2013-14 and provides additional funding to reduce county departments of social services caseloads to an average of 10 families per worker performing Child Protective Services assessments. Combined with items 25 and 26, the General Fund appropriation for Child Protective Services is increased by 101% to $27 million.	$8,326,627	R
25 Enhance Oversight of County Child Welfare Services (1430) Provides funding for nine positions to enhance oversight of child welfare services in local county departments of social services. These positions will monitor, train, and provide technical assistance to the local county departments of social services to ensure children and families are provided services to address safety, permanency and the well-being of children who are served by child welfare services. The funds will increase Division of Social Services staffing for Child Protective Services to 28 positions, an increase of 47%. Combined with items 24 and 26, this General Fund appropriation for Child Protective Services is increased by 101% to $27 million.	$750,000 9.00	R
26 Child Welfare In-Home Services Expansion (1430) Increases General Fund appropriation for Child Welfare In-Home Services. In-Home Services are provided to maintain the safety of the child while helping the parent/caretaker learn more effective parenting practices. In-Home Services provide, arrange for, and coordinate interventions and services, as needed that focus on child safety and protection, family preservation, and the prevention of further abuse or neglect. Combined with items 24 and 25, the General Fund appropriation for Child Protective Services is increased by 101% to $27 million.	$4,500,000	R
27 Child Protective Services Statewide Evaluation (1430) Provides funding for an independent, statewide evaluation of Child Protective Services at local departments of social service and the Department of Health and Human Services. The evaluation will assess performance, caseload sizes, administrative structure, funding and worker turnover and include recommendations on improving Child Protective Services.	$700,000	NR

28 Child Protective Services Pilot Program (1430) $300,000 NR

Provides funding to develop and implement a pilot program designed to enhance coordination of services and information among agencies to improve the protection and outcomes for vulnerable children served through Child Welfare Services. The agencies included in the pilot are local county departments of social services, local law enforcement, the court system, Guardian Ad Litem programs and other agencies as determined appropriate by the Department of Health and Human Services.

29 Foster Care Assistance Payments (1532) $5,000,000 R

Provides funding for Foster Care Assistance Payments due to increasing caseloads. Caseloads increased by 9% from March 2013 to March 2014 and are projected to continue to grow. General Fund appropriation is increased by 18% to a total of $32.2 million.

30 State Maternity Home Fund (1110) $375,000 R

Transfers General Fund Appropriation from the Competitive Block grant in the Division of Central Management to the State Maternity Home Fund in the Division of Social Services. Maternity Homes are removed from the competitive block grant. Individuals experiencing an unplanned pregnancy apply to receive funding from the State Maternity Home fund. Once the individual is determined eligible, the payment goes to the appropriate Maternity Home. There is no change in funding for the State Maternity Home Fund.

Total Legislative Changes	**$11,389,357**	**R**
	$1,000,000	**NR**
Total Position Changes	9.00	
Revised Budget	**$188,947,789**	

Health and Human Services

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$141,941,587**

Legislative Changes

(5.0) Division of Public Health

31	**ADAP - AIDS Drug Assistance Program (1460)** Funds ADAP at the full service level. Increased FY 2013-14 pharmaceutical rebates and other federal receipts will be carried forward into FY 2014-15 and will allow the program to serve all eligible persons up to 300% of the Federal Poverty Level. FY 2014-15 funding is reduced by 8%, with $68.8 million remaining for aid and public assistance.	($5,782,163)	NR
32	**Incubation Project (1161)** Eliminates General Fund support for the North Carolina Public Health Incubator Collaborative. Funds are used to support a contract with the UNC Institute of Public Health. The contract will be discontinued, but regional health department collaboratives will continue to develop and disseminate best practices.	($100,000)	R
33	**Vector Control Program (1153)** Terminates the Vector Control Program, which provided small grants to a limited number of counties for mosquito control.	($185,992)	R
34	**Child and Family Support Team (1332)** Eliminates funding for the Child and Family Support Team. Funds were originally provided as start-up funding to support schools participating in the Child and Family Support Team program. The school-based program is now fully implemented, and start-up resources are no longer needed. Two positions are eliminated effective July 1, 2014. #60037795 - Program Development Coordinator - $66,173 #60037797 - Administrative Asst I - $44,648	($251,788) -2.00	R

35 School Nurse Funding Initiative (SNFI) (1332) ($3,487,500)

Reduces funding (29%) to local education authorities (LEAs) to eliminate 70 school nurse positions and reallocates the remaining 166 SNFI-funded school nurse positions to Tier 1 counties only. As a result, the number of SNFI-funded nurses in the 35 Tier 1 counties will increase to the recommended school nurse-to-student ratio of 1:750 or less. $8.7 million remains in the FY 2014-15 SNFI budget.

36 Operational Efficiencies (1110, 1171, 1261, 1441) ($298,275) R

Reduces operating funds for the Purchase of Medical Care Unit, State Center for Health Statistics, and the Early Intervention, Physical Activity and Nutrition, and Chronic Disease and Prevention Units. Five positions are eliminated effective July 1, 2014. -5.00

#60041103 - Office Assistant IV - $35,891
#60088935 - Processing Asst V - $36,931
#60041452 - Administrative Asst I - $51,304
#60041171 - Nutrition Program Supervisor - $55,808
#60040661 - Business Officer - $50,200

37 Public Health Program Adjustments (1271, 1332) ($337,325) R

Eliminates residual funds for Purchase of Medical Care, Early Hearing Detection and Intervention, and Tobacco Prevention and Control programs. The budgets are being modified to actual or anticipated spending levels, with no reduction to public service.

Fund Code 1271: Purchase of Medical Care - ($142,325)
Fund Code 1332: Early Hearing Detection and Prevention - ($131,000)
Fund Code 1271: Tobacco Prevention and Control - ($64,000)

38 Vital Records (1173) $350,000 R

Provides $350,000 recurring for the Vital Records Automation Fund, increasing the projected FY 2014-15 budget to $1,041,024. The funds will be used to modify and enhance the Electronic Birth Records System, to update Vital Records' system equipment and software, and for continuing information technology system maintenance.

39 Office of Chief Medical Examiner (1172) $1,000,000 R

Provides funding to address operational issues in the statewide medical examiner system. The expansion will increase the FY 2014-15 budget by 23% from $4.4 million to $5.4 million.

40 On-Site Water Protection (1153) ($1,177,154) R

Transfers the On-Site Water Protection Unit to the Department of Environment and Natural Resources as a Type I transfer. Additional adjustments that are necessary due to legislative salary increases, retirement and medical adjustments, as well as receipt adjustments and transfers from special funds, may be implemented through a type 11 budget revision. -14.00

41 Well Water Testing Fee (1174)

Budgets increased receipts from fees charged by the State Public Health Laboratory to analyze private well water samples. The fee charged to test samples from newly constructed wells will increase from $55 to $74, (35%) effective July 1, 2014. In addition, the Laboratory will be authorized to analyze water samples from existing private wells for a fee of $74, effective July 1, 2014. The fee change will increase receipts to cover the costs of supplies used to analyze water samples.

Requirements	$221,548
Receipts	$221,548
Net Appropriation	$0

Total Legislative Changes	**($4,488,034)**	R
	($5,782,163)	NR
Total Position Changes	-21.00	
Revised Budget	**$131,671,390**	

Health and Human Services

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$704,985,988**

Legislative Changes

(6.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

42 New Broughton Hospital Reserve (1910) ($16,598,589) NR

Eliminates reserve funds provided to purchase equipment, furniture, and information technology infrastructure for the new Broughton Hospital. S.L. 2013-360 appropriated the nonrecurring funds for the anticipated December 2014 opening of the new facility. Due to construction issues, the opening of the replacement facility is delayed until May 2016.

43 Claims Processing (1110) ($2,400,000) R

Reduces funding by 47% to budget anticipated savings in contracted claims processing costs. In FY 2013-14, the Division began using the NC Tracks system to process community service claims and no longer uses private contractors for this purpose. $2.7 million remains in the FY 2014-15 budget for contractual information technology services.

44 Local Management Entity/Managed Care Organizations (1111) ($1,800,000) R

Reduces the General Fund appropriation for Local Management Entity/Managed Care Organization (LME/MCO administrative cost allocations by 5.6%. Administrative cost savings will be achieved by merging the nine LME/MCOs operating in FY 2013-14 to seven or fewer by June 30, 2015. Approximately $30 million remains in the FY 2014-15 budget for LME/MCO administration.

45 Central Office Administration (1110) ($448,876) R

Reduces the General Fund appropriation for the Division's central offices by 4.5%. Seven vacant positions are eliminated, effective July 1, 2014. Approximately $9.5 million remains in the Division's FY 2014-15 central administration budget. -7.00

#65006250, Quality Assurance Officer - $70,840
#60043367, Mental Health Prgm Mgr I - $59,962
#60043463, W/A Primary Care Systems Asso - $49,171
#60043400, Processing Assistant V - $48,979
#60043406, W/A Administrative Asst - $29,856
#60043320, Administrative Off III - $54,498
#60043328, Budget Manager - $90,000

46 LME/MCO General Administration (1111) ($6,100,000) R

Eliminates funds held in reserve for LME/MCO risk management. As required by S.L. 2013-85, the Division has increased responsibilities related to monitoring LME/MCO administrative, operational, actuarial, and financial performance, eliminating the need to maintain a reserve fund.

47 Wright School (1546) ($2,709,912) R

Eliminates funding for the Wright School, effective July 1, 2014. -38.66

48 Brain Injury Association of North Carolina (1451) $225,223 R

Continues General Fund appropriation for the Brain Injury Association of North Carolina contract. The association provides information, referral, and training services for persons with traumatic brain injury, their families, and health care professionals.

Total Legislative Changes	**($13,233,565)**	R
	($16,598,589)	NR
Total Position Changes	-45.66	
Revised Budget	**$675,153,834**	

Health and Human Services

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$38,773,169**	
Legislative Changes		
(7.0) Division of Vocational Rehabilitation		
49 Operational Efficiencies (1110, 1452, 1480) Reduces General Fund appropriation to reflect savings achieved by reducing layers of management and administration. Effective July 1, 2014, 20.75 positions (11.95 full-time equivalents (FTEs) supported by the General Fund), are eliminated from Service Support, Employment Services, and Independent Living Services.	($575,336) -11.95	R
Total Legislative Changes	**($575,336)**	R
Total Position Changes	-11.95	
Revised Budget	**$38,197,833**	

Health and Human Services

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$16,411,479**
Legislative Changes	
(8.0) Division of Health Service Regulation	
50 Cost Allocation for Construction Team Inspections (1153)	($263,000) R
Allocates the cost for construction team inspections of adult care homes, family homes, and group homes to claim administrative match through Medicaid. The construction teams inspect facilities to ensure compliance with federal licensure standards. The inspection consists of external and internal evaluations, including living quarters, fire safety, electrical and plumbing equipment, to ensure homes and facilitates are maintained in a safe living condition.	
51 Health Care Personnel Registry Receipts (1110)	($25,000) R
Budgets over-realized receipts for the Health Care Personnel Registry, a tool for monitoring unlicensed health care personnel. The registry lists nurses and medications aides who have met federal and State educational and competency requirements. Further, it lists unlicensed health care personnel who are being investigated for or have been found to have caused harm to a resident or facility. The cost of maintaining the registry is shared with Medicare. For FY 2012-13, actual expenditures totaled $4.1 million. While budgeting the over-realized receipts ($25,000) will result in a corresponding decrease in appropriation, the FY 2014-15 budget (requirements) of $4.4 million is unchanged.	
Total Legislative Changes	**($288,000) R**
Total Position Changes	
Revised Budget	**$16,123,479**

Health and Human Services

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$3,608,119,091**

Legislative Changes

(9.0) Division of Medical Assistance

52 Provider Assessments for Behavioral Health LME/MCO's (1310) ($59,555,995) R

Implements a 3.5% assessment on all Behavioral Health LME/MCO's effective July 1, 2014. The State will retain 65% of the total amount assessed to fund Medicaid services. The remaining 35% will be used to increase the capitation rates for the Local Management Entities/Managed Care Organizations (LME/MCO's). In FY 2012-13, Medicaid payments totaled $1.4 billion to LME/MCOs. The FY 2013-14 budget is $2.5 billion and is the first year where all LME/MCOs have been operational for the full year.

53 Mental Health Drug Management (1310, 1331) ($6,000,000) R

Implements prior authorization of mental health drugs, effective January 1, 2015. This adjustment brings mental health drug policy in line with other drug classes that require prior authorization in the Medicaid program. This represents a 2% reduction in drug spending net of rebates, leaving an estimated budget in FY 2014-15 of $737 million. The amount saved is net of the reduction in drug rebates.

54 Automatic Eligibility for ABD/State County Special Assistance (1310) ($28,750,000) R

Eliminates the automatic Medicaid eligibility for Aged, Blind and Disabled/State County Special Assistance recipients effective January 1, 2015. This eligibility standard was established by North Carolina and is not mandated by the federal government. There are currently 11,886 individuals that have Medicaid eligibility as a result of this policy who will lose Medicaid coverage. In FY 2013-14 it is estimated that total spending on this eligibility group will be $167.9 million. Of this amount, $57.5 million are General Fund appropriations.

55 Medically Needy Eligibility Standards (1310) ($3,563,134) R

Eliminates eligibility for Medically Needy individuals in family and children and Aged, Blind and Disabled categories effective January 1, 2015. This eligibility group is optional and not mandated by Centers for Medicare and Medicaid Services (CMS). There are currently 3,342 individuals that have Medicaid coverage based on this policy. In FY 2013-14 it is estimated that total spending on this eligibility group will be $20.8 million and $7.1 million in General Fund appropriations.

56 Medsolutions Contract Renegotiation and Imaging Request for Proposal (1310) ($5,500,000) R

Requires the department to renegotiate their imaging contract with Medsolutions to reduce capitation rates to achieve improved medical loss ratios. The Department is also directed to issue a Request for Proposal (RFP) for high tech imaging services. This represents a 14.9% reduction in spending on the high tech imaging contract, leaving an estimated $90 million in the budget for FY 2014-15.

57 Nursing Home Case- Mix Index Adjustment (1310) ($2,200,000) R

Freezes the case-mix index adjustments for direct cost of nursing home rates effective January 1, 2015. Historically, nursing home direct care rates are adjusted quarterly for the change in the average case mix or intensity of care for each facility's residents from the previous quarter. The case mix index adjustments do not apply to the indirect care or fair rental value components of the nursing home per diem rates. Total Medicaid payments for nursing homes is projected to be $1.16 billion in FY 2013-14. This represents a 0.5% reduction in overall spending for nursing homes leaving an estimated $1.2 billion in the Medicaid budget for FY 2014-15.

58 Average Acquisition Cost for Drug Pricing (1310) ($975,000) R

Converts the pricing for drug products from a multiple of Wholesale Acquisition Cost (WAC) for brand medications and State Maximum Allowable Cost (SMAC) for generic medications to an average acquisition cost for all Medicaid drugs. This item also adjusts dispensing fees to more closely align with the cost of dispensing. Total spending for drug product and dispensing fees are projected to be $1.4 billion in FY 2013-14. The amount is offset by drug rebates that are estimated at $678 million in FY 2013-14. This represents a 0.3% reduction in spending for drug costs, net of rebates, leaving an estimated net budget of $737 million in FY 2014-15.

59 State Retention of Physician Upper Payment Limit (UPL) Plan (1310) ($9,380,470)

Implements a new 28.85% retention of the assessment under the University of North Carolina at Chapel Hill (UNC) and East Carolina University (ECU) physician UPL plan effective July 1, 2014. The retention will apply to the total amount assessed and transferred to the Division of Medical Assistance through an intergovernmental transfer or payment by these organizations. The amount not retained will be used to fund the state share of the costs of the supplemental payment under the UPL plan. In FY 2013-14, UNC and ECU transferred $23.1 million to the Division of Medical Assistance for the State share of UPL payments of $66.8 million. The new State retention will increase the amounts transferred from UNC and ECU to approximately $32.5 million, with supplemental payments to the two organizations totaling approximately $66.8 million.

60 State Retention of the Hospital GAP Plan Assessment (1310) ($15,102,794) R

Increases the State retention on assessments through the hospital GAP plan from 25.9% to 28.85% effective July 1, 2014. The increased retention percentage will apply to the total amount assessed under the GAP plan. The residual amount of assessment will be used to make supplemental equity and upper payment limit payments as defined under the plan. The GAP plan for the year ending September 30, 2014 provides for payments from hospitals totaling $366 million and supplemental payments for outpatient equity and inpatient upper payment limit of $787 million. This change will increase the amount of payments from the hospitals, but will not change the supplement payments the hospitals receive.

61 Hospital Outpatient Cost (1310) ($6,078,784) R

Reduces the settlement for the University of North Carolina-Chapel Hill (UNC-CH) and Pitt Memorial (ECU) hospitals for outpatient services to 70% of Medicaid costs effective July 1, 2014. Historically, the State has funded the State share of payment to UNC-CH and ECU at 100% of costs, unlike other hospitals which are paid 70% of cost through the claims and settlement processes. The reduction in settlement percentage will be factored into supplemental payments under the Disproportionate Share Hospital (DSH) and hospital GAP payment plans. This represents a 2.1% reduction in overall hospital outpatient Medicaid spending, leaving an estimated $821 million in the budget for outpatient services for all hospitals in FY 2014-15.

62 Provider Rate Reduction (1310) ($10,803,013) R

Reduces provider rates by 2% effective January 1, 2015. This reduction applies to all fee-for-service providers with the exception of drugs, nursing homes, all cost based providers, and services where rates are set by the federal government, negotiated through a managed care contract, or as specified in special provisions.

63 Single Base Rate for All Hospitals (1310) ($10,800,000) R

Establishes a single base diagnosis related group (DRG) rate for inpatient hospital services based on the statewide median base rate for all hospitals effective January 1, 2015. This reduces payments for hospital services by $12.4 million and increases the GAP plan retention by $9.2 million on an annual basis. In FY 2013-14 total spending for inpatient hospital services is projected to be $938 million. This represents a 1.8% reduction in spending for inpatient hospital services, leaving an estimated $992 million in the FY 2014-15 budget.

64 Personal Care Services (PCS) Rate adjustment (1310)

Reduces the PCS unit rate so that the approval of 50 additional hours included in the Medicaid Clinical policy approved by the Center for Medicare and Medicaid Services (CMS) in May 2014 is budget neutral.

65 Medicaid Rebase (1310,1331,1320) $206,000,000 R

Funds the Medicaid rebase for FY 2014-15 that includes 5.3% growth in enrollment and utilization; a change in mix to a more expensive recipient; current year spending trends for Personal Care Services and settlements; the impact of presumptive eligibility as a result of the Affordable Care Act; the impact of an additional 20,000 children shifting from Health Choice to Medicaid; the impact of not meeting all the budget reduction items approved as part of the FY 2013-15 Biennium Budget; and an increase in the federal match rate.

The following chart details the various components of the rebase calculation:

Growth, Claims and Utilization:$114,100,000
Budget Reductions Not Achieved:
- Outpatient to 70% - $25,300,000
- Shared Savings - $10,800,000
- Drug Savings - $9,400,000
- Rehabilitation Visit Limitation - $5,700,000
- Physician Visit Limitation - $7,600,000
- Freeze Rates - $26,600,000
- Copay Increase - $5,000,000

Presumptive Eligibility:$5,500,000
Additional Children Shifted From Health Choice: $9,400,000
Change in FMAP: ($14,600,000)
PCS Services: $100,000
Settlements:$1,100,000

MEDICAID REBASE FY 2014-15: $ 206,000,000

66 Medicaid Funds for FY 13-14 $143,800,000 NR

Appropriates nonrecurring funds to address a projected FY 2013-14 Medicaid budget shortfall of $93.9 million. Unachieved S.L. 2013-360 reductions and other unbudgeted items are outlined below:

Medicaid Claims, Utilization and Growth:($149,700,000)
Budget Reduction Items not Achieved: $63,600,000
Presumptive Eligibility: $13,200,000
MAGI Recertification Delay: $2,800,000
Additional Children Shifted from Heath Choice: $8,700,000
PCS Services: $12,400,000
Settlements: $8,200,000
Heath Choice Surplus:($9,100,000)
Medicaid Claims and Enrollment Backlog: $143,800,000

Net Shortfall: $ 93,900,000

A projected FY 2013-14 cash surplus of $49.9 million, anticipated due to backlogs of unpaid claims and unprocessed eligibility applications, will revert on June 30, 2014. Therefore, a nonrecurring appropriation of $143.8 million is needed for the liability associated with the unpaid claims and enrollment backlogs that will be paid in FY 2014-15.

67 Personal Care Services (PCS) Study Optional Program (1102) $200,000

Provides funding for the Department to transfer $200,000 to the Legislative Services Commission to contract for a study to define a new limited PCS optional service program. This amount represents the State share of the total funding of $400,000. The remaining source of funding will come from the Medicaid administrative funding from the Centers for Medicare and Medicaid Services (CMS). The report from this study is due December 1, 2015.

68 Division of Medical Assistance Reorganization (1101,1102) $4,898,158 NR

Provides funding for consultants, contractors and initial staffing for the development of a new organization for the Division of Medical Assistance.

Total Legislative Changes	**$47,290,810**	**R**
	$148,898,158	**NR**
Total Position Changes		
Revised Budget	**$3,804,308,059**	

Health and Human Services

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$57,747,933**	
Legislative Changes		
(10.0) NC Health Choice		
69 Health Choice Rebase (1310)	($14,500,000)	R
Funds the Health Choice rebase for FY 2014-15 that includes a 5.3% growth in enrollment and utilization, the impact of an additional 20,000 children shifting from Health Choice to Medicaid, and the impact of not meeting all the budget reduction items included in the 2013 Appropriations Act.		
The following chart details the various components of the rebase calculation:		
Growth, Claims and Utilization: ($9,900,000) Budget Reductions Not Achieved: $2,900,000 Additional Children Shifted From Health Choice: ($7,500,000)		
HEALTH CHOICE REBASE FY 2014-15 ($14,500,000)		
70 Single Base Rate for all Hospitals (1310)	($63,961)	R
Establishes a single base diagnosis related group (DRG) rate for inpatient hospital services based on the statewide median base rate for all hospitals effective January 1, 2015. This represents a 1.8% reduction in claims spending for inpatient hospital services.		
71 Health Choice Administrative Budget Adjustment (1102)	($1,250,000)	R
Adjusts the Health Choice administrative budget to more accurately reflect actual expenditures and anticipated costs in FY 2014-15.		
Total Legislative Changes	**($15,813,961)**	R
Total Position Changes		
Revised Budget	**$41,933,972**	

Health and Human Services

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$8,178,618**

Legislative Changes

(11.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing

72 No Action Taken

Takes no budget action specific to the Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing.

Total Legislative Changes	
Total Position Changes	
Revised Budget	**$8,178,618**

NATURAL & ECONOMIC RESOURCES

Section H

Senate Subcommittee on Natural and Economic Resources

Agriculture and Consumer Services

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$115,409,902**

Legislative Changes

Reserve for Salaries & Benefits

1	**Compensation Increase Reserve** Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$1,322,367	R
2	**State Retirement System Contributions** Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$227,746	R

Food and Drug

3	**Commercial Feed and Pet Fees (1070)** Budgets $120,000 in additional license fee receipts to offset General Fund support and more closely align to actual collections. Actual collections from FY 2012-13 totaled $383,080.	($120,000)	R
4	**Commercial Feed and Pet Grants (1070)** Budgets $50,000 in additional grant receipts to offset General Fund support and more closely align to actual collections. Actual collections from FY 2012-13 totaled $279,063.	($50,000)	R
5	**Food, Drug, and Cosmetic Analysis Fees (1100)** Budgets $50,000 in additional license fee receipts to offset General Fund support and more closely align to actual collections. Actual collections from FY 2012-13 totaled $803,820.	($50,000)	R

6 Food, Drug, and Cosmetic Analysis Grants (1100) ($100,000) R

Budgets $100,000 in additional grant receipts to offset General Fund support and more closely align to actual collections. Actual collections from FY 2012-13 totaled over $1.2 million.

7 Vacant Position (1070) ($50,701) R

Eliminates the following vacant position: -1.00

Position	Title	Total Cost
60089066	Chemistry Technician III	$50,701

Forest Service

8 County Cost-Share Adjustment (1510) ($1,056,678) R

Budgets additional receipts to offset General Fund support and fund shifts positions due to changes to the calculation of county cost-share allocations. The funding model for county-specific Forest Service personnel results in revised funding levels of $12.25 million and $9.75 million for the State and counties respectively. -18.35

9 Forestry Management Plans (1510) ($1,761,750) R

Budgets anticipated receipts from fees charged for forestry management plans produced by the NC Forest Service. Forestry management plans are required to receive present-use value property tax assessments on forestland. Fees range from $250 to $750 per forestry management plan depending on acreage.

10 Vacant Positions (1510) ($84,953) R

Eliminates the following vacant positions: -1.50

Position	Title	Total Cost
60031791	District Ranger - LE	$65,126 (1 FTE)
60031916	NCSU Assoc Ranger	$19,827 (0.5 FTE)

Markets

11 NC Farmers Markets (1020) ($325,307) R

Eliminates General Fund support of farmers markets and shifts operating budget and positions from the General Fund to the farmers markets' enterprise fund (53700). The Department may use receipts generated by any of the four farmers markets to support operational expenses at any other farmers market. -5.60

12 Vacant Positions (1020) ($204,847) R

Eliminates the following vacant positions: -3.00

Position	Title	Total Cost
60080945	Travel & Tourism Mkt Coord.	$63,175
60011560	Machine Operator II	$36,075
60011467	International Mkt Specialist	$105,597

Plant Industry

13 Seed and Fertilizer Fees (1175) ($50,000) R

Budgets $50,000 in additional license fee receipts to offset General Fund support and more closely align to actual collections. Actual collections from FY 2012-13 totaled $308,647.

Research Stations

14 Bioenergy Development - TVA Funds (1190)

Budgets TVA settlement funds returned by the Biofuels Center to the Department of Commerce upon dissolution of the nonprofit. Funds will be provided to the Bioenergy Development program administered by the Department and will offset existing General Fund support for FY 2014-15. Total program funding will remain at $1.5 million for FY 2014-15. TVA funds may only be spent in the counties identified in Section 13.3 of S.L. 2013-360. ($438,583) NR

15 Commodity Receipts (1190) ($100,000) R

Budgets additional sales receipts from research station products to more closely match actual experience. In FY 2012-13, the research stations overrealized commodity sales receipts by $681,389.

16 Research Grant Funds (1190) ($50,000) R

Budgets an additional $50,000 in receipts from the University of North Carolina system for use by the Department's research stations. Combined with $50,000 in previously budgeted receipts in FY 2011-12, receipts from the university system total $100,000.

17 Vacant Positions (1190) ($229,531) R

Eliminates the following vacant positions: -5.00

Position	Title	Total Cost
60012609	Administrative Officer III	$48,802
60012700	Research Technician	$40,613
60012656	Research Technician	$40,183
60012672	Office Assistant IV	$51,202
60012632	Office Assistant IV	$48,731

Reserves and Transfers

18 FFA Grant Funding (1990) ($100,000) R

Eliminates expansion funding to the FFA Foundation. The program will continue to receive $40,000 in recurring grant funding.

19 Farmland Preservation Trust Fund (1990)

Provides an additional $500,000 in nonrecurring funding to the Trust Fund. Funding to the Trust Fund in FY 2014-15 will total over $2.1 million from the General Fund and an additional $1 million from TVA settlement funds. $500,000 NR

20 Farmland Preservation Trust Fund - Military Buffers (1990)

Provides $1 million in nonrecurring funding to match federal funds for the purchase of development rights from agricultural operations located near military bases in the State. Funding to the Trust Fund in FY 2014-15 will total over $2.1 million from the General Fund and an additional $1 million from TVA settlement funds. $1,000,000 NR

21 NCSU Food Processing Initiative (1990)

Provides $250,000 in nonrecurring funding to the College of Agriculture and Life Sciences at NC State University to support the development of the Department's food processing initiative. The University of North Carolina system may not collect Facilities and Administrative expenses from these funds provided to the initiative. $250,000 NR

22 NCSU Plant Science Initiative (1990) $350,000 NR

Provides $350,000 in nonrecurring funding to the College of Agriculture and Life Sciences at NC State University to support the development of the Department's plant science initiative. The University of North Carolina system may not collect Facilities and Administrative expenses from these funds provided to the initiative.

Soil and Water Conservation

23 Agriculture Water Resource Assistance Program (1611) $2,318,254 NR

Provides additional nonrecurring funding to support agriculture water resource development projects. Total program funding for FY 2014-15 is over $3.3 million.

Structural Pest Control and Pesticides

24 Pesticide Control and Analysis Fees (1090) ($100,000) R

Budgets $100,000 in additional license fee receipts to offset General Fund support and more closely align to actual collections. Actual collections from FY 2012-13 totaled over $2.9 million.

25 Sleep Products (1120) ($100,000) R

Transfers the operating budget and positions to fund code 1120 - Structural Pest, and reduces the program requirements by $100,000 to more closely align to actual expenditures. Positions will continue to be receipt supported from bedding unit inspection fees.

26 Structural Pest Fees (1120) ($50,000) R

Budgets $50,000 in additional license fee receipts to offset General Fund support and more closely align to actual collections. Actual collections from FY 2012-13 totaled $434,510.

Veterinary Services

27 National Poultry Improvement Plan Certification (1130) ($25,000) R

Budgets anticipated receipts resulting from a modified fee structure for certification services provided to small flock poultry producers.

Total Legislative Changes	($3,058,654)	R
	$3,979,671	NR
Total Position Changes	-34.45	
Revised Budget	$116,330,919	

Labor

	GENERAL FUND	
	FY 14-15	
Total Budget Enacted 2013 Session	**$16,696,339**	
Legislative Changes		
Department-wide		
28 Management Flexibility Reduction Allocates a 2% management flexibility reduction to the Department. The Commissioner may apply the reductions as deemed necessary.	($333,927)	R
Reserve for Salaries & Benefits		
29 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$238,411	R
30 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$48,315	R
Total Legislative Changes	**($47,201)**	R
Total Position Changes		
Revised Budget	**$16,649,138**	

Environment & Natural Resources

	GENERAL FUND
	FY 14-15
Total Budget Enacted 2013 Session	**$157,767,236**

Legislative Changes

Reserve for Salaries & Benefits

31 Compensation Increase Reserve $1,596,965 R

Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.

32 State Retirement System Contributions $276,858 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.

Aquariums

33 Admission Receipts (1355) ($180,000) R

Budgets additional admission fee receipts to offset General Fund support of the State's three aquariums. Admission fees were increased by $2.95 for all age groups effective March 1, 2014, and are estimated to generate an additional $1.4 million in new revenue.

Coastal Management

34 Public Information Efforts (1625) ($42,601) R

Reduces funding for a Public Information Officer position (60031534) by 50% in the Division of Coastal Management by cost sharing the position with the Department's Office of Public Affairs. This position will be spilt between the Division and the Office of Public Affairs where it will support department-wide issues. -0.50

Energy, Mineral and Land Resources

35 Position Reduction (1740) ($61,049) R

Abolishes a vacant Environmental Senior Specialist position (65002024) in the Wilmington Regional Office's Stormwater Permitting Section. Six Stormwater Engineers and one Engineer who works on National Pollutant Discharge Elimination System permit program will remain in the Wilmington Office. -1.00

36 University Energy Centers (1749) ($816,933) NR

Budgets Stripper Well Settlement funds transferred from budget code 64327-693E to partially offset General Fund support of the university energy centers located at North Carolina State University, North Carolina Agricultural and Technical State University (N.C. A&T), and Appalachian State University. A total of $1,056,933 is appropriated for these centers.

37 Shale Gas (1750) $1,173,324 NR

Provides nonrecurring funding for drilling of test wells and core analysis in the State's shale basins. Also provides $100,000 for marketing and promotion of the State's shale gas resources. There is a corresponding special provision.

38 Operating Funds for Oil and Gas Program (1740) $176,789 R

Provides operating funds to support the Energy Section's requirement to develop and implement a modern regulatory program for oil and gas exploration and development, and to support the Mining and Energy Commission in developing associated administrative rules.

39 Coal Ash Management - Stormwater (1740) $140,811 R

Provides funding for two new positions and associated operating costs to address the long term requirements of stormwater permitting, inspection and compliance activities related to coal based power facilities. 2.00

Position	Total Cost
Engineer	$82,343
Program Assistant V	$41,244

A total of $1.75 million in recurring funds is provided to the Department for coal ash management. This item is contingent upon S.B. 729, 2013 Regular Session, or substantially similar language, becoming law.

40 Coal Ash Management - Dams (1740) $386,390 R

Provides nonrecurring funding for five new positions and associated operating costs to address the long term requirements of permitting, inspection and safety evaluations of all power generating dam facilities in North Carolina. 5.00

Position	Total Cost
2 Engineers	$165,686
2 Environmental Sr. Specialist	$151,210
1 Program Assistant V	$ 41,244

A total of $1.75 million in recurring funds is provided to the Department for coal ash management. This item is contingent upon S.B. 729, 2013 Regular Session, or substantially similar language, becoming law.

Environmental Assistance and Customer Service

41 Utility Savings Initiative (1615)

Budgets Stripper Well Settlement funds transferred from budget code 64327-693E to partially offset General Fund support of the Utility Savings Initiative on a nonrecurring basis. ($183,067) NR

42 Position Reductions (1615) ($113,011) R

Reduces General Fund support for a vacant Environmental Senior Specialist position (60035972) in the Environmental Assistance Center to 50% and abolishes a vacant Senior Economic Developer position (60080986) that was transferred from Commerce as part of the Energy Office move to DENR. The office supplies line-item is reduced by $314, leaving $3,147. -1.22

Marine Fisheries

43 Position Shifts (1320) ($143,760) R

Fund shifts three Marine Fisheries Technician II positions (60032634, 60032668, 60032653) from General Fund support to federal grant support and takes a corresponding General Fund reduction. -3.00

44 Position Reductions (1495) ($148,240) R

Closes the Marine Fisheries office located in Nags Head for an operating savings of $19,422, and shifts two positions to home-based operations. Also abolishes two filled positions, an Environmental Health Specialist (60034501), an Environmental Senior Technician (60034515), and a vacant Microbiology Lab Technician III (60034517) that is currently split funded between General Fund support and a federal grant.

-2.50

45 At-Sea Observer Program (1320) ($289,000) R

Eliminates General Fund support for the At-Sea Observer Program. Recurring support will be provided from commercial fishing license fee receipts.

46 Marine Oyster Sanctuary (1320) $150,000 R

Provides funding for habitat mapping and water column/benthic data collection associated with establishing an oyster sanctuary. Also supports any advance analysis and studies that may be required by State or federal agencies to permit shellfish conservation efforts in the sanctuary.

Museum of Natural Sciences

47 Operating Reductions (1360) ($195,616) R

Reduces Museum funding by 1.6% by abolishing a vacant Administrative Assistant I position (60035022) and reducing funding for temporary wages. Also reduces salary reserve by $30,000 and the carpentry and hardware supplies line-item by $30,785.

-1.00

48 Museum of Forestry (1360) ($391,117) R

Eliminates funding for the Museum of Forestry in Whiteville, NC and closes the Museum effective July 1, 2014. Provides nonrecurring funding to support positions for three months to assist with the closure and mothballing of exhibits.

$97,779 NR

-3.00

Office of Land and Water Stewardship

49 One NC Naturally Initiative (1610) ($59,274) R

Abolishes a filled Educational Development Consultant position (60036213) that provided outreach and education programs for the One NC Naturally initiative to generate interest in and understanding of the State's conservation needs. Duties will be shifted to the remaining employees.

-1.00

Parks and Recreation

50 Operating Reductions (1280) ($623,360) R

Abolishes a vacant State Parks Facility Architect position (60092635) supported by the Parks and Recreation Trust Fund. Also reduces various equipment line-items including but not limited to motor vehicles, boats, trailers, voice communication equipment and computers and printers. Operating funds of $9.4 million remain after this reduction. -1.00

51 Consultant Study (1280) $250,000 NR

Provides nonrecurring funds to hire a consultant to review the operations of the State's cultural and natural resource sites and recommend ways to reduce the cost to the State for their operations.

Reserves and Transfers

52 Outer Banks Land Management Fund (1910) $5,000,000 NR

Provides a nonrecurring appropriation to the newly created Outer Banks Land Management Fund to be established in the Department of Environment and Natural Resources. Total funding appropriated to the Fund from all sources is $15 million, including $3 million in a capital reserve contingent upon the land sale. Fund uses are specified in a corresponding special provision.

Secretary's Office

53 Salary Reserve (1140) ($34,949) R

Reduces salary reserve available within the Secretary's Office.

54 Reserve for Coal Ash Management (1910) $438,943 R

Creates a reserve in the Secretary's Office for up to six additional positions to support the coal ash management initiative outlined in Senate Bill 729. Positions and associated operating support will be reallocated to the following divisions as the positions are filled: Water Resources, Waste Management, and Energy, Mineral and Land Resources. 6.00

A total of $1.75 million in recurring funds is provided to the Department for coal ash management. This item is contingent upon S.B. 729, 2013 Regular Session, or substantially similar language, becoming law.

55 Public Information Office (1140)

Expands the Department's public information efforts by transferring 50% of a Public Information Officer position (60031534) from the Division of Coastal Management to the Office of Public Affairs. Position will be supported by indirect cost receipts.

Waste Management

56 Solid Waste Section (1760) ($23,606) R

Reduces the legal services and motor vehicle insurance line-items in the Solid Waste Section, leaving $174,974 for these purposes.

57 Waste Management (1760) ($1,000,000) R

Budgets a transfer of solid waste disposal tax receipts to replace General Fund support of positions that inspect and permit hazardous waste and solid waste facilities. Positions also enforce hazardous waste, solid waste and inactive hazardous sites management standards, and ensure the development and implementation of comprehensive plans for management of waste.

58 Noncommercial Fund (1910) $2,500,000 R
$1,000,000 NR

Provides a $1 million nonrecurring appropriation and a $2.5 million recurring appropriation for the Noncommercial Leaking Petroleum Underground Storage Tank Fund to assist homeowners with the cleanup cost of petroleum releases from home heating oil tanks and small farm tanks.

59 Coal Ash Management - Waste Management (1760) $193,742 R

Provides funding for two new positions and associated operating costs to support the additional workload that is expected with the permitting of industrial landfills for removed combustion products. 2.00

Position	Total Cost
Engineer	$82,343
Geologist/Hydrogeoloist	$76,615

A total of $1.75 million in recurring funds is provided to the Department for coal ash management. This item is contingent upon S.B. 729, 2013 Regular Session, or substantially similar language, becoming law.

Water Infrastructure

60 Operating Support (1460) ($10,000) R

Reduces the supplies line item on a recurring basis, leaving $5,000 for this purpose.

61 Drinking Water State Revolving Fund (DWSRF) (1460)

Reduces funding for the DWSRF State match by $600,000 due to an anticipated decrease in the federal capitalization grant for the program in federal fiscal year 2014-15. Also transfers $800,000 in unused DWSRF State matching funds back to the division's General Fund budget and takes a corresponding nonrecurring reduction in FY 2014-15. ($1,400,000) NR

Water Resources

62 Aquatic Weed Control Transfer (1620) ($54,920) R

Transfers the Aquatic Weed Control program from the Department to the Wildlife Resources Commission as a Type I transfer. Additional adjustments may be implemented through a type 11 budget revision. -1.00

63 Position Reductions (1620 & 1690) ($155,976) R

Abolishes a filled Business & Technology Applications Technician position (60031523) in the Water Resources Management Section and also abolishes a vacant Environmental Regional Supervisor (60035227) in the Fayetteville Regional Office. A receipt-supported supervisor from the Central Office will be reassigned to replace the regional supervisor position. -2.00

64 Coal Ash Management - Water Quality (1690 &1695) $590,114 R

Provides funding for eight General Fund and two receipt-supported positions and associated operating costs. Six of the positions will conduct facility inspections and technical reviews of reports, including the evaluation of groundwater monitoring data and proposed corrective action and closure plans of coal ash ponds. Four of the positions will address the long term requirements of permitting, enforcement, data collection and analysis. Data regarding surface waters, sediment, and fish tissue will be provided to the public. 8.00

Position	Total Cost
5 Geologist/Hydrogeologist	$307,896
1 Environmental Sr. Specialist	$ 75,606
1 Environmental Specialist	$ 67,219
1 Business & Technology App Analyst	$ 95,012
1 Engineer (receipt-supported)	$ 82,843
1 Geologist/Hydrogeologist (receipt-supported)	$ 84,599

A total of $1.75 million in recurring funds is provided to the Department for coal ash management. This item is contingent upon S.B. 729, 2013 Regular Session, or substantially similar language, becoming law.

65 On-Site Wastewater Transfer $1,177,154 R

Transfers the On-Site Water Protection Unit from the Department of Health and Human Services to the Department of Environment and Natural Resources as Type I transfer. Additional adjustments due to legislative salary increases, retirement and medical adjustments, as well as receipt adjustments and transfers from special funds may be implemented through a type 11 budget revision. 14.00

Total Legislative Changes	**$4,101,287**	R
	$5,121,103	NR
Total Position Changes	19.78	
Revised Budget	**$166,989,626**	

Wildlife Resources Commission

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$14,476,588**

Legislative Changes

Reserve for Salaries & Benefits

66 Compensation Increase Reserve $179,544 R

Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.

67 State Retirement System Contributions $33,086 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.

Wildlife Resources Commission

68 Beaver Management Assistance Program (1151) ($7,700) R

Reduces funding for the Beaver Management Assistance Program by 2%. A total of $377,300 remains in the budget to support the Program.

69 Position Adjustments ($168,785) R

Offsets General Fund appropriated salaries in each of the following programs by budgeting additional fishing and hunting license receipts transferred from the Wildlife Resources Fund established in G.S. 143-250:

1101: Administrative Policy and Regulation	($38,245)
1111: Controller's Office	($26,678)
1113: Information Technology	($58,883)
1115: Purchasing Services Warehouse	($17,825)
1116: Budget, Planning and Audit	($10,386)
1117: Personnel	($16,768)

70 Budget Realignments ($113,047) R

Reduces receipt supported line-items in the customer service and information technology sections and realigns those funds to offset General Fund appropriated salaries in each of those sections as follows:

1112: Customer Service ($29,122)
1113: Information Technology ($83,925)

71 Federal Grant Funds (1166) ($1,000,000) R

Budgets an increase in a federal grant for game land operations and maintenance and reduces the General Fund appropriation by the same amount.

72 Aquatic Weed Control Transfer $554,920 R
$400,000 NR
1.00

Transfers the Aquatic Weed Control program from the Department of Environment and Natural Resources to the Wildlife Resources Commission (WRC) as a Type I transfer. Also transfers $400,000 from WRC's Boating Safety Account on a nonrecurring basis in FY 2014-15 to be used for the Lake Waccamaw Hydrilla Eradication Project. Additional recurring funding for aquatic weed control is provided from the Shallow Draft Navigation Channel and Lake Dredging Fund. There is a corresponding special provision.

Total Legislative Changes	**($521,982)**	R
	$400,000	NR
Total Position Changes	1.00	
Revised Budget	**$14,354,606**	

Commerce

	GENERAL FUND
	FY 14-15
Total Budget Enacted 2013 Session	**$56,733,282**

Legislative Changes

Department-wide

73 Management Flexibility Reserve ($1,022,654) R

Reduces funding to the Department by 2%, resulting in a revised General Fund appropriation of $50.1 million (exclusive of Industrial Commission). The Secretary has the flexibility to take the reduction to programs and activities that cause the least disruption in service.

Reserve for Salaries & Benefits

74 Compensation Increase Reserve $272,878 R

Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.

75 State Retirement System Contributions $56,108 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.

Administration

76 Special Funds (1111) ($663,839) NR

Offsets the General Fund appropriation for Administration by directing the unencumbered cash balance as of June 30, 2014 from the following funds toward operating costs:

Economic Development Reserve (24609-2584)
Energy Research Grants Special Fund (24609-2537)
NC Green Business Fund (24609-2535)
One NC Small Business Fund (24609-2562)
Main Street Solutions Special Fund (24613-2622)

The Economic Development Reserve Fund is closed after the transfer. There is a corresponding special provision.

77 Purchasing Officer (1111) ($76,728) R

Eliminates a vacant Purchasing Officer position (60077170).

-1.00

Commerce Finance Center

78 Job Maintenance and Capital Development Fund (JMAC) (1581)

Reduces funds appropriated for JMAC payments. A total of $7.5 million is available for payments to Bridgestone, Goodyear, and Domtar for the 2013 grant year. Funds disbursed in FY 2013-14 were less than what was appropriated due to companies' underperformance. ($364,097) NR

Industrial Commission

79 Compromise Settlement Agreement Fees (1831) ($500,000) R

Shifts Industrial Commission expenses to Compromise Settlement Agreement fee receipts in the General Fund, which will now be fully budgeted in the General Fund. Net General Fund appropriation to the Commission will be $5 million.

80 Special Fund (1831)

Offsets the General Fund appropriation for the Industrial Commission by directing the unencumbered cash balance as of June 30, 2014 from the Investigation Management System Special Fund (24611-2240) toward operating costs. This fund is closed after the transfer. ($125,000) NR

81 Investigation Management System (1831) ($75,000) R

Eliminates funding for the Industrial Commission's Investigation Management System, which was intended to process, prioritize, and track investigations by the Insurance Compliance Program. Funding was appropriated to the Commission in FY 2013-14 but has not been used. The Commission is working with the Office of Information Technology Services to evaluate future system needs.

Labor and Economic Analysis Division

82 Common Follow-Up System (CFS) (1130)
Budgets $500,000 in nonrecurring receipts for CFS; the Commission on Workforce Development will prescribe a method for calculating the amount that participating agencies shall contribute to CFS. Agencies will transfer funds by December 31, 2014. There is a corresponding special provision.

83 AccessNC and Demand Driven Data Delivery System (D4) (1130) $500,000 NR
Provides nonrecurring funding for contractual services to merge two information technology platforms (AccessNC and D4). AccessNC inventories available business sites statewide and provides economic data to the public. D4 publishes labor market data. There is a corresponding special provision.

Rural Economic Development

84 Limited Resource Communities Grants (1534) ($2,543,021) R
Eliminates the Limited Resource Communities Grant program established in Section 15.10B of S.L. 2013-360. There is a corresponding special provision.

85 Community Assistance and Office of Urban Development (1620) ($637,500) R
Eliminates approximately 9.15 FTEs from Community Assistance and Office of Urban Development. The Rural Economic Development Division Assistant Secretary has the discretion to make this determination among the 26.5 General Fund appropriated FTEs within fund code 1620. There is a corresponding special provision.

86 Community Development Block Grant (CDBG) (1620) $637,500 R
Provides 50% of the required cash match for the CDBG program. FY 2014-15 funds shall be used to purchase and install a new grants management software program, which will be coordinated with the Department of Transportation's existing grant management module. The other 50% match will be in-kind, achieved via staff salaries' who are dedicated to full-time CDBG activities. There is a corresponding special provision.

87 NC Broadband (1477)

Provides six months of nonrecurring funding to allow for continuation of the NC Broadband program from January 1, 2015 to June 30, 2015 as federal funding ends December 31, 2014. There is a corresponding special provision. $350,000 NR

Workforce Solutions

88 Apprenticeship Program (1912)

Budgets $300,000 in nonrecurring receipts for the Apprenticeship Program from the Community Colleges System Office to offset forgone revenue for waived apprentice fees in FY 2014-15. The Department of Commerce will evaluate the fee waivers effect on increasing participation in the program before requesting a permanent fee change.

Total Legislative Changes	($3,888,417)	R
	($302,936)	NR
Total Position Changes	-1.00	
Revised Budget	$52,541,929	

Commerce - State Aid

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$15,624,767**	
Legislative Changes		
Farm Bureau - Ag in the Classroom		
89 Ag in the Classroom (1913) Eliminates funding to the Ag in the Classroom program due to inability to spend funds.	($21,175)	R
Grassroots Science Museums		
90 Museum Additions (1913) Provides base funding to two additional museums (Marbles in Raleigh and HandsOn! in Hendersonville) and eliminates funding to the Health Adventure museum in Asheville due to closure.	$42,648	R
Research Triangle Institute		
91 Research Triangle Institute Grant (1913) Provides $250,000 in nonrecurring funding to the Research Triangle Institute for US Department of Energy grant match requirements. Research findings will be shared with the State Energy Office.	$250,000	NR
Total Legislative Changes	**$21,473**	R
	$250,000	NR
Total Position Changes		
Revised Budget	**$15,896,240**	

DACS - Special Revenue

Budget Code: 23700

	FY 2014-15	
Beginning Unreserved Fund Balance	**$9,332,705**	
Recommended Budget		
Requirements	**$9,997,390**	
Receipts	**$7,230,638**	
Positions	**34.00**	

Legislative Changes

Requirements:

Research Stations NR Fund (2185)	$0	R
Reverts funds in excess of the $1 million cash balance cap on the fund.	$11,208	NR
	0.00	
Sleep Products (2500)	($838,473)	R
Reverts existing cash balance to the General Fund and closes fund code 2500 - Sleep Products. The program and associated budget are transferred to the Structural Pest program (1120) administered by the Department.	$1,196,785	NR
	-10.20	
Plasticulture Tech Training (2147)	$0	R
Reverts existing cash balance to the General Fund and closes fund code 2147 - Plasticulture Tech Training.	$2,697	NR
	0.00	
Subtotal Legislative Changes	**($838,473)**	R
	$1,210,690	NR
	-10.20	

Receipts:

Research Stations NR Fund (2185)	$0	R
Reverts funds in excess of the $1 million cash balance cap on the fund.	$0	NR

	FY 2014-15	
Sleep Products (2500)	($838,473)	R
Reverts existing cash balance to the General Fund and closes fund code 2500 - Sleep Products. The program and associated budget are transferred to the Structural Pest program (1120) administered by the Department.	$0	NR
Plasticulture Tech Training (2147)	$0	R
Reverts existing cash balance to the General Fund and closes fund code 2147 - Plasticulture Tech Training.	$0	NR
Subtotal Legislative Changes	**($838,473)**	R
	$0	NR
Revised Total Requirements	**$10,369,607**	
Revised Total Receipts	**$6,392,165**	
Change in Fund Balance	**($3,977,442)**	
Total Positions	**23.80**	
Unappropriated Balance Remaining	**$5,355,263**	

DACS - Warehouse Investment Fund

Budget Code: 23701

	FY 2014-15	
Beginning Unreserved Fund Balance	**$32,438**	
Recommended Budget		
Requirements	**$0**	
Receipts	**$0**	
Positions	**0.00**	

Legislative Changes

Requirements:

Warehouse Investment Fund (2201)	$0	R
Reverts existing cash balance to the General Fund and closes budget code 23701 - DACS - Warehouse Investment Fund.	$32,438	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$32,438	NR
	0.00	

Receipts:

Warehouse Investment Fund	$0	R
Reverts existing cash balance to the General Fund and closes budget code 23701 - DACS - Warehouse Investment Fund.	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$32,438
Revised Total Receipts	$0
Change in Fund Balance	**($32,438)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$0**

DACS - Soil & Water Conservation

Budget Code: 23704

	FY 2014-15
Beginning Unreserved Fund Balance	**$13,247,553**
Recommended Budget	
Requirements	**$10,261,581**
Receipts	**$9,581,537**
Positions	**1.00**

Legislative Changes

Requirements:

Swine Waste Fund (2730)	$0	R
Reverts a portion of unencumbered funds appropriated in FY 2007-08 for swine waste management practices due to low demand.	$206,552	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$206,552	NR
	0.00	

Receipts:

Swine Waste Fund (2730)	$0	R
Reverts a portion of unencumbered funds appropriated in FY 2007-08 for swine waste management practices due to low demand.	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$10,468,133
Revised Total Receipts	$9,581,537
Change in Fund Balance	($886,596)
Total Positions	1.00
Unappropriated Balance Remaining	$12,360,957

DACS – Farmers Market

Budget Code: 53700

	FY 2014-15	
Beginning Unreserved Fund Balance	**$1,603,807**	
Recommended Budget		
Requirements	**$2,491,605**	
Receipts	**$2,490,880**	
Positions	**28.50**	

Legislative Changes

Requirements:

Asheville/ Charlotte Farmers Markets	$1,499,079	R
Transfers the operating budget and associated positions to the Farmers Markets Enterprise Fund.	$0	NR
	0.00	
Subtotal Legislative Changes	**$1,499,079**	R
	$0	NR
	0.00	

Receipts:

Asheville/Charlotte Farmers Markets	$1,173,772	R
Transfers the operating budget and associated positions to the Farmers Markets Enterprise Fund.	$0	NR
Subtotal Legislative Changes	**$1,173,772**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$3,990,684
Revised Total Receipts	$3,664,652
Change in Fund Balance	($326,032)
Total Positions	28.50
Unappropriated Balance Remaining	$1,277,775

Disaster Relief Fund

Budget Code: 24602

	FY 2014-15	
Beginning Unreserved Fund Balance	**$3,317,157**	
Recommended Budget		
Requirements	**$1,500,000**	
Receipts	**$1,500,000**	
Positions	**0.00**	

Legislative Changes

Requirements:

Small Bus Loans, Hurricane Floyd (2959)	$0	R
Transfers all but $1,000 to a reserve in the North Carolina Office of the State Chief Information Officer for LiDAR topological mapping.	$122,243	NR
	0.00	
Small Bus Loans, 2005 Disaster Recovery (2966)	$0	R
Transfers all but $50,000 to a reserve in the North Carolina Office of the State Chief Information Officer for LiDAR topological mapping.	$3,143,914	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$3,266,157	NR
	0.00	

Receipts:

Disaster Relief Fund (24602)	$0	R
	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$4,766,157
Revised Total Receipts	$1,500,000
Change in Fund Balance	($3,266,157)
Total Positions	0.00
Unappropriated Balance Remaining	$51,000

Commerce - Special Revenue - GF

Budget Code: 24609

	FY 2014-15
Beginning Unreserved Fund Balance	**$13,537,607**
Recommended Budget	
Requirements	**$29,389,508**
Receipts	**$28,748,168**
Positions	**4.00**

Legislative Changes

Requirements:

Economic Development Reserve (2584)	$0	R
Transfers cash balance to Commerce's Administration Division to offset operating expenses. Fund 24609-2584 is closed.	$49,687	NR
	0.00	
Energy Research Grants (2537)	$0	R
Transfers a portion of the cash balance to Commerce's Administration Division to offset operating expenses.	$3,674	NR
	0.00	
NC Green Business Fund (2535)	$0	R
Transfers a portion of the cash balance to Commerce's Administration Division to offset operating expenses.	$19,018	NR
	0.00	
One NC Small Business Fund (2562)	$0	R
Transfers a portion of the cash balance to Commerce's Administration Division to offset operating expenses.	$172,687	NR
	0.00	
Ag Gas Expansion	$2,500,000	R
Establishes a special fund for Expanded Gas Products Service to Agriculture.	$2,500,000	NR
	0.00	
IDF Utility Account (2568)- Ag Gas Expansion	$2,500,000	R
Transfers $2.5 million in recurring receipts and $2.5 million of cash balance to the newly established special fund for Expanded Gas Products Service to Agriculture.	$2,500,000	NR
	0.00	

	FY 2014-15	
IDF Utility Account (2568)- Oregon Inlet	$0	R
Transfers $3.5 million of the cash balance to the newly created Outer Banks Land Management Fund to be established in the Department of Environment and Natural Resources.	$3,500,000	NR
	0.00	
One North Carolina Small Business Fund (2562)	$0	R
Receives $2.5 million from the One NC Fund.	$2,500,000	NR
	0.00	
One North Carolina Fund (2560)	$0	R
Transfers $2.5 million cash balance to the One North Carolina Small Business Fund.	$2,500,000	NR
	0.00	
Subtotal Legislative Changes	**$5,000,000**	R
	$13,745,066	NR
	0.00	
Receipts:		
Economic Development Reserve (2584)	$0	R
	$0	NR
Energy Research Grants (2537)	$0	R
	$0	NR
NC Green Business Fund (2535)	$0	R
	$0	NR
One North Carolina Small Business Fund (2562)	$0	R
Receives $2.5 M from the One NC Fund.	$2,500,000	NR
Ag Gas Expansion	$2,500,000	R
Establishes a special fund for Expanded Gas Products Service to Agriculture.	$2,500,000	NR
IDF Utility Account (2568)	$6,900,000	R
Increases receipts to reflect FY 2013-14 actuals and transfers $2.5 M to the newly established special fund for Expanded Gas Products Service to Agriculture.	$0	NR

	FY 2014-15	
One North Carolina Fund (2560)	$0	R
	$0	NR
Subtotal Legislative Changes	**$9,400,000**	R
	$5,000,000	NR
Revised Total Requirements	**$48,134,574**	
Revised Total Receipts	**$43,148,168**	
Change in Fund Balance	**($4,986,406)**	
Total Positions	**4.00**	
Unappropriated Balance Remaining	**$8,551,201**	

Commerce - IT Projects

Budget Code: 24611

	FY 2014-15	
Beginning Unreserved Fund Balance	**$975,165**	
Recommended Budget		
Requirements	**$1,776,205**	
Receipts	**$1,776,205**	
Positions	**0.00**	

Legislative Changes

Requirements:

Investigation Management System (2240)	$0	R
Transfers cash balance to the Industrial Commission to offset operating expenses. Fund 24611-2240 is closed.	$125,000	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$125,000	NR
	0.00	

Receipts:

Investigation Management System (2240)	$0	R
	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$1,901,205
Revised Total Receipts	$1,776,205
Change in Fund Balance	($125,000)
Total Positions	0.00
Unappropriated Balance Remaining	$850,165

Commerce - Special Revenue

Budget Code: 24613

	FY 2014-15	
Beginning Unreserved Fund Balance	**$1,605,141**	
Recommended Budget		
Requirements	**$77,958**	
Receipts	**$2,958**	
Positions	**2.00**	

Legislative Changes

Requirements:

Main Street Solutions (2622)	$0	R
Transfers cash balance to Commerce's Administration Division to offset operating expenses.	$418,773	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$418,773	NR
	0.00	

Receipts:

Main Street Solutions (2622)	$0	R
	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$496,731
Revised Total Receipts	$2,958
Change in Fund Balance	($493,773)
Total Positions	2.00
Unappropriated Balance Remaining	$1,111,368

Commerce – Enterprise

Budget Code: 54600

	FY 2014-15	
Beginning Unreserved Fund Balance	**$5,880,653**	
Recommended Budget		
Requirements	**$46,432,723**	
Receipts	**$46,229,552**	
Positions	**326.00**	

Legislative Changes

Requirements:

ABC Warehouse (5882)	$0	R
Reverts $2.5 million of the cash balance from fund code 5882 - ABC Warehouse to the General Fund.	$2,500,000	NR
	0.00	
ABC Commission (5881)	$0	R
Reverts $1 million of the cash balance from fund code 5881 - ABC Commission to the General Fund.	$1,000,000	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$3,500,000	NR
	0.00	

Receipts:

ABC Warehouse (5882)	$0	R
Reverts $2.5 million of the cash balance from fund code 5882 - ABC Warehouse to the General Fund.	$0	NR
ABC Commission (5881)	$0	R
Reverts $1 million of the cash balance from fund code 5881 - ABC Commission to the General Fund.	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$49,932,723
Revised Total Receipts	$46,229,552
Change in Fund Balance	($3,703,171)
Total Positions	326.00
Unappropriated Balance Remaining	$2,177,482

DENR - Special

Budget Code: 24300

	FY 2014-15
Beginning Unreserved Fund Balance	**$19,291,529**
Recommended Budget	
Requirements	**$46,315,424**
Receipts	**$37,223,777**
Positions	**275.50**

Legislative Changes

Requirements:

Aquariums Admissions Fund (2865)	$180,000	R
Increases the transfer of admission fee receipts to the aquariums' General Fund budget to support the operations of the State's three aquariums.	$0	NR
	0.00	
Inspection & Maintenance Pollution Control	$0	R
No adjustment necessary.	$0	NR
	0.00	
Advance License Sales (2392)	$0	R
Transfers $3.5 million of the cash balance to the newly created Outer Banks Land Management Fund to be established in the Department of Environment and Natural Resources. There is a corresponding special provision.	$3,500,000	NR
	0.00	
Shallow Draft Dredging Fund (2182)	$500,000	R
Transfers up to $500,000 to the Wildlife Resources Commission's General Fund to support the Aquatic Weed Control program.	$0	NR
	0.00	
Subtotal Legislative Changes	**$680,000**	R
	$3,500,000	NR
	0.00	

Receipts:

	FY 2014-15	
Aquariums Admissions Fund (2865)	$1,400,000	R
Budgets additional admission fee receipts anticipated to be generated as the result of a fee increase at the State's three aquariums and Jennette's Pier. Aquarium admission fees were increased by $2.95 for all age groups. Pier fees were increased for multi-day fishing passes and sightseeing passes.	$0	NR
Inspection & Maintenance Pollution Control (2338)	$0	R
Diverts $3 million of the emissions inspection fee from the I & M Air Pollution Control Account to the General Fund in FY 2014-15. Directs the Division of Air Quality to use its cash balance to support the pollution control program for mobile sources in FY 2014-15. There is a corresponding special provision.	($3,000,000)	NR
Advance License Sales (2392)	$0	R
No adjustment necessary.	$0	NR
Shallow Draft Dredging Fund (2182)	$0	R
No adjustment necessary.	$0	NR
Subtotal Legislative Changes	**$1,400,000**	R
	($3,000,000)	NR
Revised Total Requirements	**$50,495,424**	
Revised Total Receipts	**$35,623,777**	
Change in Fund Balance	**($14,871,647)**	
Total Positions	**275.50**	
Unappropriated Balance Remaining	**$4,419,882**	

Reserve for Air Quality - Fuel Tax

Budget Code: 24301

	FY 2014-15
Beginning Unreserved Fund Balance	**$1,675,632**
Recommended Budget	
Requirements	**$9,678,445**
Receipts	**$9,664,348**
Positions	**99.60**

Legislative Changes

Requirements:

Air Quality Fuel Tax (2334)	$0	R
No adjustment necessary.	$0	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$0	NR
	0.00	

Receipts:

Air Quality Fuel Tax (2334)	$0	R
Diverts $1 million of the fuel tax allocated to the Water and Air Account pursuant to G.S. 105-449.125 from Account to the General Fund in FY 2014-15. Directs the Division of Air Quality to use the cash balance for operations to replace the diverted revenue for one-year.	($1,000,000)	NR
Subtotal Legislative Changes	**$0**	R
	($1,000,000)	NR

	FY 2014-15
Revised Total Requirements	$9,678,445
Revised Total Receipts	$8,664,348
Change in Fund Balance	($1,014,097)
Total Positions	99.60
Unappropriated Balance Remaining	$661,535

DENR - Marine Conservation Fund

Budget Code: 24303

	FY 2014-15	
Beginning Unreserved Fund Balance	**$228,527**	
Recommended Budget		
Requirements	**$208,776**	
Receipts	**$47,737**	
Positions	**0.00**	
Legislative Changes		
Requirements:		
North Carolina Marine Conservation Fund (2990)	($19,557)	R
Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.	$0	NR
	0.00	
Subtotal Legislative Changes	**($19,557)**	R
	$0	NR
	0.00	
Receipts:		
North Carolina Marine Conservation Fund (2990)	($19,557)	R
Redirects interest earnings credited to the Marine Conservation Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $990 annually.	$0	NR
Subtotal Legislative Changes	**($19,557)**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$189,219
Revised Total Receipts	$28,180
Change in Fund Balance	($161,039)
Total Positions	0.00
Unappropriated Balance Remaining	$67,488

DENR - Wetlands Trust Fund

Budget Code: 24304

	FY 2014-15
Beginning Unreserved Fund Balance	**$24,634,379**
Recommended Budget	
Requirements	**$67,527,794**
Receipts	**$69,094,523**
Positions	**9.00**

Legislative Changes

Requirements:

Ecosystem Restoration Fund (various)	($4,554)	R
Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.	$0	NR
	0.00	
Subtotal Legislative Changes	**($4,554)**	R
	$0	NR
	0.00	

Receipts:

Ecosystem Restoration Fund (various)	($4,554)	R
Redirects interest earnings credited to the Ecosystem Restoration Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $98,110 annually.	$0	NR
Subtotal Legislative Changes	**($4,554)**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$67,523,240
Revised Total Receipts	$69,089,969
Change in Fund Balance	$1,566,729
Total Positions	9.00
Unappropriated Balance Remaining	$26,201,108

DENR - Clean Water Management Fund

Budget Code: 24305

	FY 2014-15	
Beginning Unreserved Fund Balance	**$26,968,832**	
Recommended Budget		
Requirements	**$8,686,976**	
Receipts	**$8,686,976**	
Positions	**0.00**	

Legislative Changes

Requirements:

Clean Water Management Trust Fund (2002)	($260,000)	R
Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.	$0	NR
	0.00	
Subtotal Legislative Changes	**($260,000)**	R
	$0	NR
	0.00	

Receipts:

Clean Water Management Trust Fund (2002)	($260,000)	R
Redirects interest earnings credited to the Clean Water Management Trust Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $256,590 annually.	$0	NR
Subtotal Legislative Changes	**($260,000)**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$8,426,976
Revised Total Receipts	$8,426,976
Change in Fund Balance	$0
Total Positions	0.00
Unappropriated Balance Remaining	$26,968,832

DENR - Dry Cleaning Solvent Tax

Budget Code: 24306

	FY 2014-15	
Beginning Unreserved Fund Balance	**$9,613,324**	
Recommended Budget		
Requirements	**$16,108,204**	
Receipts	**$15,235,048**	
Positions	**18.80**	

Legislative Changes

Requirements:

Dry-Cleaning Solvent Cleanup Fund (2127)	($1,136,500)	R
Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.	$0	NR
	0.00	
Subtotal Legislative Changes	**($1,136,500)**	R
	$0	NR
	0.00	

Receipts:

Dry-Cleaning Solvent Cleanup Fund (2127)	($1,136,500)	R
Redirects interest earnings credited to the Dry-Cleaning Solvent Cleanup Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $46,935 annually.	$0	NR
Subtotal Legislative Changes	**($1,136,500)**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$14,971,704
Revised Total Receipts	$14,098,548
Change in Fund Balance	($873,156)
Total Positions	18.80
Unappropriated Balance Remaining	$8,740,168

DENR - Parks and Recreation Trust Fund

Budget Code: 24309

	FY 2014-15	
Beginning Unreserved Fund Balance	**$24,793,469**	
Recommended Budget		
Requirements	**$11,968,082**	
Receipts	**$13,523,231**	
Positions	**0.00**	

Legislative Changes

Requirements:

Parks and Recreation Trust Fund Interest (2235)	($130,000)	R
Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.	$0	NR
	0.00	
Subtotal Legislative Changes	**($130,000)**	R
	$0	NR
	0.00	

Receipts:

Parks and Recreation Trust Fund Interest (2235)	($130,000)	R
Redirects interest earnings credited to the Parks and Recreation Trust Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $106,120 annually.	$0	NR
Subtotal Legislative Changes	**($130,000)**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$11,838,082
Revised Total Receipts	$13,393,231
Change in Fund Balance	$1,555,149
Total Positions	0.00
Unappropriated Balance Remaining	$26,348,618

DENR - Special Interest Bearing

Budget Code: 24318

	FY 2014-15
Beginning Unreserved Fund Balance	**$796,808**
Recommended Budget	
Requirements	**$400,000**
Receipts	**$400,000**
Positions	**1.00**

Legislative Changes

Requirements:

Bernard Allen Drinking Water Fund (2054)
No adjustment necessary.

$0	R
$0	NR
0.00	

Subtotal Legislative Changes

$0	R
$0	NR
0.00	

Receipts:

Bernard Allen Drinking Water Fund (2054)
Redirects interest earnings credited to the Bernard Allen Memorial Emergency Drinking Water Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $2,725 annually. No impact to the Fund is anticipated because interest earnings were not budgeted to be spent.

$0	R
$0	NR

Subtotal Legislative Changes

$0	R
$0	NR

	FY 2014-15
Revised Total Requirements	$400,000
Revised Total Receipts	$400,000
Change in Fund Balance	$0
Total Positions	1.00
Unappropriated Balance Remaining	$796,808

DENR - Marine Resources Fund

Budget Code: 24323

	FY 2014-15
Beginning Unreserved Fund Balance	**$9,845,087**
Recommended Budget	
Requirements	**$10,761,101**
Receipts	**$8,499,708**
Positions	**25.00**

Legislative Changes

Requirements:

Marine Resources Fund (various)	($316,276)	R
Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.	$0	NR
	0.00	
Subtotal Legislative Changes	**($316,276)**	R
	$0	NR
	0.00	

Receipts:

Marine Resources Fund (various)	($316,276)	R
Redirects interest earnings credited to the Marine Resources Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $47,465 annually.	$0	NR
Subtotal Legislative Changes	**($316,276)**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$10,444,825
Revised Total Receipts	$8,183,432
Change in Fund Balance	($2,261,393)
Total Positions	25.00
Unappropriated Balance Remaining	$7,583,694

DENR - Waste Water Operating Training

Budget Code: 64301

	FY 2014-15
Beginning Unreserved Fund Balance	**$581,192**
Recommended Budget	
Requirements	**$658,489**
Receipts	**$568,384**
Positions	**7.00**

Legislative Changes

Requirements:

Water Pollution Control System Account (6342) Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.	($19,125) $0 0.00	R NR
Subtotal Legislative Changes	**($19,125)** **$0** 0.00	R NR

Receipts:

Water Pollution Control System Account (6342) Redirects interest earnings credited to the Water Pollution Control System Account to the General Fund on a permanent basis. Interest earnings are estimated to be $2,130 by annually.	($19,125) $0	R NR
Subtotal Legislative Changes	**($19,125)** **$0**	R NR

	FY 2014-15
Revised Total Requirements	$639,364
Revised Total Receipts	$549,259
Change in Fund Balance	**($90,105)**
Total Positions	**7.00**
Unappropriated Balance Remaining	**$491,087**

DENR - Commercial LUST Cleanup

Budget Code: 64305

	FY 2014-15
Beginning Unreserved Fund Balance	**$87,735,200**
Recommended Budget	
Requirements	**$31,408,298**
Receipts	**$29,881,200**
Positions	**14.20**

Legislative Changes

Requirements:

Brownfield Superfund Fund (6376)
No adjustment necessary.

$0	R
$0	NR
0.00	

Commercial Leaking Petroleum UST Fund (6370)
Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.

($30,000)	R
$0	NR
0.00	

Emergency Response Fund (6373)
No adjustment necessary.

$0	R
$0	NR
0.00	

Inactive Hazardous Sites Cleanup Fund (6372)
No adjustment necessary.

$0	R
$0	NR
0.00	

Inactive Hazardous Sites Fund -SB 1492 (6379)
No adjustment necessary.

$0	R
$0	NR
0.00	

	FY 2014-15	
Administrative Funds (6379)	($1,000,000)	R
Transfers a portion of the solid waste disposal tax allowed for administrative expenses to the Division of Waste Management's General Fund budget to support positions in the Solid Waste and Hazardous Waste sections. There is a corresponding special provision that increases the administrative allowance.	$0	NR
	0.00	
Noncommercial Leaking Petroleum UST Fund (6371)	($70,000)	R
Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.	$0	NR
	0.00	
Superfund Cost Share (6375)	($28,561)	R
Adjusts program requirements to reflect the loss of budgeted interest earnings that are being redirected to the General Fund on a permanent basis.	$0	NR
	0.00	
Subtotal Legislative Changes	**($1,128,561)**	R
	$0	NR
	0.00	

Receipts:

Brownfield Superfund Fund (6376)	$0	R
Redirects interest earnings credited to the Brownfield Superfund Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $3,075 annually. No impact to the Fund is anticipated because interest earnings were not budgeted to be spent.	$0	NR
Commercial Leaking Petroleum UST Fund (6370)	($30,000)	R
Redirects interest earnings credited to the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $179,215 annually.	$0	NR

	FY 2014-15	
Emergency Response Fund (6373)	$0	R
Redirects interest earnings credited to the Emergency Response Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $2,210 annually. No impact to the Fund is anticipated because interest earnings were not budgeted to be spent.	$0	NR
Inactive Hazardous Sites Cleanup Fund (6372)	$0	R
Redirects interest earnings credited to the Inactive Hazardous Sites Cleanup Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $23,980 annually. No impact to the Fund is anticipated because interest earnings were not budgeted to be spent.	$0	NR
Inactive Hazardous Sites Cleanup Fund (6379)	$0	R
Redirects interest earnings credited to the Inactive Hazardous Sites Cleanup Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $137,445 annually. No impact to the Fund is anticipated because interest earnings were not budgeted to be spent.	$0	NR
Noncommercial Leaking Petroleum UST Fund (6371)	($70,000)	R
Redirects interest earnings created to the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $2,400 annually.	$0	NR
Superfund Cost Share (6375)	($28,561)	R
Redirects interest earnings credited to the Superfund Cost Share Fund to the General Fund on a permanent basis. Interest earnings are estimated to be $29,280 annually.	$0	NR
Subtotal Legislative Changes	**($128,561)**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$30,279,737
Revised Total Receipts	$29,752,639
Change in Fund Balance	($527,098)
Total Positions	14.20
Unappropriated Balance Remaining	$87,208,102

DENR - Drinking Water State Revolving Fund

Budget Code: 64320

	FY 2014-15
Beginning Unreserved Fund Balance	**$88,864,479**
Recommended Budget	
Requirements	**$53,707,408**
Receipts	**$46,934,583**
Positions	**47.20**

Legislative Changes

Requirements:

Drinking Water State Revolving Fund (6D12)	$0	R
Transfers $800,000 from the cash balance to the Division of Water Infrastructure in Department of Environment and Natural Resources. These funds were not needed to meet the State match in FY 2013-14.	$800,000	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$800,000	NR
	0.00	

Receipts:

Drinking Water State Revolving Fund (6D12)	$0	R
No adjustment necessary.	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$54,507,408
Revised Total Receipts	$46,934,583
Change in Fund Balance	($7,572,825)
Total Positions	47.20
Unappropriated Balance Remaining	$81,291,654

DENR - Energy Stripper Well

Budget Code: 64327

	FY 2014-15	
Beginning Unreserved Fund Balance	**$2,037,967**	
Recommended Budget		
Requirements	**$0**	
Receipts	**$0**	
Positions	**0.00**	
Legislative Changes		
Requirements:		
Petroleum Violation Escrow Funds (693E)	$0	R
Transfers $1,000,000 from the cash balance in the Stripper Well fund to the Division of Energy, Mineral and Land Resources to offset the General Fund support of the university energy centers and the Utility Savings Initiative.	$1,000,000	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$1,000,000	NR
	0.00	
Receipts:		
Petroleum Violation Escrow Funds (693E)	$0	R
No adjustment necessary.	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$1,000,000
Revised Total Receipts	$0
Change in Fund Balance	**($1,000,000)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$1,037,967**

Motor Boat Interest Bearing

Budget Code: 24352

	FY 2014-15	
Beginning Unreserved Fund Balance	**$542,450**	
Recommended Budget		
Requirements	**$10,777,735**	
Receipts	**$10,777,735**	
Positions	**0.00**	

Legislative Changes

Requirements:

Boating Safety Account (2314)		R
Transfers $400,000 of the cash balance to Wildlife Resources Commission's General Fund budget to be used for the Lake Waccamaw Hydrilla Eradication Project.	$400,000	NR
	0.00	
Subtotal Legislative Changes		R
	$400,000	NR
	0.00	

Receipts:

Boating Safety Account (2314)	$0	R
No adjustment necessary.	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	
Revised Total Receipts	$10,777,735
Change in Fund Balance	
Total Positions	0.00
Unappropriated Balance Remaining	

JUSTICE
&
PUBLIC SAFETY
Section I

Senate Subcommittee on Justice and Public Safety

Public Safety

	GENERAL FUND
	FY 14-15
Total Budget Enacted 2013 Session	**$1,690,014,006**

Legislative Changes

A. Reserve for Salaries & Benefits

1	**Compensation Increase Reserve** Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees. Employees eligible for a step increase through a statutory pay plan are provided a step increase in lieu of the $1,000 salary and benefit increase.	$24,604,298	R
2	**Experience-based Step Increase Reserve - State Highway Patrol** Provides funds for one experience-based step increase for all step-eligible State Highway Patrol Troopers. State Highway Patrol Troopers who are not eligible for a step are provided a $1,000 salary and benefit increase ($809 salary increase).	$1,709,254	R
3	**State Retirement System Contributions** Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$3,649,390	R

B. Department-wide

4	**Management Flexibility Reduction** Allows the Department to identify additional savings on a nonrecurring basis for FY 2014-15. These reductions will be replaced by the increased savings associated with prison closures and other budget changes that will be annualized in FY 2015-16. This amount is 0.5% of the total Department of Public Safety budget.	($6,331,032)	NR
5	**State Crime Laboratory** Transfers the State Crime Laboratory to the Department of Public Safety.	$15,023,865 193.50	R

C. Administration

6 Various Administrative Reductions ($625,520) R

Eliminates 3.5 FTE positions that have been vacant for a year or more. The positions are: -3.50

Fund Code	Position Number	Title	Position Cost
1100	60056105	Office Assistant IV	$44,833
1100	60084591	Processing Assistant III	$38,651
1100	60001065	Personnel Analyst II	$80,958
1250	60000343	Office Assistant IV	$24,739

This item also makes reductions totaling $436,339 to various operating line items within the Division of Administration, for a total reduction of $625,520. The total budget for the Division of Administration (including External Affairs, the Governor's Crime Commission and Victims' Services) after this 1.1% reduction is $55,961,766.

7 NCVAN (1170) ($112,725) R

Eliminates the grant to the NC Victims Assistance Network. This is the last direct appropriation to a non-profit in the Department's budget; the others were eliminated in the 2011 budget. This reduction will have no impact on services provided by State agencies to victims of crime.

D. Law Enforcement

8 State Highway Patrol Vacant Trooper Positions ($3,817,125) R

Eliminates 75 vacant trooper positions in the State Highway Patrol (SHP). As of March 2014, there were 134.5 vacant trooper positions, of which 56 had been vacant for longer than six months. These positions are budgeted at the starting trooper salary of $35,700, for a total position cost of $50,895 each including retirement, social security, and health benefits. After this reduction, there will be 1,719 sworn law enforcement positions in the Highway Patrol. -75.00

9 State Highway Patrol Uniforms (1411) $823,984 R

Increases funding for State Highway Patrol uniforms to provide adequate resources for Troopers. After the reduction in Item 5, there are a total of 1,651 General Fund supported troopers (68 troopers are supported by federal funds). Uniform expenditures for Troopers are $985 each for 1,390 traditional patrol and $1,008 each for 261 Size and Weight troopers. The total annual cost is $1,632,238. The Authorized Budget for FY 2014-15 appropriates $808,254 for this purpose, leaving a shortfall of $823,984. This item increases the budget for uniforms by 102% to fully fund SHP uniform needs.

	FY 14-15	
10 State Highway Patrol Vehicles (1411) Provides additional funds for the purchase of State Highway Patrol Vehicles. This is a 14% increase from the FY 2014-15 Authorized General Fund appropriation of $3,265,619. The total amount available for SHP vehicle purchases in FY 2014-15 will be $5,995,231 ($3,722,373 from the General Fund and $2,272,858 from receipts from the sale of used vehicles).	$456,754	R
11 State Bureau of Investigation (SBI) Transfers the State Bureau of Investigation from the Department of Justice to the Department of Public Safety (DPS), Law Enforcement Division. DPS is directed to identify $750,000 in savings in FY 2014-15 from the merger. Consolidation of all of the State's major law enforcement agencies and criminal information sections under the Department of Public Safety should result in additional savings in the future.	$31,590,747 445.00	R
12 ALE District Office Consolidation (1401) Reduces the budget for Alcohol Law Enforcement (ALE) district offices. These offices can be co-located with SBI offices, producing savings in rent and lease costs, utilities, and maintenance agreements. This reduction is a prorated amount based on closures effective October 1, 2014. FY 2015-16 annualized General Fund savings will be $308,585, a reduction of 4% to the General Fund appropriation of $6,941,552 for ALE.	($231,439)	R
13 ALE Positions (1401) Restores funding for 13 ALE positions that were transferred to nonrecurring receipt support by the Department to meet a management flexibility reduction included in the 2013 budget.	$724,454 13.00	R
E. Emergency Management and National Guard		
14 Geodetic Survey Receipts (1511) Shifts 1.25 FTE and some operating costs to receipt support. Geodetic Survey has a total budget of $1,209,391. This item increases budgeted receipts and reduces General Fund support for the program. The budget will be as follows: Total Requirements: $1,209,391 Less Receipts: $ 356,899 Net General Fund Approp.: $ 852,492	($89,489) -1.25	R
15 Geodetic Survey Transfer (1511) Transfers the Geodetic Survey function from the Division of Emergency Management to the Office of the State Chief Information Officer.	($852,492) -12.67	R

16 Geospatial and Technology Management (GTM) (1504) ($6,002) R

Transfers the Geospatial and Technology Management (GTM) section of the Division of Emergency Management to the Office of the State Chief Information Officer. GTM is primarily receipt supported and includes floodplain mapping. The total certified budget for FY 2014-15 is:

Total Requirements:	$30,950,905
Less Receipts:	$30,944,903
Net General Fund Approp.:	$ 6,002

17 Joint Forces Headquarters Building Repairs (1500) ($89,488) R

Reduces Emergency Management's budget for building repairs at its Joint Forces Headquarters facility by 44%. $111,632 remains in the budget for this purpose.

18 Hazardous Materials and Regional Response Teams (1506) ($172,818) R

-3.00

Creates a fee structure for facilities that store or process hazardous materials. Funds generated by the fee will be used to fund the Hazardous Materials Database for use by first responders and to support the seven Regional Response Teams (RRT) for Hazardous Materials located in Wilmington, Williamston, Raleigh, Fayetteville, Greensboro, Charlotte and Asheville. The RRT are currently funded by a General Fund appropriation that supports a program coordinator and two emergency management officers, as well as operating costs for the teams. FY 2015-16 annualized General Fund savings will be $691,277. FY 2014-15 savings are prorated to account for delayed collections in the first year of implementation.

19 National Guard Adjutant General's Office (1600) ($11,000) R

Reduces the National Guard's Adjutant General's administrative services budget by $6,000 and the employee travel meal account by $5,000. The total reduction is a 0.23% reduction to the Adjutant General's budget, leaving $4,690,442.

F. Adult Correction and Juvenile Justice - Prisons

20 Regional Office and Female Command ($477,134) R

-13.00

Eliminates a prison regional office and the female command and distributes the prisons into four remaining regional offices. Sixteen prisons have closed since 2009 and the four regional offices are capable of supporting the remaining facilities. The female command will end operations effective November 1, 2014, and a regional office for male prisons will close March 1, 2015. FY 2015-16 annualized General Fund savings will be $1,017,778.

21 Chaplains ($244,532) R

Eliminates the following Chaplain positions: -4.00

Fund Code	Position Number	Title	Position Cost
1305	60064442	Chaplain Coord.	$71,505
1345	60067018	Clinical Chaplain I	$53,720
1345	60064443	Clinical Chaplain II	$64,124
1345	60067065	Clinical Chaplain II	$55,183

22 Tillery CC and Caledonia CI ($1,565,182) R

Consolidates the management of Tillery Correctional Center (CC) and Caledonia Correctional Institution (CI) in Halifax County. The prisons are adjacent to one another and Tillery CC supports the mission of Caledonia CI. -32.00

23 Operating and Vacant Position Reduction ($1,056,848) R

Reduces line items in supplies ($28,000), medical contracts and equipment ($258,196), PC software ($200,000), and training ($38,299). This item also eliminates 11 vacant health care-related positions at Central Prison, NC Correctional Institution for Women and Pender Correctional Institution ($532,353). -11.00

24 Prison Misdemeanants ($2,662,357) R

Eliminates all misdemeanants from State prison. Currently, offenders with sentences between 91-180 days serve their sentence in county jails supported by the Statewide Misdemeanant Confinement Program (SMCP). SMCP is managed by the NC Sheriffs' Association and pays counties for housing, transportation, and medical care for offenders. SMCP will support approximately 1,000 additional misdemeanants with sentences greater than 180 days. The misdemeanants will shift to county jails with convictions on or after October 1, 2014, and DWI offenders will shift on or after January 1, 2015. SMCP will also expand to provide appropriate treatment for DWI offenders. Currently, North Carolina is one of three states that house misdemeanants in the state prison system without exceptional circumstances. FY 2015-16 annualized General Fund savings will be $4,374,854.

25 Fountain Correctional Center for Women (CCW) ($4,397,312) R

Closes Fountain CCW, a 531-bed minimum-custody unit in Nash County, effective October 1, 2014. This closure is part of the plan to convert Eastern Correctional Institution to a female minimum-custody facility. FY 2015-16 annualized General Fund savings will be $8,794,623. -176.00

26 North Piedmont CCW ($1,965,095) R

Closes North Piedmont Correctional Center for Women, a 136-bed minimum-custody unit in Davidson County, effective August 1, 2014. This closure is part of the plan to convert Eastern Correctional Institution to a female minimum-custody facility. FY 2015-16 annualized General Fund savings will be $2,143,740. -44.00

	FY_14-15_	
27 Eastern CI Converts Eastern Correctional Institution, a 429-bed medium-custody male facility in Greene County, to a female minimum-custody facility effective November 1, 2014. This conversion is part of the Division's prison closure plan and is dependent on the elimination of all misdemeanants from State prison. FY 2015-16 annualized General Fund savings will be $4,336,433.	($2,560,955) -102.00	R
G. Adult Correction and Juvenile Justice - Community Corrections		
28 Burke County Confinement in Response to Violation (CRV) Facility Provides funding for a facility dedicated to housing offenders who have violated the terms of their probation and are subject to a mandatory 90-day sentence as directed by the Justice Reinvestment Act.	$3,743,335	R
29 Robeson County CRV Facility Provides funding for a facility dedicated to housing offenders who have violated the terms of their probation and are subject to a mandatory 90-day sentence as directed by the Justice Reinvestment Act.	$3,743,335	R
30 Vehicles for Probation/Parole Officers (1370) Provides funds to purchase new vehicles required for 100 new Probation/Parole Officer positions funded in the 2014-15 budget. Funds will be transferred to the Department of Administration Motor Fleet Management Division to purchase the vehicles, which will then be leased to the Department of Public Safety. Funds for the annual lease costs of each vehicle were included in the position costs for 175 new Probation/Parole Officers authorized by the 2013-15 budget.	$1,829,300	NR
Total Legislative Changes	**$65,131,903** **($4,501,732)**	R NR
Total Position Changes	174.08	
Revised Budget	**$1,750,644,177**	

Justice

	GENERAL FUND
	FY 14-15
Total Budget Enacted 2013 Session	**$82,308,926**

Legislative Changes

A. Reserve for Salaries & Benefits

31 Compensation Increase Reserve $314,759 R

Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.

32 State Retirement System Contributions $70,774 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.

B. Department-wide

33 Management Flexibility Reserve ($1,000,000) R

Directs the Department to identify efficiencies in its operations by eliminating positions, transitioning expenditures to receipt support, or reducing operating line items such as travel, purchased services, and supplies. This is a 3.2% reduction to the Department's remaining budget after transfer of the State Bureau of Investigation and the State Crime Laboratory.

C. State Bureau of Investigation (1300)

34 Transfer to Department of Public Safety ($32,340,747) R

Transfers the State Bureau of Investigation from the Department of Justice to the Department of Public Safety (DPS), Law Enforcement Division. DPS is directed to identify $750,000 in savings in FY 2014-15 from the merger. Consolidation of all of the State's major law enforcement agencies and criminal information sections under the Department of Public Safety should result in additional savings in the future. -445.00

D. State Crime Laboratory (1400)

35 Toxicology Outsourcing Funds ($250,000) R

Reduces the appropriation for private toxicology testing by 33% to $500,000.

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36 Transfer to DPS Transfers the State Crime Laboratory to the Department of Public Safety.	($15,023,865) -193.50	R
Total Legislative Changes	**($48,229,079)**	R
Total Position Changes	-638.50	
Revised Budget	**$34,079,847**	

Senate Subcommittee on Justice and Public Safety

Judicial - Indigent Defense

	GENERAL FUND	
	FY 14-15	
Total Budget Enacted 2013 Session	**$111,357,264**	
Legislative Changes		
A. Reserve for Salaries & Benefits		
37 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$524,880	R
38 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$124,866	R
B. Indigent Defense Service (1380)		
39 Administrative Reduction for IDS Reduces the appropriation for the IDS administrative division by 10%, leaving $2,102,388. This reduction includes the elimination of the Public Defender Administrator (65014895) with a budgeted salary of $79,006, for a total position cost reduction of $102,091.	($233,190) -1.00	R
Total Legislative Changes	**$416,556**	R
Total Position Changes	-1.00	
Revised Budget	**$111,773,820**	

Senate Subcommittee on Justice and Public Safety

Judicial

	GENERAL FUND
	FY 14-15
Total Budget Enacted 2013 Session	**$456,426,252**

Legislative Changes

A. Reserve for Salaries & Benefits

40	**Compensation Increase Reserve** Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees. Employees eligible for a step increase through a statutory pay plan are provided a step increase in lieu of the $1,000 salary and benefit increase.	$2,970,428	R
41	**Experience-based Step Increase Reserve - Assistant & Deputy Clerks of Superior Court** Provides funds for one experience-based step increase for all step-eligible Assistant and Deputy Clerks of Superior Court. Assistant and Deputy Clerks of Superior Court who are not eligible for a step are provided a $1,000 salary and benefit increase ($809 salary increase).	$3,621,172	R
42	**Experience-based Step Increase Reserve - Magistrates** Provides funds for one experience-based step increase for all step-eligible Magistrates. Magistrates who are not eligible for a step are provided a $1,000 salary and benefit increase ($809 salary increase).	$2,570,088	R
43	**State Retirement System Contributions** Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$926,036	R
44	**Consolidated Judicial Retirement System** Reduces the State's contribution to the Consolidated Judicial Retirement System for FY 2014-15 to match the Annual Required Contribution after providing a 0.8% cost-of-living adjustment to retirees.	($686,000)	R

B. Administration and Service (1100)

45	**Technology Services** Reduces the appropriation for the Administrative Office of the Court's (AOC) Technology Services Division by 24%, leaving $11,858,113.	($3,737,904)	R

46 Administrative Reduction for AOC Reduces the appropriation for the remaining areas under the AOC Administrative and Service budget code other than Technology Services by 5%, leaving $28,208,088.	($1,489,582)	R
C. Pass-throughs (1800)		
47 Access to Civil Justice Grant Eliminates the Access to Civil Justice funds, which pass through AOC's budget to the NC State Bar.	($671,250)	R
Total Legislative Changes	**$3,502,988**	**R**
Total Position Changes		
Revised Budget	**$459,929,240**	

GENERAL GOVERNMENT
Section J

Senate Subcommittee on General Government

(1.0) Cultural Resources

GENERAL FUND

Total Budget Enacted 2013 Session	**FY 14-15**	
	$63,008,100	
Legislative Changes		
Reserve for Salaries & Benefits		
1 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$629,536	R
2 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$95,433	R
Agency Wide		
3 Position Eliminations Eliminates vacant positions across the Department of Cultural Resources. These positions have been vacant for over 100 days.	($255,000) -5.00	R
60083555 Development Manager $52,342 60083615 History Preservation and Restoration Specialist II $43,751 65010816 Museum Librarian/Archivist $33,190 60083880 Library Supervisor $45,420 60083380 Processing Assistant V $34,881		
Archives and Records (1230)		
4 Operations Reduction Reduces funds appropriated for operations by 2% within the Archives and Records Division and leaves a total budget of $2,953,572.	($65,000)	R

Historic Publications (1220)

5 Historic Publications ($247,449) R

Reduces staff and operations funds for the Historic Publications Unit. There remains approximately $173,484 in the account to be used to continue producing the publications that are required in G.S. 121-4. -4.00

60083324 Editor I $39,761
60083313 Administrator $61,676
60083316 Editor III $44,600
60083322 Administrative Secretary II $38,947

Historic Sites (1241)

6 Position Elimination ($63,870) R

Eliminates an educator position located in Kinston vacated by a retirement. -1.00

60084315 Education Coordinator $47,887

7 House in the Horseshoe ($127,551) R

Eliminates funds available for House in the Horseshoe, and closes this historic site effective July 1, 2014. -3.00

60083479 Manager I $36,248
60083480 Site Assistant $25,159
60083481 Interpreter I $25,375

NC Museum of Art (1320)

8 Museum of Art ($123,925) R

Reduces funds appropriated to the Museum of Art by 2%; the budget for FY 2014-15 will be $6.4 million.

NC Museum of History (1500)

9 Museum of History ($114,961) R

Reduces funds appropriated to the Museum of History by 2%. State appropriations for the museum will be $5.6 million for FY 2014-15.

Statewide Library Programs and Grants (1480)

10	**Library Grants** Reduces funds appropriated for grants to local libraries by 2%. There remains $13,207,033 in State appropriations and $4,381,126 available in federal grants for FY 2014-15.	($284,000)	R

Total Legislative Changes	**($556,787)**	R
Total Position Changes	-13.00	
Revised Budget	**$62,451,313**	

(2.0) Cultural Resources - Roanoke Island Commission

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$450,000**	
Legislative Changes		
Roanoke Island Commission		
11 **Operations** Reduces funds appropriated to The Roanoke Island Commission for operation of the Roanoke Island Festival Park by 2%. The State appropriations for FY 2014-15 will be $441,000.	($9,000)	R
Total Legislative Changes	**($9,000)**	**R**
Total Position Changes		
Revised Budget	**$441,000**	

(3.0) Insurance

GENERAL FUND

Total Budget Enacted 2013 Session	FY 14-15
	$38,003,624

Legislative Changes

Reserve for Salaries & Benefits

12 Compensation Increase Reserve $368,001 R

Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.

13 State Retirement System Contributions $86,826 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.

Administration (1100)

14 Operations ($20,000) R

Reduces funds available for miscellaneous contracts throughout Administration, by .36% and leaves $5,570,747 remaining for FY 2014-15.

Agency Wide

15 Position Eliminations ($433,955) R

Eliminates 4 vacant and 3.8 filled positions. The remaining amount is $34,206,053 in personal services for FY 2014-15. -7.80

60013402	Office Assistant IV	$26,013
60013409	Administrative Assistant I	$29,856
60013487	Program Assistant V	$27,875
60013668	Insurance Company Examiner	$54,648
60013694	Insurance Co. Examiner	$69,401
60013467	Office Assistant IV	$34,518
60013489	Office Assistant III	$29,745
60013531	Insurance Regulations Analyst III (.8 FTE)	$47,116

16	**Over-realized Receipts** Reduces appropriations based upon anticipated additional receipts from collection agencies for license fees.	($200,000)	R
	Office of State Fire Marshal (1500)		
17	**Communications, Printing, and Various Line Items** Reduces funds appropriated for the purpose of communications, data, and programming and brings the budget closer to actual expenditures of prior years. The FY 2014-15 State appropriations for 5328XX accounts will be approximately $800,000.	($200,000)	R
	Total Legislative Changes	**($399,128)**	R
	Total Position Changes	-7.80	
	Revised Budget	**$37,604,496**	

(5.0) State Board of Elections

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$5,693,244**	
Legislative Changes		
Reserve for Salaries & Benefits		
18 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$51,013	R
19 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$10,992	R
Information Systems Division (1300)		
20 Contract Elimination Eliminates funds for contracting of data services; the functions previously performed by a vendor are now completed by State Board of Elections staff.	($117,415)	R
Total Legislative Changes	**($55,410)**	R
Total Position Changes		
Revised Budget	**$5,637,834**	

Senate Subcommittee on General Government

(6.0) General Assembly

GENERAL FUND

Total Budget Enacted 2013 Session	**FY 14-15**	
	$51,634,767	
Legislative Changes		
Reserve for Salaries & Benefits		
21 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$529,381	R
22 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$141,360	R
House and Senate (1110 & 1120)		
23 General Government Oversight Committee Provides funds for the Joint Legislative Oversight Committee on General Government. The Committee will be comprised of 12 members who will meet during the interim to monitor implementation of laws, budget, and receive reports from the seventeen agencies within the purview of the appropriations subcommittees on General Government.	$34,733	R
Information Systems Division (1217)		
24 Operations Reduces funds appropriated for operations for FY 2014-15. This reduction will be off-set by one-time carry-forward funds that would have overwise transferred into a reserve account. The budget for ISD will remain at $5,812,913 for FY 2014-15.	($750,000)	NR

Total Legislative Changes	**$705,474**	**R**
	($750,000)	**NR**
Total Position Changes		
Revised Budget	**$51,590,241**	

(7.0) Governor

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$7,172,132**
Legislative Changes	
25 Operations Reduction and Position Elimination	($115,430) R
Eliminates funding for one Washington, DC-based federal government liaison and other operating costs. Funds had been transferred annually to North Carolina Department of Transportation to partially fund this position.	-1.00
60014914 Federal Legislative Programs Coordinator $80,000	
Reserve for Salaries & Benefits	
26 Compensation Increase Reserve	$51,713 R
Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	
27 State Retirement System Contributions	$12,919 R
Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	
Total Legislative Changes	**($50,798) R**
Total Position Changes	-1.00
Revised Budget	**$7,121,334**

(8.0) State Budget & Management

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$7,534,217**	
Legislative Changes		
28 Position Elimination	($50,684)	R
Eliminates one vacant position.	-1.00	
60056045 Grants Assistant $37,000		
Reserve for Salaries & Benefits		
29 Compensation Increase Reserve	$60,695	R
Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.		
30 State Retirement System Contributions	$18,730	R
Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.		
Technology and Data Services (1310)		
31 Contract	($100,000)	R
Reduces funds for a maintenance agreement/server software contract by 15%, leaving $587,487 for FY 2014-15.		
Total Legislative Changes	**($71,259)**	R
Total Position Changes	-1.00	
Revised Budget	**$7,462,958**	

(9.0) State Budget and Management - Special

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$1,520,000**	
Legislative Changes		
Special Appropriations		
32 Amphitheater Rehabilitation Provides funds to The Andrew Jackson Historical Foundation, Inc. to rebuild a dilapidated amphitheater. This grant requires a match of other funds locally.	$100,000	NR
33 Resources Education Assistance Counseling and Housing of Macon County Provides funding to Resources Education Assistance Counseling and Housing of Macon County, Inc. (REACH) to match other funds for the construction of a shelter for battered women and families. The complex will serve individuals in and around Macon and Jackson counties.	$75,000	NR
Total Legislative Changes	**$175,000**	**NR**
Total Position Changes		
Revised Budget	**$1,695,000**	

(10.0) Auditor

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$11,217,468**	
Legislative Changes		
Reserve for Salaries & Benefits		
34 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$122,030	R
35 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$33,308	R
Agency Wide		
36 Operations Reductions Reduces funds appropriated for travel, lodging and telephone services in the 537XX accounts. There remains $286,303 in these accounts for FY 2014-15.	($37,000)	R
Total Legislative Changes	**$118,338**	R
Total Position Changes		
Revised Budget	**$11,335,806**	

(11.0) Revenue

GENERAL FUND

Total Budget Enacted 2013 Session	FY_14-15
	$80,896,458

Legislative Changes

Reserve for Salaries & Benefits

37	**Compensation Increase Reserve** Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$930,480	R
38	**State Retirement System Contributions** Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$181,532	R

Administrative Services (1681)

39	**Asheville Office Space Lease** Increases the budget for the Asheville office space lease to pay for the physical security upgrades required by new IRS regulations.	$103,061	R

Agency Wide

40	**Vacant Positions Elimination** Eliminates positions vacant for more than one year. The positions eliminated are:	($627,180) -9.00	R

60081349	Business And Technology ApplicSpec I($62,865)
60081578	Processing Assistant III ($26,215)
60081418	Tax Administrator I ($86,681)
60081363	Business And Technology Applic Analyst ($43,917)
60082209	Business Systems Analyst ($51,487)
60081943	Tax Auditor Mgr ($47,195)
60082400	Field Auditor Team Leader ($68,454)
60081970	Field Auditor Team Leader ($60,311)
60082578	Processing Assistant IV ($25,199)

41 Operating Expenses Transferred to Receipt Support ($2,360,425) R

Shifts ongoing expenses and one position to the Collection Assistance Fee. The position is Revenue Officer I and a salary of $40,125. -1.00

Fund 1605 - Information Technology
Fund 1660 - Collection
Fund 1663 - Examination
Fund 1681 - Administrative Services

Information Technology (1605)

42 Scanner Replacement

Provides nonrecurring funds to the Department of Revenue to purchase new document scanners. The current scanners are out of date and will be vulnerable to computer viruses once Microsoft ceases patching Windows XP. The Department of Revenue will receive four new scanners responsible for scanning correspondence, checks, and returns. In 2013, the current scanners processed more than 11 million documents. $2,500,000 NR

Property Tax (1629)

43 Local Government Division Positions

Adds five positions to the Local Government Division. The cost of the positions will be $400,575 recurring and $36,575 nonrecurring. Funding for the positions will come from local sales and use tax receipts. These positions will aid counties in auditing refund requests from nonprofits and governmental units.

44 MotoTax Project

Authorizes the Department of Revenue to pay for expenditures related to the MotoTax Project, a collaboration between the Department of Transportation and the Department of Revenue. The cost will be $795,236 recurring and will come from property tax collections on motor vehicles collected by the Division of Motor Vehicles.

Total Legislative Changes	**($1,772,532)**	**R**
	$2,500,000	**NR**
Total Position Changes	-10.00	
Revised Budget	**$81,623,926**	

Project Collect Tax

Budget Code: 24704

	FY 2014-15
Beginning Unreserved Fund Balance	**$56,140,869**
Recommended Budget	
Requirements	**$22,632,612**
Receipts	**$22,632,612**
Positions	**0.00**

Legislative Changes

Requirements:

Collection E-Service Transfers funds to Budget Code 24708 Fund 2478 to support the collection e-service initiative as part of the Integrated Tax Administration System (ITAS) replacement project.	$0 $7,549,000 0.00	R NR
Criminal Investigation Division Special Agents Authorizes the Department of Revenue to use funds collected through the Collection Assistance Fee to hire three new special agents to pursue individuals and businesses with overdue tax debts. The cost for the new agents will be $342,634 recurring and $15,645 nonrecurring.	$342,634 $15,645 3.00	R NR
Taxpayer Assistance Call Center Authorizes the Department of Revenue to spend $1,477,585 in nonrecurring funds to upgrade technology for the Interactive Voice Response (IVR) system and provide the flexibility for the installation of additional phone lines. Funds for the call center come from the 20% Collection Assistance Fee levied on overdue tax debts.	$0 $1,477,585 0.00	R NR
Collection Agency Service Authorizes the Department of Revenue to spend up to $7.5 million per year to contract with third party collection agencies to pursue overdue tax debts. Payments will only occur once the contracted agency has collected the overdue debt.	$7,500,000 $0 0.00	R NR

	FY 2014-15	
Locator Services	$350,000	R
Increases the cap on taxpayer locator services from $150,000 to $500,000. Funds for the increase will come from the Collection Assistance Fee. Funds pay for extending the program that works with financial institutions in the State to locate asset information for taxpayers with overdue tax debts.	$0	NR
	0.00	
ABC Permit/Tax Compliance Program	$0	R
Authorizes the Department of Revenue to spend $30,000 from the Collection Assistance Fee to implement software applications that will ensure applicants for Alcoholic Beverage Control retail permits are in compliance with North Carolina Tax Statutes.	$30,000	NR
	0.00	
Operating Expenses Transferred to Receipt Support	$2,360,425	R
Shifts ongoing expenses and one position to the Collection Assistance Fee. The position is Revenue Officer I with a salary of $40,125.	$0	NR
	1.00	
Fund 1605 - Information Technology Fund 1660 - Collection Fund 1663 - Examination Fund 1681 - Administrative Services		
Subtotal Legislative Changes	**$10,553,059**	R
	$9,072,230	NR
	4.00	

Receipts:

Operating Expenses Transferred to Receipt Support	$0	R
	$0	NR
Guilford Call Center	$0	R
	$0	NR
Criminal Investigation Division Special Agents	$0	R
	$0	NR

	FY 2014-15	
Collection Agency Service	$0	R
	$0	NR
ABC Permit/Tax Compliance Program	$0	R
	$0	NR
Subtotal Legislative Changes	$0	R
	$0	NR
Revised Total Requirements	$42,257,901	
Revised Total Receipts	$22,632,612	
Change in Fund Balance	($19,625,289)	
Total Positions	4.00	
Unappropriated Balance Remaining	$36,515,580	

ITAS Replacement, code 2478

Budget Code: 24708

	FY 2014-15
Beginning Unreserved Fund Balance	**$29,853,135**
Recommended Budget	
Requirements	**$51,024,601**
Receipts	**$27,874,319**
Positions	**7.00**

Legislative Changes

Requirements:

Collections Case Management
Authorizes the Department of Revenue to use funds available to begin implementation of a new case management system for the Collections Division as part of the replacement of the Integrated Tax Administration System (ITAS).

$0 R
$5,000,000 NR
0.00

Collection E-Service
Provides funds from the Collection Assistance fee to implement an e-garnishment project that will automate management of the garnishment process, verification of NC-3s and W-2s, web portal for installment payments, and a decision analytics framework.

$0 R
$7,549,000 NR
0.00

Tax Information Management System Funding
Authorizes the Department of Revenue to use available funds to support the remediation of the backlog and ongoing support and maintenance of Release 3 of the Tax Information Management System (TIMS) for several tax schedules including alcoholic beverage, tobacco products, estate, and gift tax. Funding for the time limited positions is included in the appropriated funds. The funds come from a special fund containing money from General Fund appropriations, Collection Assistance Fee, and the TIMS benefit stream.

$0 R
$11,080,942 NR
0.00

	FY 2014-15	
ITAS Replacement - Budget Adjustment Revises the ITAS budget to reflect the changed authorization to the public private partnership found in the IT section of the appropriations bill. The requirements for the ITAS replacement for FY 2014-15 include the following initiatives: Collections Case Management, Collection E-Services, and Tax Information Management System Funding.	$0 ($51,024,601) 0.00	R NR
Subtotal Legislative Changes	**$0** **($27,394,659)** 0.00	R NR

Receipts:

ITAS Replacement - Budget Adjustment Revises the ITAS budget to reflect the changed authorization to the public private partnership found in the IT section of the appropriations bill. The requirements for the ITAS replacement for FY 2014-15 include the following initiatives: Collections Case Management, Collection E-Services, and Tax Information Management System Funding.	$0 ($27,874,319)	R NR
Tax Information Management System Funding	$0 $0	R NR
Collections Case Management	$0 $0	R NR
Collection E-Service	$0 $7,549,000	R NR
Subtotal Legislative Changes	**$0** **($20,325,319)**	R NR

	FY 2014-15
Revised Total Requirements	**$23,629,942**
Revised Total Receipts	**$7,549,000**
Change in Fund Balance	**($16,080,942)**
Total Positions	**7.00**
Unappropriated Balance Remaining	**$13,772,193**

(12.0) Secretary of State

GENERAL FUND

Total Budget Enacted 2013 Session	FY 14-15
	$11,575,183

Legislative Changes

Reserve for Salaries & Benefits

45 Compensation Increase Reserve $173,793 R

Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.

46 State Retirement System Contributions $29,658 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.

Corporations (1210)

47 Position Eliminations ($75,660) R

Eliminates two vacant positions from the Corporations Division. The positions are: -2.00

60008687 Processing Assistant IV ($26,013)
60094557 Processing Assistant IV ($26,946)

Publications Division (1120)

48 Position Eliminations ($150,511) R

Reduces staff in the Publications Division. The positions eliminated are: -3.00

60008653 Public Information Assistant V ($35,971)
60008654 Public Information Assistant ($38,402)
60094565 Editorial Assistant ($35,326)

Total Legislative Changes	**($22,720)**	**R**
Total Position Changes	-5.00	
Revised Budget	**$11,552,463**	

(13.0) Lieutenant Governor

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$675,089**	
Legislative Changes		
Reserve for Salaries & Benefits		
49 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$6,001	R
50 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$1,872	R
Administration (1100)		
51 Operating Expense Reductions Reduces the budget for the following line items. Reduces in State ground transportation by 50%, leaving $1,500. Reduces in State lodging by 71%, leaving $1,229. Reduces in State meals by 84%, leaving $1,133. Reduces telephone services by 16%, leaving $5,096. Reduces food supplies by 83%, leaving $400.	($13,502)	R
Total Legislative Changes	**($5,629)**	R
Total Position Changes		
Revised Budget	**$669,460**	

(14.0) State Controller

GENERAL FUND

Total Budget Enacted 2013 Session	FY 14-15 $28,710,691	
Legislative Changes		
Reserve for Salaries & Benefits		
52 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$183,755	R
53 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$49,588	R
Office of State Controller (1000)		
54 BEACON Hardware Provides nonrecurring funds to upgrade the computer systems that process the State's human resources and payroll functions.	$2,117,205	NR
55 IBM Cognos DSS Contract Increase Provides funds for a software license fee increase. Cognos Decision Support System is a data warehouse of financial transactions.	$100,000	R
56 Maintenance for the Cash Management System Provides funds for ongoing maintenance of the Cash Management System.	$180,821	R
57 Oracle DSS Contract Increase Provides funds to pay for the increase in Oracle software licensing fees.	$21,000	R

58	**Operating Budget Reductions** Reduces budgeted line items for communication and data processing accounts to bring them in line with prior year actual expenditures, leaving $1,702,770 for these purposes.	($520,086)	R
59	**Personnel Reductions** Eliminates 3.75 filled and one vacant positions. The positions eliminated are:	($531,783) -4.75	R

60087099 Financial/Business Systems Manager ($111,320)
60087082 (.75 Full Time Equivalent) Administrative Assistant ($41,328)
60087181 Deputy State Controller ($115,298)
60087105 Business and Technology Application Specialist ($95,165)
60087116 Support Services Supervisor ($40,632)

Total Legislative Changes	**($516,705)**	**R**
	$2,117,205	**NR**
Total Position Changes	-4.75	
Revised Budget	**$30,311,191**	

Federal Insurance Contribution Act (FICA) Savings

Budget Code: 24160

	FY 2014-15	
Beginning Unreserved Fund Balance	**$21,062,088**	
Recommended Budget		
Requirements	**$4,317,261**	
Receipts	**$0**	
Positions	**0.00**	

Legislative Changes

Requirements:

Federal Insurance Contribution Act (FICA) Savings	$0	R
Transfers $5,255,000 in FY 2014-15 to general availability.	$5,255,000	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$5,255,000	NR
	0.00	

Receipts:

Federal Insurance Contribution Act (FICA) Savings	$0	R
	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	**$9,572,261**
Revised Total Receipts	**$0**
Change in Fund Balance	**($9,572,261)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$11,489,827**

(15.0) Administration

GENERAL FUND

Total Budget Enacted 2013 Session	FY 14-15 $67,047,033	
Legislative Changes		
Reserve for Salaries & Benefits		
60 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$469,030	R
61 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$95,727	R
Agency Wide		
62 Vacant Positions Eliminates ten full time equivalent positions and benefits throughout the Department of Administration that have been vacant for more than a year. The positions are as follows:	($586,352) -10.00	R

65015255 Engineering/Architectural Technician $40,000
60014820 Building & Environmental Technician (0.25 FTE) $33,515
60014768 Facility Maintenance Tech - Bldg. Trades $39,915
60013897 Contract Specialist II $52,467
60013862 Attorney $57,566
65015257 Administrative Officer III $24,000
60013923 Administrative Assistant I I (0.75 FTE) $24,001
60014242 Processing Assistant IV $32,796
60014704 Maintenance Mechanic V $35,926
60013870 Strategic Sourcing Specialist II $65,000
60014218 W/A Processing Assistant IV $31,470

63 Operations Reductions and Efficiency ($184,451) R

Reduces operating budgets throughout divisions within the Department to more closely reflect actual expenditures and to achieve efficiencies. The Divisions impacted are as follows:

1121 - Fiscal Management:	$22,900
1122 - Human Resources:	$11,818
1123 - Historically Underutilized Business:	$12,727
1241 - Management Information Systems:	$16,341
1411 - State Construction:	$43,704
1412 - State Property:	$17,749
1511 - Purchase and Contract:	$59,212

Facilities Management (1421)

64 Janitorial Services Contract ($300,000) R

Reduces the janitorial services contract (532184) by 11% to more closely reflect actual expenditures leaving $2,206,823.

65 Utilities Expenditures ($1,224,000) R

Reduces the appropriation for utilities within the Department (5322XX) by 8%to more closely reflect actual expenditures leaving $13,247,559.

Office of State Human Resources

66 Position Elimination ($71,193) R

Eliminates a position within Office of State Human Resources identified in the voluntary reduction in force project. -1.00

Office of State Human Resources (1311)

67 Operations Reduction - Agency Wide ($71,175) R

Reduces funds appropriated for operations. There remains approximately $7 million for Office of State Human Resources' operations.

State Ethics Commission (1810)

68 Operating Expense Reductions ($12,865) R

Reduces line items for information technology expenditures, printing expenses, and office supplies. The total operating reduction is 11% and leaves $105,281 in operating funds.

Veterans Affairs (1771)

69	**Aid to County Veterans Services Offices** Eliminates the grant in aid program to county governments for the provision of veterans' services.	($138,000)	R

Veterans Home Program (1772)

70	**Veterans Homes Building Reserves** Appropriates funds from the State Veteran's Trust Fund to fully operate the two recently opened State Veterans Homes in Black Mountain and Kinston. The additional amount appropriated from the Trust Fund is $18,268,588 which brings the total operating budget for the Homes to $42,056,930 for FY 2014-15.		

Total Legislative Changes	**($2,023,279)**	R
Total Position Changes	-11.00	
Revised Budget	**$65,023,754**	

NC Veterans Trust Fund

Budget Code: 64106

	FY 2014-15
Beginning Unreserved Fund Balance	**$23,038,009**
Recommended Budget	
Requirements	**$23,788,342**
Receipts	**$23,785,816**
Positions	**0.00**

Legislative Changes

Requirements:

State Veterans Homes	$18,268,588	R
Appropriates funds to fully operate the two recently opened state Veterans Homes in Black Mountain and Kinston.	$0	NR
	0.00	
Subtotal Legislative Changes	**$18,268,588**	R
	$0	NR
	0.00	

Receipts:

State Veterans Homes	$18,268,588	R
Increases receipts to reflect the recently opened State Veterans Homes in Black Mountain and Kinston	$0	NR
Subtotal Legislative Changes	**$18,268,588**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	**$42,056,930**
Revised Total Receipts	**$42,054,404**
Change in Fund Balance	**($2,526)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$23,035,483**

State Parking System

Budget Code: 74103

	FY 2014-15	
Beginning Unreserved Fund Balance	**$1,691,613**	
Recommended Budget		
Requirements	**$1,835,325**	
Receipts	**$1,835,722**	
Positions	**14.75**	

Legislative Changes

Requirements:

State Parking Fund	$800,000	R
Increases receipts to actual required amounts for the purposes of improving facility maintenance and repairs as well as security upgrades.	$0	NR
	0.00	
Subtotal Legislative Changes	**$800,000**	R
	$0	NR
	0.00	

Receipts:

State Parking Correction	$800,000	R
Budgets receipts to actual.	$0	NR
Subtotal Legislative Changes	**$800,000**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	**$2,635,325**
Revised Total Receipts	**$2,635,722**
Change in Fund Balance	**$397**
Total Positions	**14.75**
Unappropriated Balance Remaining	**$1,692,010**

Department of Administration Special Fund

Budget Code: 4100-721

	FY 2014-15	
Beginning Unreserved Fund Balance	**$45,453,806**	
Recommended Budget		
Requirements	**$40,799,693**	
Receipts	**$46,491,012**	
Positions	**48.00**	
Legislative Changes		
Requirements:		
Motor Fleet Management	$10,979,483	R
Appropriates receipts from the Motor Fleet Management Fund to bring the State Fleet Replacement schedule closer to the industry standard. The funds will be used to purchase 800 to 1,000 additional vehicles per year.	$0	NR
	0.00	
Subtotal Legislative Changes	**$10,979,483**	R
	$0	NR
	0.00	
Receipts:		
Motor Fleet Management	$10,979,483	R
Budgets receipts to actual.	$0	NR
Subtotal Legislative Changes	**$10,979,483**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	**$51,779,176**
Revised Total Receipts	**$57,470,495**
Change in Fund Balance	**$5,691,319**
Total Positions	**48.00**
Unappropriated Balance Remaining	**$51,145,125**

Temporary Solutions

Budget Code: 4100-7511

	FY 2014-15	
Beginning Unreserved Fund Balance	**($3,954,660)**	
Recommended Budget		
Requirements	**$22,234,149**	
Receipts	**$22,434,444**	
Positions	**7.50**	

Legislative Changes

Requirements:

Temporary Solutions - Budget Adjustment Increases the requirements for the operations of Temporary Solutions. Executive Order #4 required State agencies to utilize Temporary Solutions for their temporary employment needs; therefore, the budget has increased due to the increased usage of this service.	$21,918,668	R
	$0	NR
	0.00	
Subtotal Legislative Changes	**$21,918,668**	R
	$0	NR
	0.00	

Receipts:

Temporary Solutions Increases the receipts for Temporary Solutions resulting from increased revenues due to Executive Order #4.	$21,918,668	R
	$0	NR
Subtotal Legislative Changes	**$21,918,668**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	**$44,152,817**
Revised Total Receipts	**$44,353,112**
Change in Fund Balance	**$200,295**
Total Positions	**7.50**
Unappropriated Balance Remaining	**($3,754,365)**

(16.0) Housing Finance Agency

GENERAL FUND

Total Budget Enacted 2013 Session	FY 14-15 $8,411,632	
Legislative Changes		
HOME Match (1100)		
71 **HOME Match** Reduces the State match for the federal HOME Program by 2%. The General Fund appropriation for FY 2014-15 is $1,458,649.	($29,678)	R
Housing Trust Fund (1100)		
72 **Workforce Housing Loan Program** Appropriates funds to the Housing Trust Fund in order to create a Low Income Housing Loan program to assist in the development of low income housing units throughout the State.	$10,000,000	NR
73 **Housing Trust Fund** Reduces the General Fund appropriation to the Housing Trust Fund by 2%. For FY 2014-15, the General Fund appropriation to the Housing Trust Fund is $6,860,000.	($140,000)	R
Total Legislative Changes	($169,678)	R
	$10,000,000	NR
Total Position Changes		
Revised Budget	$18,241,954	

(17.0) Office of Administrative Hearings

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$5,027,130**	
Legislative Changes		
Reserve for Salaries & Benefits		
74 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$45,011	R
75 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$11,621	R
Administration (1100)		
76 Operating Reduction Reduces various operating line items within the Office to more closely reflect actual expenditures. The following line items are reduced: Maintenance Agreements/Service Contracts (532499), Intangible Assets(5347XX), Postage/Freight/Delivery (532840). The operating reduction reflects a 1% decrease to the Office, leaving $2,999,244.	($32,111)	R
Total Legislative Changes	**$24,521**	**R**
Total Position Changes		
Revised Budget	**$5,051,651**	

(18.0) Treasurer

GENERAL FUND

Total Budget Enacted 2013 Session	FY 14-15 $7,026,305	
Legislative Changes		
Reserve for Salaries & Benefits		
77 Compensation Increase Reserve Provides a $1,000 annual recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$37,409	R
78 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is $37 million.	$9,856	R
Financial Operations (1510)		
79 Operating Reduction Reduces budgeted Computer and Data Processing (532821) expenditures to more closely reflect actual expenditures.	($70,662)	R
Investments (1510)		
80 Investments Internalization Provides funds to the Investments Division to internalize a variety of investments currently managed by external fund managers. The appropriation will provide funding to hire five Portfolio Managers and seven Investment Analysts to manage investments for global equity, private equity, credit strategies, real estate, and inflation protection. There is also additional funding for software licenses and employee related expenses.	$1,920,597 $62,328 12.00	R NR

Total Legislative Changes	**$1,897,200**	**R**
	$62,328	**NR**
Total Position Changes	12.00	
Revised Budget	**$8,985,833**	

Senate Subcommittee on General Government

(19.0) Fire Rescue Nat Guard Pensions & LDD Benefits

GENERAL FUND

	FY 14-15	
Total Budget Enacted 2013 Session	**$23,179,042**	
Legislative Changes		
Firefighters' Pension Fund (1412)		
81 General Fund Contribution Reduces the General Fund contribution to match the Annual Required Contribution to the Firefighters' and Rescue Squad Workers' Pension Fund. The reduction reflects changes that allow distributions at age 55 regardless of pay status. The payment of these pension benefits is made pursuant to Article 86 of G.S. 58, as amended in a special provision. The amount of the recurring General Fund contribution is $13,319,481.	($696,253)	R
National Guard (1414)		
82 General Fund Contribution Reduces the General Fund contribution to the National Guard Pension Fund to match the Annual Required Contribution. The payment of these pension benefits is made pursuant to G.S. 127A-40. The amount of the recurring General Fund contribution to the fund is $5,259,546.	($1,747,897)	R
Rescue Squad (1413)		
83 General Fund Contribution Reduces the General Fund contribution to match the Annual Required Contribution to the Rescue Squad Workers' Pension Fund. The reduction reflects changes that allow distributions at age 55 regardless of pay status. The payment of these pension benefits is made pursuant to Article 86 of G.S. 58, as amended in a special provision. The amount of the recurring General Fund contribution is $580,519.	($30,346)	R
Total Legislative Changes	**($2,474,496)**	**R**
Total Position Changes		
Revised Budget	**$20,704,546**	

TRANSPORTATION
Section K

Highway Fund

	HIGHWAY FUND
	FY 14-15
Total Budget Enacted 2013 Session	**$1,916,310,500**

Legislative Changes

Adjustments to Availability

1 Revenue Adjustment

Repeals the Motor Fuels Tax refund for taxicabs in G.S. 105-449.106(b), effective on January 1, 2015, increasing revenue availability by $69,188 in FY 2014-15.

2 Intermodal Division Balances

Transfers $12,000,000 of the unallotted and unexpended balance of funds within the intermodal divisions to the Pavement Preservation Program.

3 Shallow Draft Navigation Channel and Lake Dredging Fund

Reduces Highway Fund revenue availability to reflect a one-time transfer of $1,677,134 to the Shallow Draft Navigation Channel and Lake Dredging Fund.

Administration

4 Division Cuts ($1,705,907) R

Reduces the Communications, Strategic Planning Office, Office of Inspector General, Financial Management, Information Technology, and Facilities Management programs by 2% of the certified 2014-15 budgets for these programs, as recommended in the Governor's Budget. The cuts include $1,705,907 to the Highway Fund and $10,130 in receipts.

Divisional adjustments are enumerated below:

Communications Division (Fund Code 84210-0002): $29,957
Strategic Planning Office (Fund Code 84210-1096): $3,958
Office of Inspector General (Fund Code 84210-7011): $39,353
Financial Management Division (Fund Code 84210-7020): $149,903
Information Technology Division (Fund Code 84210-7025): $1,091,183
Facilities Management Division (Fund Code 84210-7030): $401,683

5 Division of Highways Administration Cuts

Reduces the Intergovernmental Affairs, Program Development, Technical Services, Transportation Planning, and Transportation Mobility and Safety programs by 2% of the certified 2014-15 budgets for these programs, as recommended in the Governor's Budget. The cuts include $198,056 to receipts.

Divisional adjustments are enumerated below:

Intergovernmental Affairs (Fund Code 84210-1078/1129): $13,878
Program Development Division (Fund Code 84210-1256): $15,266
Technical Services Division (Fund Code 84210-7153): $110,738
Transportation Planning Program (Fund Code 84210-7070): $4,000
Transportation Mobility and Safety Division (Fund Code 84210-0149): $54,174

6 Financial Management ($4,200,000) R

Reduces funding for the Financial Management Division (Fund Code 84210-7020) by $4,200,000 to realign the budget to reflect actual spending. Budgeted funds total $5,688,248 in FY 2014-15.

7 Governance Office ($424,545) R

-5.00

Eliminates one vacant support staff position in the Governance Office (Fund Code 84210-1104) that has been vacant less than 180 days. Eliminates four positions, of which three are filled positions, and associated costs previously associated with the Quality Enhancement Unit.

Position	Title	Total Position Cost
60015422	Management Engineer II	$96,657
60015416	Business Systems Analyst	$110,260
60015423	Management Engineer I	$82,516
60015420	Management Engineer I (vacant)	$84,840
60027692	Administrative Assistant I (vacant)	$50,272

8 Occupational Safety & Health Program (OSHA) ($7,307) R

Reduces funding for the OSHA Program (Fund Code 84210-7832), as recommended in the Governor's budget. The program provides funding to address safety deficiencies that impact the workplace environment. Eligible projects include mitigation of deficiencies discovered in routine inspections by OSHA, building code, or health code inspectors and employee safety training. This $7,307 reduction represents a 2.0% adjustment to the certified 2014-15 budget for this program. Budgeted funds total $358,030 in FY 2014-15.

9 Secretary's Office ($300,365) R

Eliminates one full-time filled position in the Secretary's Office (Fund Code 84210-0007) and two vacant positions that have been vacant less than 180 days. -3.00

Position	Title	Total Position Cost
60014914	Federal Legislative Programs Coord	$180,669
60014929	Processing Asst V (vacant)	$46,095
60015792	Administrative Officer I (vacant)	$73,601

10 Vacant Position Eliminations ($1,483,664) R

Eliminates 21 vacant administrative positions and 270 vacant positions assigned to equipment and field units which have been vacant for 180 days or longer. Estimated recurring savings total $1,483,664. -21.00

Aid to Municipalities

11 State Aid to Municipalities $9,453,990 R

Appropriates additional funding for the Aid to Municipalities program based on revised projections for motor fuels tax consumption in accordance with G.S. 136-41.1. Budgeted funds total $146,328,000 in FY 2014-15.

Construction

12 Economic Development Program Fund

Eliminates all funding for the Economic Development Program (Fund Code 84210-7838). ($4,036,171) NR

Division of Motor Vehicles

13 Credit/Debit Transaction Payments ($3,707,308) R

($648,879) NR

Realigns funding for payments to card vendors for credit/debit transactions based on actual transaction rates and the deployment of point-of-sale capability to driver license offices. Funding for Vehicle Services (Fund Code 84210-7055) is reduced by $3,707,308 recurring, a 28.0% adjustment to the certified 2014-15 budget for this line item. Funding for Driver Services (Fund Code 84210-0049) is reduced by $648,879 nonrecurring, a 46.9% adjustment to the certified 2014-15 budget for this line item.

14 Title Conversion Fees ($30,000) R

Budgets anticipated net receipts from the authorized $3.00 fee for the conversion of paper titles under the Electronic Lien and Titling system required pursuant to G.S. 20-58.4A.

15 License and Identification Card Costs $1,585,443 R

Increases funding for the production of new format driver license and identification cards issued by the Division of Motor Vehicles, as recommended in the Governor's budget. This $1,585,443 increase to Driver Services (Fund Code 84210-0049) represents a 36.2% adjustment to the certified 2014-15 budget for this line item.

16 Medical Review Unit $350,000 R

Increases funding for contractual physician case reviews and Medical Review Board hearings, as recommended in the Governor's budget. This $350,000 increase represents a 0.7% adjustment to the certified 2014-15 budget for Driver Services (Fund Code 84210-0049).

17 Ignition Interlock Program $617,495 R

$46,450 NR

10.00

Increases funding to establish a stand-alone Ignition Interlock Unit, as recommended in the Governor's budget. This $663,945 increase represents an 8.4% adjustment to the certified 2014-15 budget for the Commissioner's Office.

Governor's Highway Safety Program

18 Governor's Highway Safety Program ($5,699) R

Reduces the Governor's Highway Safety Program (Fund Code 84210-0042) administrative budget for car mileage reimbursement by $11,398, including $5,699 in receipts, as recommended in the Governor's Budget. Budgeted funds for the program total $279,233 in FY 2014-15.

Information Technology

19 SOA Governance and Competency Center $640,000 R
$2,360,000 NR

Provides funds to establish enterprise-level Service Oriented Architecture (SOA) Governance to support the design, development and deployment of products and services as part of the Division of Motor Vehicle Modernization effort and other ongoing initiatives, as recommended in the Governor's budget. The Department will also establish an SOA competency center to retrain existing technical resources and develop the new technologies to be delivered via modernization. This $3,000,000 funding increase represents a 5.6% adjustment to the certified 2014-15 budget for the Information Technology Division.

20 Modernization of Driver Services $3,024,503 NR

Increases funding to advance Phase 3 of the State Automated Driver License System replacement project, supplementing $5.3 million of available funding from current appropriations for the modernization initiative in FY 2014-15. This $3,024,503 funding increase represents a 5.6% adjustment to the certified 2014-15 budget for the Information Technology Division.

21 Online License Renewal $475,000 NR

Provides $475,000 nonrecurring to develop an online renewal capability for Driver Services. This $475,000 funding increase represents a 0.9% adjustment to the certified 2014-15 budget for the Information Technology Division.

22 Hearing Fee Implementation $256,000 NR

Provides $256,000 nonrecurring for web application development to facilitate the future implementation of hearing fees. This $256,000 funding increase represents a 0.5% adjustment to the certified 2014-15 budget for the Information Technology Division.

23 DMV Service Initiatives $830,707 R
7.00

Provides additional Information Technology (IT) staffing for the State Automated Driver License System (SADLS) and State Titling and Registration System (STARS) project teams, as recommended in the Governor's budget. Four (4.00) additional positions are authorized for the SADLS project team and three (3.00) additional positions are authorized for the STARS project team. This $830,707 funding increase represents a 1.5% adjustment to the certified 2014-15 budget for the Information Technology Division.

24 Channel Strategy Development $1,800,000 R

Provides funding to design, develop and deploy tools, applications, solutions and systems for internal and external users, as recommended in the Governor's budget. This $1,800,000 funding increase represents a 3.3% adjustment to the certified 2014-15 budget for the Information Technology Division.

25 Card Payment Operation and Maintenance $1,032,919 R

Provides funding for maintenance, licensing costs, and required Payment Card Industry (PCI) Data Security Standards associated with the acceptance of credit cards, as recommended in the Governor's budget. This $1,032,919 funding increase represents a 1.9% adjustment to the certified 2014-15 budget for the Information Technology Division.

Intermodal

26 Aviation, Rail, Public Transportation, and Ferry Operating Reductions ($6,726,408) R

Reduces operating and grant funding for the Divisions of Aviation, Rail, Public Transportation, Ferry, and Bicycle and Pedestrian Transportation. Recurring reductions total $6,726,407, a 4.0% adjustment to the certified 2014-15 budgets for these programs. Funds allocated for grants for transportation services associated with the High Point Furniture Market are exempt from this reduction.

Divisional adjustments are enumerated below:

Aviation Division (Fund Code 84210-7830): $800,000
Rail Division (Fund Code 84210-7829): $960,325
Public Transportation Division (Fund Code 84210-7831): $3,393,723
Ferry Division (Fund Code 84210-7825): $1,542,317
Bicycle & Pedestrian Division (Fund Code 84210-0035): $30,043

27 Division of Aviation - Executive Passenger Program ($8,452) R

Reallocates operating and maintenance funding attributed to the Sikorsky S-76C+ helicopter and eliminates one vacant Pilot position (60080839), as recommended in the Governor's budget. Of the $158,452 in savings, $150,000 is reserved for contractual passenger service. -1.00

Maintenance

28 Pavement Preservation Program $80,824,381 R

Establishes funding for the Pavement Preservation Program.

29	**Primary System** Reduces funding for Primary System Maintenance Program, as recommended in the Governor's budget. Budgeted funds total $140,845,060 in FY 2014-15.	($6,678,148)	R
30	**Secondary System** Reduces funding for the Secondary System Maintenance Program, as recommended in the Governor's budget. Budgeted funds total $262,872,935 in FY 2014-15.	($10,709,290)	R

Reserves

31	**Reserve for Compensation Increases** Provides a $1,000 recurring salary and benefit increase ($809 salary increase) for permanent full-time employees.	$7,516,510	R
32	**State Retirement System Contributions** Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 0.8% cost-of-living adjustment to retirees.	$1,220,000	R
33	**State Health Plan** Reduces the reserve for health benefit coverage for enrolled active and retired employees supported by the Highway Fund to reflect zero premium increase at January 1, 2015.	($1,050,000)	R
34	**Disability Income Plan** Reduces contributions to the Disability Income Plan for FY 2014-15 to match the Annual Required Contribution.	($98,700)	R
35	**Reserve for Future Benefit Needs** Eliminates the Highway Fund reserve for future benefit needs.	($1,745,000)	R

Transfers

36	**Global TransPark** Reduces the operating transfer to the Global TransPark Authority by $250,000, a 25% adjustment to the certified 2014-15 budget.	($250,000)	R
37	**Governor's Office** Eliminates an $80,000 transfer from the Governor's Office used to pay a portion of the salary for Position No. 60014914. This position is eliminated in Item 9.	($80,000)	R
38	**Department of Public Instruction - Driver Education** Converts funding to nonrecurring and adjusts the transfer from the Highway Fund to the Department of Public Instruction based on the forecast ninth-grade Average Daily Membership (ADM) for the 2014-15 school year.	($26,682,132) $26,376,131	R NR

Total Legislative Changes	**$39,978,520**	R
	$27,853,034	NR
Total Position Changes	-13.00	
Revised Budget	**$1,984,142,054**	

Highway Trust Fund

	HIGHWAY TRUST FUND
	FY 14-15
Total Budget Enacted 2013 Session	**$1,105,400,000**

Legislative Changes

Adjustments to Availability

39 Revenue Adjustments

Raises the Highway Use Tax caps in G.S. 105-187.3 to phase in a higher cap for certificates of title issued for a Class A or Class B motor vehicle that is a commercial vehicle (currently set at $2,000) and for recreational vehicles (currently set at $1,500). The caps increase to $2,000 on January 1, 2015 and to $3,000 on July 1, 2015.

Raises the Highway Use Tax cap in G.S. 105-187.6(c) on out-of-state vehicles from $150 to $250, effective October 1, 2014.

Repeals the Motor Fuels Tax refund for taxicabs in G.S. 105-449.106(b), effective January 1, 2015.

These changes increase revenue availability by $5,691,890 in FY 2014-15.

Administration

40 Administration ($11,000,000) R

Reduces funding for Highway Trust Fund administration by $11,000,000 to realign the budget to reflect actual spending. Budgeted funds total $34,590,880 in FY 2014-15.

Construction

41 Strategic Transportation Investments $73,661,890 R

Increases funding for Strategic Transportation Investments to $1,023,763,562 in FY 2014-15.

Total Legislative Changes	$62,661,890	R
Total Position Changes		
Revised Budget	**$1,168,061,890**	

Turnpike Authority

Budget Code: 64208

	FY 2014-15
Beginning Unreserved Fund Balance	**$0**
Recommended Budget	
Requirements	**$88,725,718**
Receipts	**$88,725,718**
Positions	**20.00**

Legislative Changes

Requirements:

Administration	($42,601)	R
Reduces funding for the Turnpike Authority administration budget by $42,601, as recommended in the Governor's budget. Budgeted funds to the Turnpike Authority total $1,442,878 in FY 2014-15.	$0	NR
	0.00	
Subtotal Legislative Changes	**($42,601)**	R
	$0	NR
	0.00	

Receipts:

Administration	($42,601)	R
Reduces associated receipts for Turnpike Authority administration.	$0	NR
Subtotal Legislative Changes	**($42,601)**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	$88,683,117
Revised Total Receipts	$88,683,117
Change in Fund Balance	$0
Total Positions	20.00
Unappropriated Balance Remaining	$0

RESERVES/ DEBT SERVICE/ ADJUSTMENTS

Section L

Statewide Reserves

GENERAL FUND

	FY 14-15
Total Budget Enacted 2013 Session	**$1,054,616,158**

Legislative Changes

A. Employee Benefits

1	**Reserve for Future Benefit Needs** Eliminates the General Fund Reserve for Future Benefit Needs.	($56,400,000)	R
2	**State Health Plan** Reduces the reserve for health benefit coverage for enrolled active and retired employees supported by the General Fund to reflect a zero premium increase as of January 1, 2015.	($22,000,000)	R
3	**Disability Income Plan** Reduces contributions to the Disability Income Plan for FY 2014-15 to match the Annual Required Contribution.	($3,200,000)	R

B. Other Reserves

4	**Information Technology Reserve** Continues funding of $19,921,393 to upgrade, simplify, and modernize the State's IT operations and internal infrastructure. This includes replacing obsolete computers and applications and ensuring State agencies are meeting IT security requirements.	($2,043,607) ($9,617,485) 0.00	R NR
5	**Information Technology Fund** Maintains funding of $7,416,816 to support the Office of the State Chief Information Officer and statewide information technology projects. Additional funding of $3.5 million is provided to the Government Data Analytics Center (GDAC) to improve fraud detection. An additional $1,129,488 is provided for the Criminal Justice Law Enforcement Automated Data System (CJLEADS) to support law enforcement and the Administrative Office of the Courts.	$2,493,162 $3,510,000 0.00	R NR
6	**Job Development Investment Grant (JDIG) Reserve** Decreases funding for the JDIG Reserve to align funding with needs for FY 2014-15. Combined with available cash balance, total funds appropriated for FY 2014-15 will be $54,024,000.	($15,571,684)	NR
7	**One North Carolina Fund** Decreases funding for the One NC Fund to align funding with needs for FY 2014-15. Combined with available cash balance, total funds appropriated for FY 2014-15 will be $11,402,677.	($7,144,263)	NR

C. Debt Service

8	**Debt Service Savings** Decreases debt service to reflect the authorization of Two-Thirds bonds to replace existing authorized but unissued special indebtedness.	($200,000)	R
9	**Debt Service Increase** Increases debt service to reflect the authorization of Two-Thirds bonds to construct the Western Crime Lab.	$1,300,000	R
10	**Debt Service Adjustment** Adjusts debt service appropriations based on updated cash flow requirements.	($9,340,916)	NR

Total Legislative Changes	**($80,050,445)**	**R**
	($38,164,348)	**NR**
Total Position Changes	0.00	
Revised Budget	**$936,401,365**	

State Health Plan (Administration)

Budget Code: 23450

	FY 2014-15	
Beginning Unreserved Fund Balance		
Recommended Budget		
Requirements	**$212,151,548**	
Receipts	**$212,151,548**	
Positions	**46.00**	
Legislative Changes		
Requirements:		
Medical Benefits Administration Contracts (2A25)	$10,150,000	R
Adjusts the budgeted amounts for Third Party Administrative Services contracts to reflect revised estimates.	$0	NR
	0.00	
Agency Administration (2A10)	$2,650,000	R
Adjusts the budgeted amounts for the Plan's other administrative costs to reflect revised estimates.	$0	NR
	0.00	
Subtotal Legislative Changes	**$12,800,000**	R
	$0	NR
	0.00	
Receipts:		
Adjust Transfers from Trust Funds	$12,800,000	R
Adjusts the amount of transfer from the Plan's health benefit trust fund budget codes to support administrative costs authorized for FY 2014-15.	$0	NR
Subtotal Legislative Changes	**$12,800,000**	R
	$0	NR

	FY 2014-15
Revised Total Requirements	**$224,951,548**
Revised Total Receipts	**$224,951,548**
Change in Fund Balance	**$0**
Total Positions	**46.00**

Unappropriated Balance Remaining

CAPITAL
Section M

Senate Committee on Appropriations/Base Budget

Capital

	GENERAL FUND
	FY_14-15
Total Budget Enacted 2013 Session	**$8,423,000**

Legislative Changes

A. Department of Agriculture and Consumer Services

1 McGough Arena Roof Repair — $2,000,000 NR

Provides funding to repair the roof of the McGough Arena located at the Western North Carolina Agricultural Center. Any unexpended funds from this project may be used for other repair and renovation projects located on the State Fair Grounds.

B. Department of Cultural Resources

2 U.S.S. North Carolina Battleship — $3,000,000 NR

Appropriates funds to repair the U.S.S. North Carolina Battleship's hull. The funds will match non-State funds. The total estimated cost of the project is $13 million.

C. Department of Environment and Natural Resources

3 Water Resource Development Projects — $5,810,000 NR

Provides funds for the State's share of Water Resource Development Projects. State funds will match $9.65 million in federal funds and $1.47 million in local funds. The projects are specified in a special provision.

D. Office of State Budget and Management

4 Outer Banks Land Management Reserve — $3,000,000 NR

Creates a reserve to be used for Oregon Inlet land purchases. Funds shall remain in the reserve and shall not be released until the federal government enters into an agreement to sell land on, or near Oregon Inlet.

5 Museum of History Expansion — $1,000,000 NR

Appropriates funds to the Museum of History to plan an expansion, renovation, and exhibit development for the Museum of History in Raleigh. Funds are to match non-State funds. The total amount appropriated is $2 million, of which $1 million is from the General Fund. There is an accompanying special provision detailing the requirements of the State General Fund appropriation. The estimated total cost of the project is $45.2 million.

E. Two-Thirds Bonds

6 Bond Reauthorization

Reauthorizes $206 million of authorized but unissued special indebtedness with Two-Thirds Bonds.

7 Department of Justice - Western Crime Lab
Authorizes the issuance of Two-Thirds Bonds for the purpose of constructing the Western Crime Lab in Edneyville, NC, as planned in S.L. 2012-142 and S.L. 2013-360. The total amount of debt authorized is $15.4 million.

Total Legislative Changes	**$14,810,000**	**NR**
Total Position Changes		
Revised Budget	**$23,233,000**	

INFORMATION TECHNOLOGY SERVICES
Section N

Senate Committee on Appropriations/Base Budget

Information Technology Fund

Budget Code: 24667

	FY 2014-15
Beginning Unreserved Fund Balance	**$3,909,023**
Recommended Budget	
Requirements	**$10,470,657**
Receipts	**$10,472,857**
Positions	**31.00**

Legislative Changes

Requirements:

Criminal Justice Information Network (2705) — $0 R

Maintains funding of $189,563 for the Criminal Justice Information Network (CJIN). The CJIN is a statewide criminal justice infrastructure that allows the sharing of information between State and local criminal justice agencies.

$0 NR

0.00

Center for Geographic Information and Analysis — $858,494 R

Maintains funding of $495,338 for the Center for Geographic Information and Analysis (CGIA) (Fund Code 2715), the lead agency for geographic information systems (GIS) services and GIS coordination for North Carolina, providing GIS services to State and local governments. On a nonrecurring basis, transfers $3,266,157 from two Department of Commerce Small Business Loan disaster accounts to support Light Detecting and Ranging (LiDAR) (Fund Codes 2959 and 2966) topological mapping. Transfers the Geodetic Survey function (Fund Code 1511) from the Division of Emergency Management to the Office of the State Chief Information Officer, along with associated funding of $852,492. Transfers the Office of Geospatial and Technology Management (GTM) (Fund Code 1504) of the Division of Emergency Management to the Office of the State Chief Information Officer. GTM is primarily receipt-supported and includes floodplain mapping. The total certified budget for GTM for 2014-2015 is:

Receipts	$30,944,903
General Fund	$ 6,002
Total Requirements	$30,950,905

$3,266,157 NR

12.67

	FY 2014-15	
Enterprise Security Risk Management Office (2720)	$0	R
Maintains funding of $864,148 for Enterprise Security Risk Management. The Enterprise Security and Risk Management Office (ESRMO) is responsible for the development, delivery and maintenance of an information security and risk management program that safeguards the State's information assets and the supporting infrastructure against unauthorized use, disclosure, modification, damage, or loss.	$0	NR
	0.00	
Enterprise Project Management Office (2740)	$0	R
Maintains funding of $1,473,285 for the Enterprise Project Management Office (EPMO). The EPMO was established to improve the management of IT projects in State government.	$0	NR
	0.00	
Architecture and Engineering (2750)	$0	R
Maintains funding of $851,986 for the Office of Enterprise Architecture. The Office acts as a strategic planner and architect for the State's IT programs and is responsible for formulating and advancing a vision for those programs.	$0	NR
	0.00	
State Portal (2760)	$1,363,674	R
Provides $1,588,415 to support the State Chief Information Officer's internal development of a fully functional State portal, continuing funding of $224,741 to maintain the current web site and adding $1,363,674 to begin development of a portal.	$0	NR
	0.00	
Enterprise Licenses (2780)	$0	R
Maintains funding of $33,000 to support enterprise license agreements. Enterprise license agreements support multiple agencies' IT projects and applications.	$0	NR
	0.00	
Consolidation (2790)	$0	R
Maintains funding of $1,021,081 for consolidation, allowing the State Chief Information Officer to work to centralize IT operations in the State.	$0	NR
	0.00	
Electronic Forms and Digital Signatures (2790)		R
Maintains $900,000 in funding for the State's effort to develop an enterprise electronic forms and digital signatures capability.	$0	NR
	0.00	

	FY 2014-15	
GDAC (2800, 2404, 2457, 2459)	$1,129,488	R
Increases funding from the Information Technology Fund by $5,000,000, or 53%, to $6,417,515 to continue the efforts of the Government Data Analytics Center (GDAC) and the North Carolina Financial Accountability and Compliance Technology System (NCFACTS) to develop an enterprise business intelligence capability. Included in the $5 million is $1.5 million in GDAC carryforward. It also includes an increase in recurring funding for the Criminal Justice Law Enforcement Automated Data System (CJLEADS) of $1,129,488 to support ongoing operations and allow the development of additional capabilities. In addition to funding from the IT Fund, GDAC receives an appropriation in the Office of the State Controller's budget. Total funding for GDAC operations from all funding sources in fiscal year 2014-2015 is anticipated to be $17,069,414.	$5,000,000	NR
	0.00	
Longitudinal Data System Board Staffing	$0	R
Provides funding of $5,000 for administrative support for the Longitudinal Data Board.	$5,000	NR
	0.00	
Unmanned Aircraft Systems (UAS) Board	$0	R
Establishes funding to support administrative requirements for the Unmanned Aircraft Systems (UAS) Board. The Board will oversee the procurement and operation of UAS in North Carolina.	$5,000	NR
	0.00	
Subtotal Legislative Changes	**$3,351,656**	R
	$8,276,157	NR
	12.67	

Receipts:

Interest	$2,200	R
Accounts for interest generated by the Information Technology Fund during FY 2013-14.	$0	NR

	FY 2014-15	
GDAC Funding (2404, 2457, 2459, 2800) Provides $5 million in nonrecurring funding from the IT Fund for the Government Data Analytics Center (GDAC) and the North Carolina Financial Accountability and Compliance Technology System (NCFACTS), an increase of 53%. This includes GDAC carryforward of $1.5 million. An additional $1,129,488 in recurring funding is provided for the Criminal Justice Law Enforcement Automated Data System (CJLEADS). All of this funding will be used to continue the State's efforts to develop an enterprise business intelligence capability.	$1,129,488 $5,000,000	R NR
Funding for State Portal (2760) Increases funding from $224,741 to $1,588,415 to support internal development of a statewide portal by the State Chief Information Officer.	$1,363,674 $0	R NR
Funding for Longitudinal Data Board Provides funding to support administrative requirements for the Longitudinal Data Board.	$0 $5,000	R NR
Unmanned Aircraft Systems (UAS) Board Provides funding for administrative requirements for the Unmanned Aircraft Systems Board.	$0 $5,000	R NR
LiDAR Topological Mapping (2959 and 2966) Transfers funding from two Department of Commerce small business loans disaster recovery funds to the Office of the State Chief Information Officer for Light Detecting and Ranging (LiDAR) topological mapping, providing a total of $3,266,157 for use by the Center for Geographic Information and Analysis.	$0 $3,266,157	R NR
Geodetic Survey Transfer (1511) Transfers funding for the Geodetic Survey function from the Division of Emergency Management to the Office of the State Chief Information Officer.	$852,492 $0	R NR
GTM Transfer (1504) Transfers the Office of Geospatial and Technology Management (GTM) to the Office of the State Chief Information Officer. GTM is primarily receipt-supported and includes floodplain mapping.	$6,002 $0	R NR
Subtotal Legislative Changes	**$3,353,856** **$8,276,157**	R NR

	FY 2014-15
Revised Total Requirements	$22,098,470
Revised Total Receipts	$22,102,870
Change in Fund Balance	$4,400
Total Positions	43.67
Ending Unreserved Fund Balance	$3,913,423

Information Technology Reserve Fund

Budget Code: 00000

	FY 2014-15
Beginning Unreserved Fund Balance	**$0**
Recommended Budget	
Requirements	**$31,582,485**
Receipts	**$31,582,485**
Positions	**33.00**

Legislative Changes

Requirements:

Plan (Enterprise Architecture) (2725)
Reduces State CIO funding for Enterprise Architecture support by 30% to the FY 2013-14 level, continuing funding of $1,570,806 for personnel with the skills necessary to ensure that the State has an enterprise architecture that can be used as the basis for planning Statewide IT support and integrating agency requirements. As part of this effort, a consistent, detailed business case development process will be created that is based on best practices and ensures that the State acquires the best support at the lowest cost.

($668,706) R
$0 NR
0.00

Build (Project Management) (2725)
Reduces funding for project management by 48% to the FY 2013-14 level of $1,507,353 to allow the State CIO to maintain staff with the skills required to create and deploy a development model for Cabinet agencies that will assist them in defining software requirements and require standard methodologies for project management and system development.

($1,374,901) R
$0 NR
0.00

Remediation (Equipment Relocation) (2725)
Continues the relocation of information technology equipment from substandard facilities to State data centers. For FY 2014-15, funding of $600,000 is provided for equipment costs associated with the effort.

$0 R
$0 NR
0.00

	FY 2014-15	
Security (2775) Continues the State CIO's effort to assess IT security requirements, then implement improvements, with nonrecurring funding of $250,000 for FY 2014-15. Recurring funding of $142,788 is provided to support an additional security specialist in the Office of the State Chief Information Officer.	$0 $0 0.00	R NR
Desktop Remediation (2725) Reduces desktop remediation funding for hosted virtual desktop (HVD) by $9 million, delaying its implementation until FY 2015-16. Provides an additional $2 million in funding to purchase a load balancer necessary for the implementation of HVD.	$0 ($7,000,000) 0.00	R NR
Network Simplification (2725) Provides nonrecurring funding of $4,832,485 to allow for the upgrade, simplification, and modernization of the State's internal IT infrastructure to accommodate current technology. Applications will also be upgraded.	$0 $0 0.00	R NR
MS Office (2725) Maintains funding of $2.3 million to update approximately 50,000 agency software licenses to meet current standards.	$0 $0 0.00	R NR
Operate (Standards and Measures) (2775) Eliminates nonrecurring funding of $500,000 for a consultant to support standardization of IT services.	$0 ($500,000) 0.00	R NR
Customer Data (2725) Eliminates nonrecurring funding of $1 million for a consultant to support the development of standard State policy regarding access to and use of data held by the State.	$0 ($1,000,000) 0.00	R NR
Secure Sign-On (2775) Maintains recurring funding of $70,000 for secure sign-on, but reduces nonrecurring funding by 34%, from $3,280,000 to $2,162,515 to support the upgrade of the State's identity management system. This will allow the implementation of increasing security requirements for access to certain types of data.	$0 ($1,117,485) 0.00	R NR

	FY 2014-15	
Innovation Center (2725)	$0	R
Continues operation of the State Information Technology Innovation Center to encourage collaboration among State agencies, institutions of higher learning, citizens, and the private sector to create information technology solutions with potential benefit to the State and anyone using government services.	$0	NR
	0.00	
Subtotal Legislative Changes	**($2,043,607)**	R
	($9,617,485)	NR
	0.00	
Receipts:		
IT Reserve Receipts (2725 and 2775)	($2,043,607)	R
Sets IT Reserve receipts at $19,921,393, a reduction of 37%.	($9,617,485)	NR
Subtotal Legislative Changes	**($2,043,607)**	R
	($9,617,485)	NR
Revised Total Requirements	**$19,921,393**	
Revised Total Receipts	**$19,921,393**	
Change in Fund Balance	**$0**	
Total Positions	**33.00**	
Ending Unreserved Fund Balance	**$0**	

Information Technology Internal Service Fund

Budget Code: 74660

	FY 2014-15
Beginning Unreserved Fund Balance	**$18,557,047**
Recommended Budget	
Requirements	**$190,000,002**
Receipts	**$190,000,000**
Positions	**507.00**

Legislative Changes

Requirements:

Information Technology Internal Service Fund Provides funding for the Office of Information Technology Services. For FY 2014-15, the Fund is limit is increased by $1 to $190,000,001 (Fund Codes 7105,7115, 7280, 7217, 7250, 7EPA, 7228, 7100, 7240, 7260, 7224, and 7USG). Receipts in the IT Internal Service Fund are to be nonrecurring for FY 2014-15.	$0 $1 0.00	R NR
Subtotal Legislative Changes	**$0** **$1** 0.00	R NR

Receipts:

IT Internal Service Fund Receipts Limits receipts for FY 2013-14 and FY 2014-15 to $190,000,001 each year. These receipts are to be nonrecurring (Fund Codes 7115, 7280, 7217, 7250, 7EPA, 7228, 7100, 7240, 7260, 7224, and 7USG).	$0 $1	R NR
Subtotal Legislative Changes	**$0** **$1**	R NR

	FY 2014-15
Revised Total Requirements	$190,000,003
Revised Total Receipts	$190,000,001
Change in Fund Balance	($2)
Total Positions	507.00
Ending Unreserved Fund Balance	$18,557,045

Attachment 6

GENERAL ASSEMBLY OF NORTH CAROLINA
Session
Legislative Incarceration Fiscal Note

BILL NUMBER: Senate Bill 744 (PCS35555-MDxf-29)

SHORT TITLE: Appropriations Act of 2014.

SPONSOR(S): Senators Brown, Harrington, and Hunt

FISCAL IMPACT

☑ Yes ☐ No ☐ No Estimate Available

State Impact	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
General Fund Revenue:	$0	$0	$0	$0	$0
General Fund Expenditures:					
AOC	$316,710	$554,489	$568,462	$583,810	$598,230
IDS	$4,343	$4,435	$4,547	$4,670	$4,785
DPS - Prisons	$0	$13,096	$13,425	$13,786	$14,136
DPS - Community Corr.	$0	($46,285)	$138,137	$142,139	$149,391
State Positions:	0.00	0.00	0.00	0.00	0.00
NET STATE IMPACT	**$321,053**	**$525,735**	**$724,571**	**$744,405**	**$766,542**

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
Administrative Office of the Courts (AOC); Indigent Defense Services (IDS); Department of Public Safety (DPS)

EFFECTIVE DATE: December 1,2014

TECHNICAL CONSIDERATIONS: None

This incarceration note only addresses the changes to criminal penalties included in Sections 18B.10 and 18B.11 of this bill.

ASSUMPTIONS AND METHODOLOGY:

General

The Sentencing and Policy Advisory Commission prepares prison population projections for each bill containing a criminal penalty. The Commission assumes for such bills that expanding existing or creating new criminal offenses produces no deterrent or incapacitative effect on crime. Therefore, the Fiscal Research Division does not assume deterrent effects for any criminal penalty bill.

S.L. 2011-192 (H.B. 642), the Justice Reinvestment Act (JRA), made changes to North Carolina's court system, corrections system (both to prisons and probation), and to post-release supervision (PRS). The Act also created a statewide confinement program for housing misdemeanants with sentences of less than 180 days in county jails. Previously, county jails were only required to house misdemeanants with sentences of 90

days or less. All F-I felons are now subject to nine months of PRS, and PRS for all B1-E felonies has been increased from nine months to twelve months. Due to the lack of historical data about JRA implementation, it is not possible to estimate the number of prison beds that may be needed as a result of revocations.

Judicial Branch

The Administrative Office of the Courts provides Fiscal Research with a fiscal impact analysis for most criminal penalty bills. For such bills, fiscal impact is typically based on the assumption that court time will increase due to anticipated increases in trials and corresponding increases in workload for judges, clerks, and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Section 18B.10 of the bill creates a new Class 1 misdemeanor for submitting a false statement to obtain a photograph under G.S. 15A-502.2, Prohibition on providing copy of booking photograph; statement required; criminal liability for false statement. Because this is a new offense, AOC does not have historical data upon which to estimate the number of charges that might occur. AOC provides estimates of the average cost to the court for a charge by offense class. For every additional person charged with a Class 1 misdemeanor, the average cost to the court would be $165.

The Office of Indigent Defense Services (IDS) provides Fiscal Research with a fiscal impact analysis for criminal penalty bills that will result in greater expenditures for indigent defense. IDS estimates that the cost of a new Class 1 misdemeanor will be $182.05 per case for a private appointed counsel (PAC) attorney in district court. In superior court, IDS estimates that the cost would be $359 if the case does not go to trial and $847 if it does.

Section 18B.11 of the bill increases the penalty for violation of G.S. 14-269, Carrying concealed weapons, from a Class 2 misdemeanor to a Class A1 misdemeanor for the first offense and from a Class I felony to a Class H felony for the second and subsequent offenses. AOC reports that first violations of this offense were charged against 2,892 defendants in calendar year 2013; second and subsequent violations were charged against 131 defendants. For every person who would have been charged with a Class 2 misdemeanor who is instead charged with a Class A1 misdemeanor, the additional cost to the court will be $198 ($286 for a Class A1 minus $88 for a Class 2). For every person who would have been charged with a Class I felony who is instead charged with a Class H felony, the cost will be $136 ($501 for a Class H minus $365 for a Class I). Since the penalty is effective December 1, 2014, the first year of costs is prorated for seven months. Assuming the same number of charges, the total cost to the court system in the first year will be $316,710. The table below shows the total costs for the next five years, adjusted for inflation.

AOC Costs Adjusted for Inflation Five Year Projection						
	FY 13-14	**FY 14-15**	**FY 15-16**	**FY 16-17**	**FY 17-18**	**FY 18-19**
Inflation Rates		1.96%	2.11%	2.52%	2.70%	2.47%
Class 1 Misdemeanor to Class A1 Misdemeanor						
Court Cost	$178.00	$181.49	$185.32	$189.99	$195.12	$199.94
Offenders*		1,687	2,892	2,892	2,892	2,892
Cost of Increase		**$306,172**	**$535,940**	**$549,446**	**$564,281**	**$578,219**
Class I Felony to Class H Felony						
Court Cost	$136.00	$138.67	$141.59	$145.16	$149.08	$152.76
Offenders*		76	131	131	131	131
Cost of Increase		**$10,539**	**$18,548**	**$19,016**	**$19,529**	**$20,012**
Total AOC Cost		**$316,710**	**$554,489**	**$568,462**	**$583,810**	**$598,230**

**FY 2014-15 offender numbers have been prorated to account for a December 1, 2014 effective date.*

Inflation Rates based on consumer price index projections provided by Moody's economy.com (Apr. 2014)

The Office of Indigent Defense Services (IDS) reports that here is no cost differential for different levels of misdemeanors, so only the increase in penalty for second and subsequent offenses included in this section will have an impact. For each case disposed in district court, the additional cost for a Class I felony will be $10 ($255 for a Class H minus $245 for a Class I). In superior court, the additional cost would be $39 for non-trial cases ($494 for a Class H minus $455 for a Class I) and $134 for cases that go to trial ($1,180 for a Class H minus $1,046 for a Class I). These estimates assume the appointment of a private assigned counsel (PAC) attorney. In districts that have Public Defender offices, cases may be handled by those offices. In those instances, these costs may not be incurred.

The Fiscal Research Division does not have any data on the rate at which indigent cases are handled in district court, superior court with no trial, and superior court with a trial. In order to estimate the additional cost to IDS resulting from this bill, we have calculated the average cost of the three types of trials. The average cost to IDS for Class H felonies is $642. The average cost for Class I felonies is $582. The difference between the two felony levels is $60 ($642 minus $582). In Fiscal Year 2012-13, 54 percent of people charged with a crime used IDS for defense. Using the number of charges provided by AOC, 71 (131 offenders times rate 54 percent) will use IDS attorneys. The average cost to IDS for the increased penalty included in this bill will be $4,435 in the first full year of implementation (71 offenders times $60 difference in average cost of the two felony levels adjusted for inflation to $62.47). Since the penalty is effective December 1, 2014, the first year of costs is prorated for seven months. The table below shows the average estimated cost for the next five years, adjusted for inflation.

IDS Costs Adjusted for Inflation Five Year Projection						
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Inflation Rates		1.96%	2.11%	2.52%	2.70%	2.47%
Class I Felony to Class H Felony						
Cost Differential	$60.00	$61.18	$62.47	$64.04	$65.77	$67.39
Offenders*		41	71	71	71	71
Cost of Increase		**$2,534**	**$4,435**	**$4,547**	**$4,670**	**$4,785**

**FY 2014-15 offender numbers have been prorated to account for a December 1, 2014 effective date.*

Inflation Rates based on consumer price index projections provided by Moody's economy.com (Apr. 2014)

Department of Public Safety –Prison Section

Section 18B.10 of the bill creates a new Class 1 misdemeanor for submitting a false statement to obtain a photograph under G.S. 15A-502.2, Prohibition on providing copy of booking photograph; statement required; criminal liability for false statement. Since this is a new criminal penalty, there is no historical data upon which to estimate the number of convictions that might occur. In FY 2012-13, 27 percent of Class 1 misdemeanor offenders received active sentences for an average length of 38 days. Structured Sentencing misdemeanants who receive an active sentence of 180 days or less are housed in local jails. Therefore, creating a new Class 1 misdemeanor will have no impact on the prison population. The impact on local jails is not known.

Section 18B.11 of the bill increases the penalty for violation of G.S. 14-269, Carrying concealed weapons, from a Class 2 misdemeanor to a Class A1 misdemeanor for the first offense and from a Class I felony to a Class H felony for the second and subsequent offenses. According to the Sentencing and Policy Advisory Commission, during FY 2012-13 there were 544 Class 2 misdemeanor convictions for this crime. Of those Class 2 misdemeanors, 23% resulted in active sentences with an average sentence imposed of 24 days. In the same year, 36% of Class AI misdemeanor convictions resulted in active sentences averaging 67 days. Structured Sentencing misdemeanants who receive an active sentence of 180 days or less are housed in local jails. Therefore, reclassifying Class 2 misdemeanors as Class A1 misdemeanors will have no impact on the prison population. The impact on local jails is not known.

Second and subsequent violations of G.S. 14-269, Carrying concealed weapons, are increased in the bill from a Class I felony to a Class H felony. In FY 2012-13, there were 14 convictions for this crime. Only 16 percent of Class I offenders received active sentences, while 36 percent of Class H offenders were sentenced to prison. Class H offenders also had longer sentences than Class I offenders (ten months compared to seven months). Therefore, the Sentencing and Policy Advisory Commission estimates the increased penalty will result in a need for three additional prison beds in the first full year of implementation.

The chart below depicts the projected inmate population relative to available prison bed capacity system-wide. Capacity projections assume operation at Expanded Operating Capacity,[1] and represent the total number of beds in operation, or authorized for construction or operation as of December 2013.

[1] Expanded Operating Capacity (EOC) is: 1) the number of single cells housing one inmate, 2) the number of single cells housing two inmates, and 3) the number of beds in dormitories, allowing between 35 (130% of Standard Operating Capacity) and 50 (SOC) square feet per inmate.

Based on the most recent population projections and estimated bed capacity, there are surplus prison beds available for the five-year fiscal note horizon and beyond. Therefore, no additional beds will be required unless the projected number of additional inmates resulting from a bill (row four) exceeds the projected number of beds under the inmate population (row three). Rows four and five in the chart demonstrate the impact of the bill. As shown, the Sentencing Commission estimates that this specific legislation will increase the number of beds occupied in the prison system by three by the end of FY 2014-15.

Population Projections and Bed Capacity
Five Year Impact

	June 30 2014	June 30 2015	June 30 2016	June 30 2017	June 30 2018
1. Inmates[2]	37,679	37,795	37,913	37,626	37,419
2. Prison Beds (Expanded Capacity)	39,103	39,103	39,103	39,103	39,103
3. Beds Over/(Under) Inmate Population	(1,424)	(1,308)	(1,190)	(1,477)	(1,684)
4. Additional Inmates Due to this Bill[3]	***0***	***3***	***3***	***3***	***3***
5. Additional Beds Required	***0***	***0***	***0***	***0***	***0***

Although no additional beds will be required for this bill, additional spending will be required to house new prisoners or to house prisoners longer as a result of the increased penalty. Per diem expenditures for each inmate are approximately $11.49. Three additional inmates in the first year will cost $12,833 ($11.49 daily cost adjusted for inflation to $11.72 times three inmates equals $35.88. $35.88 times 365 days equals $12,833). Due to the effective date of December 1, 2014 and the typical lag time between charge and conviction (6 months), no impact is assumed in FY 2014-15. The table below shows the annual cost for each year of the five year projection, adjusted for inflation.

Incarceration Costs Adjusted for Inflation
Five Year Projection

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Inflation Rate		1.96%	2.11%	2.52%	2.70%	2.47%
Per Diem Cost	$11.49	$11.72	$11.96	$12.26	$12.59	$12.91
Additional Inmates			3	3	3	3
Additional Cost			$35.88	$36.78	$37.77	$38.73
Annual Cost			$13,096	$13,425	$13,786	$14,136

Inflation Rates based on consumer price index projections provided by Moody's economy.com (Apr. 2014)

[2] The Sentencing and Policy Advisory Commission prepares inmate population projections annually. These projections are derived from: historical information on incarceration and release rates under Structured Sentencing; crime rate forecasts by a technical advisory group; probation and offender revocation rates; and the decline (parole and max-outs) of the stock prison population sentenced under prior sentencing acts. Projections were updated in March 2014.

[3] Criminal penalty bills effective December 1, 2014 should not affect prison population and bed needs until FY 2015-16 due to the lag time between offense charge and sentencing - six months on average. No delayed effect is presumed for the Court System.

Department of Public Safety – Community Correction Section

All active sentences for felony offenses now result in a minimum of twelve months of post-release supervision (PRS) for B1-E level offenses and a minimum of nine months of PRS for F-I level offenses. For felony offense classes E through I, offenders may be given non-active (intermediate or community) sentences exclusively, or in conjunction with imprisonment (split-sentence). Sanctions include electronic house arrest, community service, substance abuse treatment, participation in educational or vocational skills development, payment of court costs, fines, and restitution, and short-term jail sentences not exceeding six days per month.

Offenders given PRS or intermediate or community sanctions requiring supervision are supervised by the Community Corrections Section (CCS); CCS also oversees community service. General supervision of offenders by a probation officer costs $123.50 per offender, per month; no cost is assumed for those receiving unsupervised probation, or who are only ordered to pay fines, fees, or restitution. Total costs are based on average supervision length and the percentage of offenders (per offense class) sentenced to PRS or to intermediate sanctions and supervised probations. The table below shows the per month rate for each year of the five year projection, adjusted for inflation.

Daily Supervision Cost Adjusted for Inflation
Five Year Projection

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Inflation Rate		1.96%	2.11%	2.52%	2.70%	2.47%
Per Month Cost	$123.50	$125.91	$128.57	$131.81	$135.37	$138.71

Inflation Rates based on consumer price index projections provided by Moody's economy.com (Apr. 2014)

Section 18B.10 of the bill creates a new Class 1 misdemeanor for submitting a false statement to obtain a photograph under G.S. 15A-502.2, Prohibition on providing copy of booking photograph; statement required; criminal liability for false statement. Since this is a new criminal penalty, there is no historical data upon which to estimate the number of convictions that might occur.

In FY 2012-13, 27 percent of Class 1 misdemeanor offenders received active sentences; 2 percent received intermediate sentences; and 71 percent received community punishments. The average lengths of intermediate and community punishment imposed for this offense class were 18 and 15 months, respectively. Therefore, at a minimum, one conviction resulting from Section 18B.10 of this bill may require at least fifteen months of supervision. The cost of 15 months of supervision is $1,929 per offender ($123.50 per month adjusted for inflation to $128.57 times 15 months).[4]

Section 18B.11 of the bill increases the penalty for violation of G.S. 14-269, Carrying concealed weapons, from a Class 2 misdemeanor to a Class A1 misdemeanor for the first offense and from a Class I felony to a Class H felony for the second and subsequent offenses.

According to the Sentencing and Policy Advisory Commission, during FY 2012-13 there were 544 Class 2 misdemeanor convictions for this crime. In FY 2012-13, 31 percent of Class 2 misdemeanor offenders received active sentences; 1 percent received intermediate sentences; and 68 percent received community

[4] Due to the effective date of December 1, 2014 and the typical lag time between charge and conviction (6 months), little impact is assumed for CCS in FY 2014-15. Though some offenders may come under CCS supervision during this time, this note assumes an even entry over the course of FY 2015-16.

punishments. For the same year, 36 percent of Class A1 misdemeanor offenders received active sentences; 5 percent received intermediate sentences; and 59 percent received community punishments. The average lengths of intermediate and community punishments for a Class 2 misdemeanor were 15 months and 13 months, respectively. The average lengths of intermediate and community punishments for a Class A1 misdemeanor were 19 and 17 months, respectively.

The chart below shows the difference in cost between Class A1 misdemeanor offenders and Class 2 misdemeanor offenders for each level of punishment for each year of the five year projection, adjusted for inflation. Due to the effective date of December 1, 2014 and the typical lag time between charge and conviction (6 months), no impact is assumed for CCS in FY 2014-15. Though some offenders may come under CCS supervision during this time, this note assumes an even entry over the course of FY 2015-16.

Difference in CCS Cost - Class 2 Misdemeanor and Class A1 Misdemeanor
Five-Year Projection, Adjusted for Inflation

	Percent	Offenders	Months	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Proposed Offense Intermediate	5%	27	19	$41,657	$67,619	$69,445	$71,158
Current Offense Intermediate	1%	5	15	$7,714	$9,886	$10,153	$10,403
Difference Intermediate				**$33,942**	**$57,733**	**$59,292**	**$60,755**
Proposed Offense Community	59%	321	17	$495,252	$719,287	$738,714	$756,940
Current Offense Community	68%	370	13	$570,851	$634,006	$651,130	$667,195
Difference Community				**($75,599)**	**$85,281**	**$87,584**	**$89,745**
Total Difference				**($41,657)**	**$143,014**	**$146,876**	**$150,500**

Inflation Rates based on consumer price index projections provided by Moody's economy.com (Apr. 2014)

According to the Sentencing and Policy Advisory Commission, during FY 2012-13 there were 14 Class I felony convictions for this crime. In FY 2012-13, 16 percent of Class I felony offenders received active sentences followed by nine months post-release supervision (PRS); 27 percent received intermediate sentences; and 57 percent received community punishments. For the same year, 35 percent of Class H offenders received active sentences followed by nine months PRS. 33 percent received intermediate sentences; and 32 percent received community punishments. The average lengths of intermediate and community punishments for a Class I felony were 26 months and 23 months, respectively. The average lengths of intermediate and community punishments for a Class H felony were 29 and 27 months, respectively.

The chart below shows the difference in cost between Class H offenders and Class I offenders for each level of punishment for each year of the five year projection, adjusted for inflation. Due to the effective date of December 1, 2014 and the typical lag time between charge and conviction (6 months), no impact is assumed for CCS in FY 2014-15. Though some offenders may come under CCS supervision during this time, this note assumes an even entry over the course of FY 2015-16.

Difference in CCS Cost - Class I Felony and Class H Felony Five-Year Projection, Adjusted for Inflation							
	Percent	**Offenders**	**Months**	**FY 15-16**	**FY 16-17**	**FY 17-18**	**FY 18-19**
Proposed Offense Intermediate	33%	5	29	$7,714	$15,817	$19,629	$20,113
Current Offense Intermediate	27%	4	26	$6,171	$12,654	$14,078	$14,426
Difference Intermediate				**$1,543**	**$3,163**	**$5,550**	**$5,687**
Proposed Offense Community	32%	4	27	$6,171	$12,654	$14,620	$14,981
Current Offense Community	57%	8	23	$12,343	$24,253	$24,908	$25,523
Difference Community				**($6,171)**	**($11,599)**	**($10,288)**	**($10,542)**
Proposed Offense PRS	35%	5	9	$1,286	$5,931	$6,092	$6,242
Current Offense PRS	16%	2	9	$1,286	$2,373	$6,092	$2,497
Difference PRS				**$0**	**$3,559**	**$0**	**$3,745**
Total Difference				**($4,629)**	**($4,877)**	**($4,738)**	**($1,110)**

Inflation Rates based on consumer price index projections provided by Moody's economy.com (Apr. 2014)

Charts detailing the cost calculations for the Community Correction Section can be found in Appendix A immediately following this note.

SOURCES OF DATA: Department of Public Safety; Administrative Office of the Courts; North Carolina Sentencing and Policy Advisory Commission; Office of Indigent Defense Services.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Kristine Leggett

Kristine E Leggett

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: May 29, 2014

APPENDIX A

Cost Differential between a Class 2 Misdemeanor and Class A1 Misdemeanor

Cost of Current. Intermediate Punishment							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Intermediate	1%	Year 1		$7,714	$1,977	$0	$0
Number Intermediate	5	Year 2		$0	$7,909	$2,031	$0
Number of Months	15	Year 3			$0	$8,122	$2,081
		Year 4				$0	$8,323
		Year 5					$0
		Intermediate Total	$0	$7,714	$9,886	$10,153	$10,403

Cost of Proposed Intermediate Punishment							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Intermediate	5%	Year 1	$0	$41,657	$24,912	$0	$0
Number Intermediate	27	Year 2		$0	$42,706	$25,585	$0
Number of Months	19	Year 3			$0	$43,860	$26,216
		Year 4				$0	$44,942
		Year 5					$0
		Intermediate Total	$0	$41,657	$67,619	$69,445	$71,158

Cost of Current Community Punishment							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Community	68%	Year 1	$0	$570,851	$48,770	$0	$0
Number Community	370	Year 2		$0	$585,236	$50,087	$0
Number of Months	13	Year 3			$0	$601,043	$51,323
		Year 4				$0	$615,872
		Year 5					$0
		Community Total	$0	$570,851	$634,006	$651,130	$667,195

Cost of Proposed Community Punishment							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Community	59%	Year 1	$0	$495,252	$211,555	$0	$0
Number Community	321	Year 2		$0	$507,732	$217,269	$0
Number of Months	17	Year 3			$0	$521,445	$222,630
		Year 4				$0	$534,311
		Year 5					$0
		Community Total	$0	$495,252	$719,287	$738,714	$756,940

Cost Differential between Class I Felony and Class H Felony

Cost of Current Intermediate Punishment							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Intermediate	**27%**	Year 1		$6,171	$6,327	$1,083	$0
Number Intermediate	**4**	Year 2		$0	$6,327	$6,498	$1,110
Number of Months	**26**	Year 3			$0	$6,498	$6,658
		Year 4				$0	$6,658
		Year 5					$0
	Intermediate Total		**$0**	**$6,171**	**$12,654**	**$14,078**	**$14,426**

Cost of Proposed Intermediate Punishment							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Intermediate	**33%**	Year 1	$0	$7,714	$7,909	$3,384	$0
Number Intermediate	**5**	Year 2		$0	$7,909	$8,122	$3,468
Number of Months	**29**	Year 3			$0	$8,122	$8,323
		Year 4				$0	$8,323
		Year 5					$0
	Intermediate Total		**$0**	**$7,714**	**$15,817**	**$19,629**	**$20,113**

Cost of Current Community Punishment							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Community	**57%**	Year 1	$0	$12,343	$11,599	$0	$0
Number Community	**8**	Year 2		$0	$12,654	$11,913	$0
Number of Months	**23**	Year 3			$0	$12,996	$12,206
		Year 4				$0	$13,316
		Year 5					$0
	Community Total		**$0**	**$12,343**	**$24,253**	**$24,908**	**$25,523**

Cost of Proposed Community Punishment							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Community	**32%**	Year 1	$0	$6,171	$6,327	$1,624	$0
Number Community	**4**	Year 2		$0	$6,327	$6,498	$1,665
Number of Months	**27**	Year 3			$0	$6,498	$6,658
		Year 4				$0	$6,658
		Year 5					$0
	Community Total		**$0**	**$6,171**	**$12,654**	**$14,620**	**$14,981**

Cost of Current Post-Release Supervision							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Active	**16%**	Year 1		$1,286	$1,054	$0	$0
Number Active	**2**	Year 2			$1,318	$4,738	$0
Number of Months	**9**	Year 3				$1,354	$1,110
Length of Active Term	**7**	Year 4					$1,387
		Year 5					
		PRS Total		**$1,286**	**$2,373**	**$6,092**	**$2,497**

Cost of Proposed Post-Release Supervision							
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Percentage Active	**35%**	Year 1		$1,286	$4,613	$0	$0
Number Active	**5**	Year 2			$1,318	$4,738	$0
Number of Months	**9**	Year 3				$1,354	$4,855
Length of Active Term	**10**	Year 4					$1,387
		Year 5					
		PRS Total		**$1,286**	**$5,931**	**$6,092**	**$6,242**

Attachment 7

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-ALH-63 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____,2014

Senator Ford

moves to amend the bill on page 18, lines 45-46
by inserting between those lines the following:
"**FISCAL RESPONSIBILITY IN BUDGETING**

SECTION 6.11.(a) G.S. 143C-5-3 reads as rewritten:

'**§ 143C-5-3. ~~Availability statement~~ Statements of revenue, expenses, and statutory compliance required.**

(a) In Act. – The Current Operations Appropriations Act enacted by the General Assembly shall ~~state the General Fund, Highway Fund, and Highway Trust Fund availability used as basis for appropriations from those funds.~~set out all of the following information:

(1) The availability used as a basis for appropriations from the General Fund, the Highway Fund, and the Highway Trust Fund.

(2) The amount of nonrecurring revenue the act appropriates from the General Fund, the Highway Fund, and the Highway Trust Fund for recurring expenses and the recurring source of revenue that is expected to support the recurring expenses in the next five fiscal years.

(3) The amount required by G.S. 143C-4-2 to be reserved to the Savings Reserve Account, the difference in the amount the statute requires and the act reserves, and the target amount set by statute for the Account.

(4) The amount required by G.S. 143C-4-3 to be reserved to the Repairs and Renovations Reserve, the difference in the amount the statute requires and the act reserves, the amount needed to meet the repair and renovations requirements for that year as identified in the most recent six-year capital improvement plan submitted by the Director under G.S. 143C-8-5, and the amount equal to one percent (1%) of the valuation of State buildings supported by the Reserve.

(b) In Committee Report. – The committee report that accompanies the Current Operations Appropriations Act enacted by the General Assembly shall include a budget outlook that forecasts the anticipated revenue and expenses of the General Fund, the Highway Fund, and the Highway Trust Fund for the upcoming five-year period. The forecast shall state the assumptions on which it is based and shall separately identify the expenses of any new program or program that is expanded by more than ten percent (10%). Anticipated expenses include all of the following:

8:58
2

(1) Those required to be included in a continuation budget.
(2) Those considered necessary by the Controller to provide a realistic forecast.
(3) A step increase in pay for each year for teachers and State employees paid on a stepped salary schedule that are eligible for an experience-based step and a pay increase of at least one percent (1%) for all State employees not paid on a stepped salary schedule.'

SECTION 6.11.(b) G.S. 143C-3-5 reads as rewritten:

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

...

(e) ~~Availability Estimates.~~ Revenue Information. – The recommended Current Operations Appropriations Act shall contain ~~a statement showing the estimates of General Fund availability, Highway Fund availability, and Highway Trust Fund availability upon which the Recommended State Budget is based.~~ the information on revenue and expenses required by G.S. 143C-5-3(a).

(f) Budget Message. – The Governor's budget recommendations shall be accompanied by a written budget message that does all of the following:

(1) Explains the goals embodied in the recommended budget.
(2) Explains important features of the activities anticipated in the budget.
(3) Explains the assumptions underlying the statement of revenue availability.
(4) Sets forth the reasons for changes from the previous biennium or fiscal year, as appropriate, in terms of programs, program goals, appropriation levels, and revenue yields.
(5) Identifies anticipated sources of funding for major spending initiatives.
(6) ~~Prepares a fiscal analysis that addresses the~~ Provides a forecast of the State's budget outlook for the upcoming five-year ~~period.~~ period that includes the information required in G.S. 143C-5-3. ~~This fiscal analysis shall include detailed estimates for five years for any proposals to create new or significantly expand programs and for proposals to create new or change existing law.~~

....'

SECTION 6.11.(c) G.S. 120-36.7(a) reads as rewritten:

'(a) Budget Outlook; Proposed Legislation. – Every fiscal analysis or forecast of the State budget outlook shall encompass the upcoming five-year period. Every fiscal analysis of the impact of proposed legislation on the State budget shall estimate the impact for the first five fiscal years the legislation would be in effect.'"

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-ALH-63 [v.2]

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-ALG-45 [v.4]

Comm. Sub. [YES]
Amends Title [NO]
S744-PCS35555-MDXf-29

Date _____,2014

Senator Tucker

moves to amend the bill on page 221, lines 24-25, by inserting between those lines a new section to read:

"DCR TO STUDY THE FEASIBILITY OF DESIGNATING THE AVERASBORO BATTLEFIELD AS A STATE HISTORIC SITE

SECTION 19.3. The Department of Cultural Resources shall study the feasibility of designating the Averasboro Battlefield as a State Historic Site. The Department shall submit the results of its study to the 2015 General Assembly upon its convening.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED V FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-ALH-64 [v.4]

Comm. Sub. [YES]
Amends Title [NO]
PCS35555-MDxf-29

Date _____,2014

Senator Apodaca

moves to amend the Senate Appropriations Committee Report dated May 29, 2014, on page F-11 by adding the following two new items:

"

	FY 14-15
"42 Appalachian State University – Health Sciences Building Funds advance planning for Appalachian State University's College of Nursing and Health Sciences Building. The 200,000 sq. ft. facility will be constructed in association with the Watauga Medical Center. This project received $2 million in non-recurring planning funds in FY 2013-14; the project's total cost is estimated to be $80.2 million.	$2,000,000 NR
43 NC Need-based Scholarship Reduces funding for the NC Need-based Scholarship program for private college students by 2.3%. Total program funding for FY 2014-15 will be $84,351,588. ";	($2,000,000 NR)

And by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED v FAILED _____ TABLED _____

9:30
4

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-AMH-49 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS35555-MDxf-29

Date _____,2014

Senator Brock

moves to amend the Senate Appropriations Committee Report dated May 29, 2014, on page H-2, by deleting items 7 and 10 and by increasing the recurring reduction in item 9 by three hundred twenty-five thousand three hundred seven dollars ($325,307);

and on page H-3, by deleting items 11 and 12;

and on page H-4, by deleting item 17 and by reducing the nonrecurring expansion in item 19 by two hundred fifty-one thousand seven hundred seventy-eight dollars ($251,778);

and on page H-5, by reducing the nonrecurring increase in item 23 by three hundred eighteen thousand two hundred fifty-four dollars ($318,254);

and on page H-13, by increasing the nonrecurring expansion in item 58 by five hundred seventy thousand thirty-two dollars ($570,032) and by decreasing the recurring expansion in item 58 by five hundred seventy thousand thirty-two dollars ($570,032);

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

S744-AMH-49-V-1

9:38

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-AMK-63 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____,2014

Senator Tillman

moves to amend the bill on page 34, line 45, by rewriting that line to read:

"Carolina Center for the Advancement of Teaching, the Eastern North Carolina School for the Deaf, and the North Carolina School for the Deaf, and shall make no reduction in funding to".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

9:49

6

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-AMK-64 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____,2014

Senator Tillman

moves to amend the Senate Appropriations Committee report dated May 29, 2014, on page F-7 by adding the following two new items:

"

	FY 14-15
"31 Manufacturing Solutions Center	**$150,000 R**

Provides additional funding for the Manufacturing Solutions Center at Catawba Valley Community College. Annual funding for this program will be $846,922.

"32 Textile Technology Center	**$150,000 R**

Provides additional funding for the Textile Technology Center at Gaston College. Annual funding for this program will be $653,954."; and

on page F-7, by reducing the recurring increase in item 27 by three hundred thousand dollars ($300,000);

And by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

S744-AMK-64-V-2

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-AMD-57 [v.4]

Comm. Sub. [NO]
Amends Title [NO]
PCS

Date _____,2014

Senator Apodaca

moves to amend the bill on page 169, line 10, by inserting immediately after the line a new section to read:

"**STUDY OF FUTURE USE OF BROUGHTON FACILITIES**

SECTION 15.20.(a) Upon the Department of Commerce's raising of the sum of two hundred thousand dollars ($200,000) in non-State funds for the study described in subsection (b) of this section, the Department shall use those funds, together with the sum of two hundred thousand dollars ($200,000) of funds appropriated to the Rural Economic Development Division in fund code 1534 for the 2014-2015 fiscal year, to conduct the study described in subsection (b) of this section.

SECTION 15.20.(b) The Department of Commerce shall, in conjunction with the Department of Health and Human Services, the Department of Administration, the City of Morganton, and the County of Burke, use the funds described in subsection (a) of this section to study potential uses for vacated Broughton Hospital facilities and potential development or redevelopment of adjoining State-owned properties, to ascertain the economic benefits of use, development, and redevelopment. The study required by this section shall examine all of the following:

(1) Potential uses of vacated Broughton Hospital facilities and development or redevelopment of adjoining State-owned properties.

(2) Benefits to the State, local governments, and the private sector of each potential use identified in the study.

(3) Costs to the State, to the City of Morganton, to the County of Burke, and to the private sector of each potential use identified in the study.

(4) Opportunities to use the properties for public-private partnerships.

(5) Any other matters that the Department of Administration deems relevant to this study of potential economic benefits in the use of vacated Broughton Hospital facilities and properties.

SECTION 15.20.(c) No later than December 31, 2014, the Department of Commerce shall submit an interim report on the study to the chairs of the Joint Legislative Oversight Committee on Health and Human Services, to the chairs of the Joint Legislative Committee on Economic Development and Global Engagement, and to the chairs of the Joint Legislative Commission on Governmental Operations. No later than June 30, 2015, the

9:45
9

Department of Administration shall submit a final report on the results of the study to the chairs of the same committee."; and

SECTION 15.20.(d) The Department of Administration shall cooperate fully with the performance of the study required by this section and shall provide timely information about the facilities and other properties being evaluated as part of the study to the Department of Commerce."; and

Moves to amend the Committee Report on page H-21, by inserting a new item to read:

"**87A** **Grant Program Reduction** **($200,000) NR**
Makes an reduction to the Rural Economic Development Division grant programs."; and

87B **Challenge Grant for Study of Future Use of Broughton Hospital** **$ 200,000 NR**
Provides funds for a challenge grant for a study of the future use of Broughton Hospital facilities."; and

Moves to adjust the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-AML-13 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____,2014

Senator BROWN

Moves to amend the bill on Page 106, Lines 17-20, by deleting those lines;

And on Page 106, after Line 20, by inserting the following:

"**EXTEND EXISTING IMAGING UTILIZATION MANAGEMENT SERVICES CONTRACT; CONTAIN COSTS OF FUTURE CONTRACTS**

SECTION 12H.30.(a) The Department of Health and Human Services, Division of Medical Assistance, shall renegotiate the existing contract for imaging utilization management services in order to achieve five million five hundred thousand dollars ($5,500,000) in annual savings of net General Fund appropriations.

SECTION 12H.30.(b) The Department of Health and Human Services, Division of Medical Assistance, shall issue a request for proposals (RFP) for a contract for imaging utilization management services to ascertain whether the State can achieve better savings with an alternative vendor and, if so, enter into a contract with the alternative vendor. Such an RFP shall incorporate the same requirements as those specified in Section 10.68B of S.L. 2009-451, which was enacted by Section 6 of S.L. 2009-575.

SECTION 12H.30.(c) No later than March 1, 2015, the Department of Health and Human Services, Division of Medical Assistance, shall report on the results of this section to (i) the House Appropriations Subcommittee on Health and Human Services, (ii) the Senate Appropriations Committee on Health and Human Services, and (iii) the Fiscal Research Division.";

And on Page 128, Line 48, by inserting between the words "Administration" and "for" the words "or the Department of Environment and Natural Resources";

And in the Senate Appropriations/Base Budget Committee Report on the Continuation, Expansion, and Capital Budgets, dated May 29, 2014, on page H-12 by adding the following two new items:

"

	FY 14-15
50.1 Parks and Recreation Trust Fund	($70,000)R
Reduces support to the Trust Fund by	

$70,000, leaving over $12,830,000 in the Fund.

50.2 Camp Sertoma Land Management $70,000 R

Provides funds to support the management of the Camp Sertoma Property, which is being transferred from The University System to the State Parks System in Section 11.7(d) of this Act.";

And moves to adjust the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 744

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S744-AMH-50 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____,2014

Senator D. Davis

moves to amend the bill on page 65, lines 35-43, by rewriting those lines to read:
"**UNC/DEVELOP PLAN TO ADDRESS CONSTITUENT INSTITUTIONS WITH LARGE DECLINE IN STUDENT ENROLLMENT**

SECTION 11.6. The Board of Governors of The University of North Carolina shall study possible solutions to reverse declining enrollment at any constituent institution whose fall full-time equivalent student enrollment declined by more than twenty percent (20%) between the 2010-2011 fiscal year and the 2013-2014 fiscal year. If the Board determines that there are no feasible and cost effective solutions, the Board shall develop a plan for the dissolution of the constituent institution. The Board of Governors shall report its findings and recommendations, including, if necessary, the plan for dissolution, to the 2015 General Assembly."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ___X___ TABLED _____

10:00
12

Attachment 8

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 29, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Christopher Greenidge	Senate Intern
Melissa O'Daine	Senate Intern
Daniel VanLeire	Vidant Health
Chris McClure	BP
Amanda Sharon	NCRAA
Karen Wells	arts NC
B.W. Collier	ALE
Ha Nguyen	NCCOR
Marsha Overby	DPS-SHP
Bill Grey	DPS/SHP
MARK SENTER	ALCOHOL LAW ENFORCEMENT
Matt Gross	NCDC
Peg Dorn	Conf of DAs
Mildred Spearman	NCAOC
Annalrese Polph	DL
Elizabeth Hudgins	CFTF

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 29, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Maddie Jenkins	DCR
Bryan Conrad	OSBM
Adam Brueggemann	OSBM
[signature]	OSBM
Nick Guettsch	OSBM
Celia Cox	OSBM
[illegible]	OSBM
Tazra Mitchell	NC Budget & Tax Center
Kay Castillo	NASW-NC
Thomas MAHER	TPS
Stephen Kouba	ECS
Ben Coley	HigherEd Works
Ryan Combs	DPS
Jarret Burr	DPS
Andy Brandon	DPS
Rhiannon Bell	NCMMC
Julie White	NCMMC

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 29, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John DelBrando	Breckenridge + Assoc.
Hayden Baugess	FSP
Susan Vick	FSP
[signature]	NCFPC
Michael Hauser	The Hauser Consulting Group

Attachment 9

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Harrington, Co-Chair
Senator Hunt, Co-Chair
Senator B. Jackson, Co-Chair

Thursday, May 29, 2014

Senator Hunt,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL, AS AMENDED, WITH UNENGROSSED AMENDMENTS

SB **744** Appropriations Act of 2014.

Draft Number:	S744-PCS35555-MDxf-29
Sequential Referral:	Finance
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Senator Harry Brown will handle SB 744



Attachment 2

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE

Legislative Office Building, Room 643

June 5, 2014
8:00 a.m.

Welcome	*Senator Brown, Presiding*
Senate Bill 3 **Proposed Committee Substitute**	*Senator Davis*
Senate Bill 743 **Proposed Committee Substitute**	*Senator Brown*
Adjourn	

Senate Committee on Appropriations/Base Budget
Thursday, June 5, 2014 at 8:00 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:02 AM on June 5, 2014 in Room 643 of the Legislative Office Building. Sixteen members were present. Senator Neal Hunt presided. Senator Hunt called the meeting to order and recognized the Sergeant-at-Arms' staff and Pages.

Senator Hunt asked for a motion to hear a PCS for Senate Bill 3: JMAC Modifications and a PCS for Senate Bill 743: NC Econ. Dev. Partnership Modifications. Senator Jackson moved to hear a PCS for both bills.

Senator Hunt recognized Senator Jim Davis to explain the **PCS for Senate Bill 3: JMAC Modifications: AN ACT TO MODIFY THE JOB MAINTENANCE AND CAPITAL DEVELOPMENT FUND PROVISIONS.**

After discussion among committee members, Senator Tillman made the following motion: unfavorable as to bill, but favorable as to committee substitute bill. The motion carried.

Senator Hunt then recognized Senator Harry Brown to explain the **PCS for Senate Bill 743: NC Econ. Dev. Partnership Modifications: AN ACT TO FACILITATE ECONOMIC DEVELOPMENT WITHIN THE STATE.**

After questions and discussion among committee members and staff, Senator Angela Bryant moved to amend the bill on page 7, lines 39 – 40. Senator Bryant asked Mr. Dan Ettefagh, Bill Drafting Division, to explain the amendment.

Senator Hunt asked for questions on the amendment. There were no questions from the committee. Amendment AMC-60 [v.3] was adopted.

Committee members continued to discuss the PCS with input from Commerce Secretary Sharon Decker.

Senator Brown made the following motion: unfavorable as to committee substitute bill no. 1, but favorable as to committee substitute bill no. 2, as amended, with the amendment to be rolled into a new PCS. The motion carried.

The meeting adjourned at 8:39 AM.

Senator Neal Hunt, Chair
Presiding

Elise McDowell, Committee Clerk

Attachments:

1 Corrected Committee Notice No. 1
2 Agenda
3 PCS, summary of PCS and original SB 3
4 Committee Substitute No. 2, summary of Committee Substitute No. 2 and Committee Substitute No. 1 for SB 743
5 Amendment AMC-60 [v.3] to Committee Substitute No. 2 for SB 743
6 Visitor's Log
7 Committee Report

Principal Clerk ____
Reading Clerk ____

Corrected #1: Bills added.

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	June 5, 2014	8:00 AM - 9:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 3	Western Crime Lab Funds/Amend Evidence Laws.	Senator Apodaca
SB 743	NC Econ. Dev. Partnership Modifications.	Senator Brown

Senator Harry Brown, Co-Chair
Senator Kathy Harrington, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Brent Jackson, Co-Chair

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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SENATE BILL 3
PROPOSED COMMITTEE SUBSTITUTE S3-CSMC-27 [v.2]

6/4/2014 4:20:47 PM

Short Title: JMAC Modifications. (Public)

Sponsors:

Referred to:

January 31, 2013

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE JOB MAINTENANCE AND CAPITAL DEVELOPMENT FUND PROVISIONS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143B-437.012 reads as rewritten:

"**§ 143B-437.012. Job Maintenance and Capital Development Fund.**

...

(d) Eligibility. – A business is eligible for consideration for a grant under this section if it satisfies the conditions of either subdivision (1) or (2) of this subsection and satisfies ~~the conditions of both subdivisions (3) and~~subdivision (4) of this subsection:

(1) The business is a major employer. A business is a major employer if the business meets the following requirements:

a. The Department certifies that the business has invested or intends to invest at least two hundred million dollars ($200,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a six-year period beginning with the time the investment commences.

b. The business employs at least 2,000 full-time employees or equivalent full-time contract employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 2,000 full-time employees or equivalent full-time contract employees at the project for the full term of the grant agreement.

c. The project is located in a development tier one area at the time the business applies for a grant.

(2) The business is a large manufacturing employer. A business is a large manufacturing employer if the business meets the following requirements:

a. The business is in manufacturing, as defined in G.S. 105-129.81, and is converting its manufacturing process to change the product it ~~manufactures.~~manufactures or is investing in its manufacturing process by enhancing pollution controls or transitioning the manufacturing process from using coal to using natural gas for the purpose of becoming more energy efficient or reducing emissions.

b. The Department certifies that the business has invested or intends to invest at least ~~sixty-five~~fifty million dollars ~~($65,000,000)~~($50,000,000) of private funds in improvements to real

property and additions to tangible personal property in the project within a ~~three-year~~five-year period beginning with the time the investment commences.

c. The business meets one of the following employment requirements:

1. If in a development tier one area, the business employs at least 320 full-time employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 320 full-time employees at the project for the full term of the grant.

2. If in a development tier two area with a population of less than 60,000 as of July 1, 2013, the business employs at least 800 full-time employees or equivalent full-time contract employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 800 full-time employees or equivalent full-time contract employees at the project for the full term of the grant.

~~(3) The project is located in a development tier one area at the time the business applies for a grant.~~

(4) All newly hired employees of the business must be citizens of the United ~~States,~~States or have proper identification and documentation of their authorization to reside and work in the United States.

...

(n) Limitations. – The Department may enter into no more than five agreements under this section. The total aggregate cost of all agreements entered into under this section may not exceed ~~sixty-nine million dollars ($69,000,000).~~seventy-nine million dollars ($79,000,000). The total annual cost of an agreement entered into under this section may not exceed six million dollars ($6,000,000)."

SECTION 2. This act becomes effective July 1, 2014.

SENATE BILL 3:
JMAC Modifications

2013-2014 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	June 3, 2014
Introduced by:	Sen. Apodaca	**Prepared by:**	Dan Ettefagh Committee Counsel
Analysis of:	PCS to First Edition S3-CSMC-27		

SUMMARY: ***The PCS replaces the entirety of the language of Senate Bill 3 and would expand the eligibility criteria for the Job Maintenance and Capital Development Fund.***

CURRENT LAW: The General Assembly created the Job Maintenance and Capital Development Fund in 2007 as a non-reverting account in the Department of Commerce.[1] The purpose of the Fund is to maintain jobs in the State. Three companies have received a grant from the Job Maintenance and Capital Development Fund. The Department may not enter more than five agreements, and this act does not change that limitation. The total aggregate cost of all agreements for grants from the Fund is limited to $69 million, and the annual cost of any one agreement is $6 million. A grant agreement obligates the State to make a series of grant payments over a period of time, but it does not authorize the taxing power of the State to be pledged.

BILL ANALYSIS: The PCS expands eligibility for a JMAC grant for large manufacturing employers in four ways. First, the PCS allows eligibility for a large manufacturing employer if it is investing in its manufacturing process by enhancing pollution controls or transitioning from use of coal to natural gas for efficiency or emissions purposes. Previously, the conversion had to be for the purpose of changing the product it manufactures. The PCS adds that the business can be converting its manufacturing process to become more energy efficient and reduce emissions by transitioning the process from using coal to using natural gas. Second, the PCS lowers the investment threshold from $69 million to $50 million. Third, the PCS increases the time for the investment from three to 5 years. Finally, the PCS allows the large manufacturing employer to be in an area that is tier 2, instead of a tier 1, if it has a population of less than 60,000 as of 7/1/13, it employs at least 800 FTEs at the project, and it maintains that level of employment throughout the term of the grant.[2]

The PCS also increases the total aggregate cost limitation of all agreements for grants from the Fund from $69 million to $79 million.

EFFECTIVE DATE: This act becomes effective July 1, 2014.

[1] S. L. 2007-552, G.S. 143B-437.11; S. L. 2008-187 recodified the statute as G.S. 143B-437.012.
[2]

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

S 1

SENATE BILL 3

Short Title:	Western Crime Lab Funds/Amend Evidence Laws.	(Public)
Sponsors:	Senators Apodaca (Primary Sponsor); Curtis, J. Davis, and Hise.	
Referred to:	Appropriations/Base Budget.	

January 31, 2013

A BILL TO BE ENTITLED

AN ACT TO DIRECT, AND APPROPRIATE FUNDS FOR, THE CONSTRUCTION OF A WESTERN CRIME LABORATORY FACILITY AT THE WESTERN JUSTICE ACADEMY IN EDNEYVILLE, TO APPROPRIATE FUNDS TO PROVIDE STAFFING FOR THE LABORATORY, AND TO AMEND THE LAWS REGARDING THE ADMISSIBILITY OF LABORATORY REPORTS AFTER NOTICE AND DEMAND.

The General Assembly of North Carolina enacts:

SECTION 1. The Department of Justice shall construct a Western Regional Crime Laboratory to be located on the campus of the Western Justice Academy in Edneyville, consistent with plans developed by the Department pursuant to Section 15.4 of S.L. 2012-142.

SECTION 2. There is appropriated from the General Fund to the Department of Justice the sum of fourteen million dollars ($14,000,000) for the 2013-2014 fiscal year to provide the capital costs for construction of a Western Regional Crime Laboratory, as directed by Section 1 of this act.

SECTION 3. There is appropriated from the General Fund to the Department of Justice the sum of one million nine hundred thousand dollars ($1,900,000) for the 2013-2014 fiscal year and the sum of one million nine hundred thousand dollars ($1,900,000) for the 2014-2015 fiscal year to establish 19 positions to staff the Western Regional Crime Laboratory upon its completion.

SECTION 4.(a) G.S. 8-58.20(f) reads as rewritten:

"(f) If the defendant's attorney of record, or the defendant if that person has no attorney, fails to file a written objection with the court to the use of the laboratory report and affidavit within the time allowed by this section, then the laboratory report and affidavit ~~may~~ shall be admitted in evidence in any proceeding without the testimony of the ~~analyst subject to the presiding judge ruling otherwise at the proceeding when offered.~~ analyst. If, however, a written objection is filed, this section does not apply and the admissibility of the evidence shall be determined and governed by the appropriate rules of evidence."

SECTION 4.(b) G.S. 8-58.20(g)(5) reads as rewritten:

"(5) If the defendant's attorney of record, or the defendant if that person has no attorney, fails to file the written objection as provided in this subsection, then the statement ~~may~~ shall be admitted into evidence without the necessity of a personal appearance by the person signing the statement."

SECTION 4.(c) G.S. 20-139.1(c1) reads as rewritten:

"(c1) Admissibility. – The results of a chemical analysis of blood or urine reported by the North Carolina State Crime Laboratory, the Charlotte, North Carolina, Police Department Laboratory, or any other laboratory approved for chemical analysis by the Department of

Health and Human Services, are admissible as evidence in all administrative hearings, and in any court, without further authentication and without the testimony of the analyst. The results shall be certified by the person who performed the analysis. The provisions of this subsection may be utilized in any administrative hearing, but can only be utilized in cases tried in the district and superior court divisions, or in an adjudicatory hearing in juvenile court, if:

(1) The State notifies the defendant at least 15 business days before the proceeding at which the evidence would be used of its intention to introduce the report into evidence under this subsection and provides a copy of the report to the defendant, and

(2) The defendant fails to file a written objection with the court, with a copy to the State, at least five business days before the proceeding at which the report would be used that the defendant objects to the introduction of the report into evidence.

If the defendant's attorney of record, or the defendant if that person has no attorney, fails to file a written objection as provided in this subsection, then the report ~~may~~ shall be admitted into evidence without the testimony of the analyst. Upon filing a timely objection, the admissibility of the report shall be determined and governed by the appropriate rules of evidence.

The report containing the results of any blood or urine test may be transmitted electronically or via facsimile. A copy of the affidavit sent electronically or via facsimile shall be admissible in any court or administrative hearing without further authentication. A copy of the report shall be sent to the charging officer, the clerk of superior court in the county in which the criminal charges are pending, the Division of Motor Vehicles, and the Department of Health and Human Services.

Nothing in this subsection precludes the right of any party to call any witness or to introduce any evidence supporting or contradicting the evidence contained in the report."

SECTION 4.(d) G.S. 20-139.1(c3) reads as rewritten:

"(c3) Procedure for Establishing Chain of Custody Without Calling Unnecessary Witnesses. –

(1) For the purpose of establishing the chain of physical custody or control of blood or urine tested or analyzed to determine whether it contains alcohol, a controlled substance or its metabolite, or any impairing substance, a statement signed by each successive person in the chain of custody that the person delivered it to the other person indicated on or about the date stated is prima facie evidence that the person had custody and made the delivery as stated, without the necessity of a personal appearance in court by the person signing the statement.

(2) The statement shall contain a sufficient description of the material or its container so as to distinguish it as the particular item in question and shall state that the material was delivered in essentially the same condition as received. The statement may be placed on the same document as the report provided for in subsection (c1) of this section.

(3) The provisions of this subsection may be utilized in any administrative hearing, but can only be utilized in cases tried in the district and superior court divisions, or in an adjudicatory hearing in juvenile court, if:

a. The State notifies the defendant at least 15 business days before the proceeding at which the statement would be used of its intention to introduce the statement into evidence under this subsection and provides a copy of the statement to the defendant, and

b. The defendant fails to file a written notification with the court, with a copy to the State, at least five business days before the proceeding at

which the statement would be used that the defendant objects to the introduction of the statement into evidence.

If the defendant's attorney of record, or the defendant if that person has no attorney, fails to file a written objection as provided in this subsection, then the statement ~~may~~ shall be admitted into evidence without the necessity of a personal appearance by the person signing the statement. Upon filing a timely objection, the admissibility of the report shall be determined and governed by the appropriate rules of evidence.

(4) Nothing in this subsection precludes the right of any party to call any witness or to introduce any evidence supporting or contradicting the evidence contained in the statement."

SECTION 4.(e) G.S. 20-139.1(e1) reads as rewritten:

"(e1) Use of Chemical Analyst's Affidavit in District Court. – An affidavit by a chemical analyst sworn to and properly executed before an official authorized to administer oaths ~~is~~ shall be admissible in evidence without further authentication and without the testimony of the analyst in any hearing or trial in the District Court Division of the General Court of Justice with respect to the following matters:

(1) The alcohol concentration or concentrations or the presence or absence of an impairing substance of a person given a chemical analysis and who is involved in the hearing or trial.

(2) The time of the collection of the blood, breath, or other bodily fluid or substance sample or samples for the chemical analysis.

(3) The type of chemical analysis administered and the procedures followed.

(4) The type and status of any permit issued by the Department of Health and Human Services that the analyst held on the date the analyst performed the chemical analysis in question.

(5) If the chemical analysis is performed on a breath-testing instrument for which regulations adopted pursuant to subsection (b) require preventive maintenance, the date the most recent preventive maintenance procedures were performed on the breath-testing instrument used, as shown on the maintenance records for that instrument.

The Department of Health and Human Services shall develop a form for use by chemical analysts in making this affidavit."

SECTION 4.(f) G.S. 90-95(g) reads as rewritten:

"(g) Whenever matter is submitted to the North Carolina State Crime Laboratory, the Charlotte, North Carolina, Police Department Laboratory or to the Toxicology Laboratory, Reynolds Health Center, Winston-Salem for chemical analysis to determine if the matter is or contains a controlled substance, the report of that analysis certified to upon a form approved by the Attorney General by the person performing the analysis shall be admissible without further authentication and without the testimony of the analyst in all proceedings in the district court and superior court divisions of the General Court of Justice as evidence of the identity, nature, and quantity of the matter analyzed. Provided, however, the provisions of this subsection may be utilized by the State only if:

(1) The State notifies the defendant at least 15 business days before the proceeding at which the report would be used of its intention to introduce the report into evidence under this subsection and provides a copy of the report to the defendant, and

(2) The defendant fails to file a written objection with the court, with a copy to the State, at least five business days before the proceeding that the defendant objects to the introduction of the report into evidence.

If the defendant's attorney of record, or the defendant if that person has no attorney, fails to file a written objection as provided in this subsection, then the report ~~may~~ shall be admitted into evidence without the testimony of the analyst. Upon filing a timely objection, the admissibility of the report shall be determined and governed by the appropriate rules of evidence.

Nothing in this subsection precludes the right of any party to call any witness or to introduce any evidence supporting or contradicting the evidence contained in the report."

SECTION 4.(g) G.S. 90-95(g1) reads as rewritten:

"(g1) Procedure for establishing chain of custody without calling unnecessary witnesses. –

(1) For the purpose of establishing the chain of physical custody or control of evidence consisting of or containing a substance tested or analyzed to determine whether it is a controlled substance, a statement signed by each successive person in the chain of custody that the person delivered it to the other person indicated on or about the date stated is prima facie evidence that the person had custody and made the delivery as stated, without the necessity of a personal appearance in court by the person signing the statement.

(2) The statement shall contain a sufficient description of the material or its container so as to distinguish it as the particular item in question and shall state that the material was delivered in essentially the same condition as received. The statement may be placed on the same document as the report provided for in subsection (g) of this section.

(3) The provisions of this subsection may be utilized by the State only if:

a. The State notifies the defendant at least 15 days before trial of its intention to introduce the statement into evidence under this subsection and provides the defendant with a copy of the statement, and

b. The defendant fails to notify the State at least five days before trial that the defendant objects to the introduction of the statement into evidence.

If the defendant's attorney of record, or the defendant if that person has no attorney, fails to file a written objection as provided in this subsection, then the statement shall be admitted into evidence without the necessity of a personal appearance by the person signing the statement. Upon filing a timely objection, the admissibility of the statement shall be determined and governed by the appropriate rules of evidence.

(4) Nothing in this subsection precludes the right of any party to call any witness or to introduce any evidence supporting or contradicting the evidence contained in the statement."

SECTION 5. Section 4 of this act becomes effective December 1, 2013, and applies to proceedings occurring on or after that date. The remainder of this act becomes effective July 1, 2013.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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SENATE BILL 743*

Commerce Committee Substitute Adopted 6/4/14
PROPOSED COMMITTEE SUBSTITUTE S743-CSMC-29 [v.4]
6/4/2014 7:39:43 PM

Short Title: NC Econ. Dev. Partnership Modifications. (Public)

Sponsors:

Referred to:

May 15, 2014

A BILL TO BE ENTITLED

AN ACT TO FACILITATE ECONOMIC DEVELOPMENT WITHIN THE STATE.

The General Assembly of North Carolina enacts:

PART I. AUTHORIZE CONTRACTING OF ECONOMIC DEVELOPMENT FUNCTIONS BY THE DEPARTMENT OF COMMERCE

SECTION 1.1.(a) Part 1 of Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-431A. Department of Commerce – contracting of functions.**

(a) Purpose. – The purpose of this section is to establish a framework whereby the Department of Commerce may contract with a North Carolina nonprofit corporation to assist the Department in fostering and retaining jobs and business development, international trade, marketing, and travel and tourism. It is the intent of the General Assembly that the Department develop a plan to work cooperatively with a nonprofit corporation for these purposes while safeguarding programmatic transparency and accountability as well as the fiscal integrity of economic development programs of the State.

(b) Contract. – The Department of Commerce is authorized to contract with a North Carolina nonprofit corporation to perform one or more of the Department's functions, powers, duties, and obligations set forth in G.S. 143B-431, except as provided in this subsection. If the Department contracts with a North Carolina nonprofit corporation to promote and grow the travel and tourism industries, then all funds appropriated to the Department for tourism marketing purposes shall be used for a research-based, comprehensive marketing program directed toward consumers in key markets most likely to travel to North Carolina and not for ancillary activities, such as statewide branding and business development marketing. The Department may not contract with a North Carolina nonprofit corporation regarding any of the following:

(1) The obligation or commitment of funds under this Article, such as the One North Carolina Fund, the Job Development Investment Grant Program, the Industrial Development Fund, or the Job Maintenance and Capital Development Fund.

(2) The Division of Employment Security, including the administration of unemployment insurance.

(3) The functions set forth in G.S. 143B-431(a)(2).

(4) The administration of funds or grants received from the federal government or its agencies.

(c) Oversight. – There is established the Economic Development Accountability & Standards Committee, which is a Board as that term is defined in G.S. 138A-3 of the State Government Ethics Act. The Committee shall consist of seven members as follows: the Secretary of Commerce as Chair of the Committee, the Secretary of Transportation, the Secretary of Environment and Natural Resources, the Secretary of Revenue, one member appointed by the Speaker of the House of Representatives, one member appointed by the President Pro Tempore of the Senate, and one member jointly appointed by the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

The members of the Committee who are appointed by the Speaker of the House of Representatives or by the President Pro Tempore of the Senate may not be members of the General Assembly. The Committee shall meet at least quarterly upon the call of the Chair. The duties of the Committee shall include all of the following:

(1) Monitoring and oversight of the performance of a contract entered into pursuant to this section by the Department with a North Carolina nonprofit corporation.

(2) Receiving, reviewing, and referring complaints regarding the contract or the performance of the North Carolina nonprofit corporation, as appropriate.

(3) Requesting enforcement of the contract by the Attorney General or the Department.

(4) Auditing, at least annually, by the Office of State Auditor the records of the North Carolina nonprofit corporation with which the Department has contracted pursuant to this section during and after the term of the contract to review financial documents of the corporation, performance of the corporation, and compliance of the corporation with applicable laws.

(5) Coordination of economic development grant programs of the State between the Department of Commerce, the Department of Transportation, and the Department of Environment and Natural Resources.

(6) Any other duties deemed necessary by the Committee.

(d) Limitations. – Prior to contracting with a North Carolina nonprofit corporation pursuant to this section and in order for the North Carolina nonprofit corporation to receive State funds, the following conditions shall be met:

(1) At least 45 days prior to entering into or amending in a nontechnical manner a contract authorized by this section, the Department shall submit the contract or amendment, along with a detailed explanation of the contract or amendment, to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

(2) The nonprofit corporation adheres to the following governance provisions related to its governing board:

a. The board shall be composed of 17 voting members as follows: eight members and the chair appointed by the Governor, four members appointed by the Speaker of the House of Representatives, and four members appointed by the President Pro Tempore of the Senate. The Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate shall each use best efforts to select members so as to reflect the diversity of the State's geography, and the Governor shall use best efforts to ensure that each member appointed by the Governor has expertise in one or more of the following areas:

1. Agribusiness, as recommended by the Commissioner of Agriculture.

2. Financial services.

3. Information technology.
4. Biotechnology or life sciences.
5. Energy.
6. Manufacturing.
7. Military or defense.
8. Tourism, as recommended by the North Carolina Travel and Tourism Coalition.
9. Tourism, as recommended by the North Carolina Travel Industry Association.

b. The nonprofit corporation shall comply with the restrictions on lobbying set forth in section 501(c)(3) of the Internal Revenue Code.

c. No State officer or employee may serve on the board.

d. The board shall meet at least quarterly at the call of its chair. Each quarter and upon request, the board shall report to the Chair of the Economic Development Accountability and Standards Committee on the progress of the State's economic development.

e. The board is required to perform the following duties if the Department contracts pursuant to G.S. 143B-431A for the performance of the Secretary's responsibilities under G.S. 143B-434.01:

1. To provide advice concerning economic and community development planning for the State, including a strategic business facilities development analysis of existing, available buildings or shell or special-use buildings and sites.
2. To recommend economic development policy to the Secretary of Commerce, the General Assembly, and the Governor.
3. To recommend annually to the Governor biennial and annual appropriations for economic development programs.
4. To recommend how best to coordinate economic development efforts among the various agencies and entities, including those created by executive order of the Governor, that receive economic development appropriations, including the assignment of key responsibilities for different aspects of economic development and resource allocation and planning designed to encourage each agency to focus on its area of primary responsibility and not diffuse its resources by conducting activities assigned to other agencies.

(3) The amount of State funds that may be used for the annual salary of any one officer, employee, or member of a governing board of the nonprofit corporation with which the Department contracts pursuant to this section shall not exceed the greater of (i) one hundred twenty thousand dollars ($120,000) or (ii) the amount most recently set by the General Assembly in a Current Operations Appropriations Act.

(4) The nonprofit corporation shall have received from fund-raising efforts and sources, other than State funds, an amount totaling at least two hundred fifty thousand dollars ($250,000) to support operations and functions of the corporation.

(e) Mandatory Contract Terms. – Any contract entered into under this section must include all of the following:

(1) A provision requiring the North Carolina nonprofit corporation provide to the Joint Legislative Economic Development and Global Engagement Oversight Committee, the Department of Commerce, and the Fiscal Research Division a copy of the corporation's annual audited financial statement within seven days of issuance of the statement.

(2) A provision requiring the nonprofit corporation to provide by September 1 of each year, and more frequently as requested, a report to the Department on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources. The report shall also include all of the following:

a. Jobs anticipated to result from efforts of the nonprofit corporation. This includes project leads that were not submitted to the Department for possible discretionary incentives pursuant to Chapter 143B of the General Statutes.

b. Developed performance metrics of economic development functions itemized by county, by development tier area designation, as defined by G.S. 143B-437.08, and by Collaboration for Prosperity Zones created pursuant to G.S. 143B-28.1.

c. Any proposed amendments to the areas of expertise required to be represented on the governing board of the nonprofit corporation.

d. A detailed explanation of how annual salaries are determined, including base pay schedules and any additional salary amounts or bonuses that may be earned as a result of job performance. The explanation shall include the proportion of State and private funds for each position and shall include the means used by the nonprofit corporation to foster employee efforts for economic development in rural and low-income areas in the State. Any bonuses paid to employees shall be based upon overall job performance and not be based on a specific project lead.

e. Any other information requested by the Department.

(3) A provision providing that, upon termination of the contract, or upon dissolution of, or repeal by the General Assembly of, the charter of the nonprofit corporation with which the Department has contracted under this section, all assets and funds of the nonprofit corporation, including interest on funds, financial and operational records, and the right to receive future funds pursuant to the contract, will be surrendered to the Department within 30 days of the termination, dissolution, or repeal. During the 30-day period, the corporation may not further encumber any assets or funds. For purposes of this subdivision, assets and funds of the nonprofit corporation include assets and funds of any subsidiary or affiliate of the nonprofit corporation. An affiliate of the nonprofit corporation exists when both are directly or indirectly controlled by the same parent corporation or by the same or associated financial interests by stock ownership, interlocking directors, or by any other means whatsoever, whether the control is direct or through one or more subsidiary, affiliated, or controlled corporations.

(4) A provision providing that the nonprofit corporation shall adopt and publish a resolution or policy containing a code of ethics, conflict of interest policy, and gift policy to guide actions by the governing board members, officers, and employees of the nonprofit corporation in the performance of their duties. The resolution or policy required by this subdivision shall address at least all of the following:

a. The need to obey all applicable laws regarding actions taken.
b. The need to uphold the integrity and independence of the board and the nonprofit corporation.
c. The need to avoid impropriety in the exercise of their duties.
d. The need to faithfully perform their duties.
e. The need to conduct the affairs of the governing board and the nonprofit corporation in an open and public manner and to avoid conflicts of interest.

(5) The conflict of interest policy required by subdivision (4) of this section shall contain at a minimum the information in this subdivision. No subject person of the nonprofit corporation may take any official action or use the subject person's official position to profit in any manner the subject person, the subject person's immediate family, a business with which the subject person or the subject person's immediate family has a business association, or a client of the subject person or the subject person's immediate family with whom the subject person, or the subject person's immediate family, has an existing business relationship. No subject person shall attempt to profit from a proposed project lead if the profit is greater than that which would be realized by other persons living in the area where the project lead is located. If the profit under this subdivision would be greater for the subject person than other persons living in the area where the project lead is located, not only shall the subject person abstain from voting on that issue, but once the conflict of interest is apparent, the subject person shall not discuss the project lead with any other subject person or representative of the Department except to state that a conflict of interest exists. Under this subdivision, a subject person is presumed to profit if the profit would be realized by the subject person, the subject person's immediate family, a business with which the subject person or the subject person's immediate family has a business association, or a client of the subject person or the subject person's immediate family with whom the subject person, or the subject person's immediate family, has an existing business relationship with a company that is the subject of a proposed project lead. No subject person, in contemplation of official action by the subject person, or in reliance on information that was made known to the subject person in the subject person's official capacity and that has not been made public, shall (i) acquire a pecuniary interest in any property, transaction, or enterprise or gain any pecuniary benefit that may be affected by such information or official action or (ii) intentionally aid another to do any of the above acts. As used in this subdivision, the following terms mean:

a. Board. – The governing board of the nonprofit corporation with which the Department contracts pursuant to this section.
b. Board member. – A member of the board.
c. Business association. – A director, employee, officer, or partner of a business entity, or owner of more than ten percent (10%) interest in any business entity.
d. Subject person. – A board member, officer, or employee of the nonprofit corporation.
e. Department. – The Department of Commerce.
f. Immediate family. – Spouse, children, parents, brothers, and sisters.
g. Official action. – Actions taken in connection with the subject person's duties, including, but not limited to, voting on matters before

the board, proposing or objecting to proposals for economic development actions by the Department, discussing economic development matters with other subject persons or Department staff in an effort to further the matter after the conflict of interest has been discovered, or taking actions in the course and scope of the position as a subject person and actions leading to or resulting in profit.

h. Profit. – Receive monetary or economic gain or benefit, including an increase in value whether or not recognized by sale or trade.

(6) The gift policy required by subdivision (4) of this subsection shall at a minimum prohibit an employee, officer, or member of the board of the corporation from knowingly accepting a gift from a person whom the employee, officer, or member of the board knows or has reason to know (i) is seeking to do business of any kind in the State or (ii) has financial interests that may be substantially and materially affected, in a manner distinguishable from the public generally, by the performance or nonperformance of official duties of the employee, officer, or member of the board. This prohibition shall not apply to either of the following:

a. Gifts given to the employee, officer, or member of the board where the gift is food or beverages, transportation, lodging, entertainment or related expenses associated with industry recruitment, promotion of international trade, or the promotion of travel and tourism, and the employee, officer, or member of the board is responsible for conducting the business on behalf of the State, provided (i) the employee, officer, or member of the board did not solicit the gift and did not accept the gift in exchange for the performance or nonperformance of corporate duties, and (ii) the employee, officer, or member of the board reports electronically to the corporation within 30 days of receipt of the gift, including a description and value of the gift and a description of how the gift contributed to industry recruitment, promotion of international trade, or the promotion of travel and tourism.

b. Gifts of personal property valued at less than one hundred dollars ($100.00) given to the employee, officer, or member of the board in the commission of corporate duties if the gift is given as a personal gift in another country as part of an overseas trade mission and the giving and receiving of such personal gifts is considered a customary protocol in the other country.

(7) A provision providing that the nonprofit corporation maintain a record containing the name of all persons who have contributed to the nonprofit corporation, the date of each contribution, and the aggregate total of all contributions to the nonprofit corporation. The nonprofit corporation shall include the record in the report required to be filed with the Department pursuant to subdivision (2) of subsection (e) of this section.

(8) A provision requiring the nonprofit corporation to maintain separate accounting records for and separate accounts for State and private funds and prohibiting any commingling of State and private funds. Records and accounts must be maintained according to generally accepted accounting principles.

(9) A provision stating that the nonprofit corporation will not engage in the awarding of grants of the public or private funds of the nonprofit corporation.

(10) A provision limiting the term of the contract to no more than five years. The term of the contract may be extended in one-year increments up to four times after no less than four-fifths of the original contract term has passed. A contract extension may not extend the remaining term of the contract, including the term of the extension, to more than two years. Nothing in this subdivision shall be construed as a prohibition against entering into a new contract with the nonprofit corporation.

(11) A provision limiting the severance pay for the chief executive officer and other officers of the nonprofit corporation to no more than the lesser of the following:

a. The salary limitation contained in subdivision (3) of subsection (d) of this section.

b. The salary limitation contained in subdivision (3) of subsection (d) of this section multiplied by a fraction, the numerator of which is the number of whole years the chief officer has been chief officer of the corporation and the denominator of which is four.

(12) A provision requiring annual certification by the nonprofit corporation that it is in compliance with the following:

a. The requirements of Chapter 55A of the General Statutes.

b. The requirements of each of the provisions listed in subsection (e) of this section. For any provision in this subsection that the nonprofit corporation did not comply with, the corporation shall provide a detailed explanation of the circumstances and time of the noncompliance.

(13) A provision requiring the nonprofit corporation to comply with and perform the duties set out in G.S. 143B-434.2 in the event the Department contracts with the nonprofit corporation to promote and market tourism.

(14) A provision requiring the nonprofit corporation to receive from fund-raising efforts and sources other than State funds an amount totaling at least five million seven hundred fifty thousand dollars ($5,750,000) during the term of the contract to support operations and functions of the corporation. The corporation shall raise at least seven hundred fifty thousand dollars ($750,000) during the first year of the term of the contract and shall raise at least one million two hundred fifty thousand dollars ($1,250,000) during each subsequent year of the term of the contract. Amounts raised prior to entering the contract or during a year preceding the current year of the contract shall not apply to the amount required to be raised during the current year.

(15) A provision that the limitation of G.S. 143C-6-8 applies.

(f) Report. – By September 30 of each year, and more frequently as requested, the Department shall submit a report to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Economic Development and Global Engagement Oversight Committee, and the Fiscal Research Division on any performance for which the Department has contracted pursuant to this section. The report shall contain, at a minimum, each of the following:

(1) A copy of the most recent report required by the Department pursuant to subdivision (2) of subsection (e) of this section.

(2) An executive summary of the report required by subdivision (1) of this subsection.

(3) A listing of each entity referred to the Department by a North Carolina nonprofit corporation with which the Department contracts pursuant to this

section and any other information the Secretary determines is necessary or that is specifically requested in writing.

(4) An explanation of the response by the Department to any notifications of noncompliance submitted to the Department by the nonprofit corporation, as required by G.S. 143B-431A(e), including actions taken by the Department to prevent repeat or similar instances of noncompliance.

(5) For each activity in which the Secretary of Commerce solicits funds for the corporation, as permitted by subsection (i) of this section, a listing of each activity, including the date and the name of each person or entity from whom funds were solicited.

(6) If the nonprofit corporation or any affiliated entity of the corporation has received, directly or indirectly, any gift, contribution, or item or service of value for which fair market value was not paid and if an entity making the gift or contribution receives an award, a list of the entity and the amount of the award.

(g) Public Funds. – A North Carolina nonprofit corporation with which the Department contracts pursuant to this section shall comply with the requirements provided in this subsection regarding the use of State funds.

(1) Interest earned on State funds after receipt of the funds by the nonprofit corporation shall be used for the same purposes for which the principal was to be used.

(2) The travel and personnel policies and regulations of the State of North Carolina Budget Manual limiting reimbursement for expenses of State employees apply to reimbursements for expenses of officers, employees, or members of a governing board of the nonprofit corporation. Deviations from the policies and regulations shall be approved by the Secretary.

(3) State funds shall not be used to hire a lobbyist.

(h) Applicable Laws. – A North Carolina nonprofit corporation with which the Department contracts pursuant to this section is subject to the requirements and the exceptions of (i) Chapter 132 of the General Statutes and (ii) Article 33C of Chapter 143 of the General Statutes.

(i) Prohibition. – A State officer or employee, other than the Secretary of Commerce, shall not solicit funds for a North Carolina nonprofit corporation with which the Department contracts pursuant to this section. The Secretary of Commerce may solicit funds for the nonprofit corporation pursuant to G.S. 138A-31(b)(5).

(j) Benefits. – An officer, employee, or member of a governing board of a North Carolina nonprofit corporation with which the Department contracts pursuant to this section is not a State employee, is not covered by Chapter 126 of the General Statutes, and is not entitled to State-funded employee benefits, including membership in the Teachers' and State Employees' Retirement System and the State Health Plan for Teachers and State Employees."

SECTION 1.1.(b) G.S. 143B-431A(i), as enacted by this act, does not apply to employees of the Department of Commerce, other than employees involved in the recommendation and administration of State economic development incentive programs, prior to the time the Department contracts with a North Carolina nonprofit corporation pursuant to this act.

SECTION 1.1.(c) G.S. 132-6(d) reads as rewritten:

"(d) Notwithstanding the provisions of subsections (a) and (b) of this section, public records relating to the proposed expansion or location of specific business or industrial projects may be withheld so long as their inspection, examination or copying would frustrate the purpose for which such public records were created; provided, however, that nothing herein shall be construed to permit the withholding of public records relating to general economic

development policies or activities. Once the State, a local government, or the specific business has announced a commitment by the business to expand or locate a specific project in this State ~~or a final decision not to do so and the business has communicated that commitment or decision to the State or local government agency involved with the project,~~and that the business will receive a discretionary incentive for the project pursuant to Chapter 143B of the General Statutes, the provisions of this subsection allowing public records to be withheld by the agency no longer apply. If the specific business has requested discretionary incentives for the project pursuant to Chapter 143B of the General Statutes, but decides to not expand or locate the project in this State or does not receive such discretionary incentives, then the only records that are subject to disclosure pursuant to this Chapter are the records submitted to the Department of Commerce by the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431A. If a business decides to expand or locate a specific project in this State, but the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431A does not submit any documentation to the Department regarding a request for any discretionary incentives by the State pursuant to Chapter 143B of the General Statutes, and the business does not receive any such discretionary incentives, then any records regarding such project are not subject to disclosure pursuant to this Chapter. Once the provisions of this subsection no longer apply, the agency shall disclose as soon as practicable, and within 25 business days, public records requested for the announced project that are not otherwise made confidential by law. An announcement that a business or industrial project has committed to expand or locate in the State shall not require disclosure of local government records relating to the project if the business has not selected a specific location within the State for the project. Once a specific location for the project has been determined, local government records must be disclosed, upon request, in accordance with the provisions of this section. For purposes of this section, "local government records" include records maintained by the State that relate to a local government's efforts to attract the project."

SECTION 1.2.(a) G.S. 143B-434 is repealed.

SECTION 1.2.(b) G.S. 143B-434.01 reads as rewritten:

"**§ 143B-434.01. Comprehensive Strategic Economic Development Plan.**

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

~~(1) Board. – The Economic Development Board.~~

...

(6) Secretary. – The Secretary of Commerce or the governing board of a North Carolina nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431A for the performance of the Secretary's responsibilities under this section.

(b) ~~Board to Prepare~~ Plan. – The ~~Board~~ Secretary shall ~~prepare~~ review and update the existing Plan ~~by April 1, 1994~~ on or before April 1 of each year. ~~The Board shall review and update this Plan by April 1 of each year.~~ The ~~original~~ Plan shall cover a period of four years and each annual update shall extend the time frame by one year so that a four-year plan is always in effect. The ~~Board~~ Secretary shall provide copies of the Plan and each annual update to the Governor and the Joint Legislative Commission on Governmental Operations. The Plan shall encompass all of the components set out in this section.

(c) Purpose. – The purpose of this section is to require the ~~Board~~ Secretary to apply strategic planning principles to its economic development efforts. This requirement is expected to result in:

(1) The selection of a set of priority development objectives that recognizes the increasingly competitive economic environment and addresses the changing needs of the State in a more comprehensive manner.

(2) The effective utilization of available and limited resources.

(3) A commitment to achieve priority objectives and to sustain the process.

(d) (1) Public and Private Input. – At each stage as it develops and updates the Plan, the ~~Board~~ Secretary shall solicit input from all parties involved in economic development in North Carolina, including:

a. Each of the programs and organizations that, for State budget purposes, identifies economic development as one of its global goals.

b. Local economic development departments and regional economic development organizations.

c. The Board of Governors of The University of North Carolina.

(2) The ~~Board~~ Secretary shall also hold hearings in each of the Regions to solicit public input on economic development before the initial Plan is completed. The purposes of the public hearings are to:

a. Assess the strengths and weaknesses of recent regional economic performance.

b. Examine the status and competitive position of the regional resource base.

c. Identify and seek input on issues that are key to improving the economic well-being of the Region.

The ~~Board~~ Secretary shall hold additional hearings from time to time to solicit public input regarding economic development activities.

(3) Each component of the Plan shall be based on this broad input and, to the extent possible, upon a consensus among all affected parties. The ~~Board~~ Secretary shall coordinate its planning process with any State capital development planning efforts affecting State infrastructure such as roads and water and sewer facilities.

(e) Environmental Scan. – The first step in developing the Plan shall be to develop an environmental scan based on the input from economic development parties and the public and on information about the economic environment in North Carolina. To prepare the scan, the ~~Board~~ Secretary shall gather the ~~following~~ information required in this subsection and ensure that the information is updated periodically. The updated information may be provided in whatever format and through whatever means is most efficient. The information required to prepare the scan includes all of the following:

...

(f) Repealed by Session Laws 2012-142, s. 13.4(a), effective July 1, 2012.

(g) Vision and Mission Statements. – The ~~Board~~ Secretary shall develop a vision statement for economic development that would describe the preferred future for North Carolina and what North Carolina would be like if all economic development efforts were successful. The ~~Board~~ Secretary shall then develop a mission statement that outlines the basic purpose of each of North Carolina's economic development programs. Because special purpose nonprofit organizations are uniquely situated to conduct the entrepreneurial and high-risk activity of investing in and supporting new business creation in the State, they should be assigned a dominant role in this key component of economic development activity.

(h) Goals and Objectives. – The ~~Board~~ Secretary, using data from the public input and the environmental scan, shall formulate a list of goals and objectives. Goals shall be long-range, four years or more, and shall address both needs of economically distressed Regions and counties as well as opportunities for Regions and counties not distressed. The goals shall be developed with realism but should also be selected so as to encourage every Region and county within the State to develop to its maximum potential. Objectives shall be one year or less in scope and shall, if achieved, lead to the realization of the goals formulated by the ~~Board~~ Secretary as provided in this section.

Both goals and objectives should be stated largely in economic terms, that is, they should be related to specific population, employment, demographic targets, or economic sector targets.

Both efficiency and equity considerations are to be addressed and balanced with special emphasis placed on the needs of disadvantaged or economically distressed populations and communities. The goals and objectives should not state how the economic targets are to be reached, but rather what the economic conditions will be if they are obtained. So that the progress of North Carolina's economic development efforts can be monitored, the ~~Board~~ Secretary shall set objectives for each goal that allow measurement of progress toward the goal. Objectives should be quantifiable and time-specific in order to serve as performance indicators.

...

(j) Implementation Plan. – Based upon all of the foregoing steps, the ~~Board~~ Secretary shall establish an implementation plan assigning to the appropriate parties specific responsibilities for meeting measurable objectives. The implementation plan shall contain all necessary elements so that it may be used as a means to monitor performance, guide appropriations, and evaluate the outcomes of the parties involved in economic development in the State.

(k) Annual Evaluation. – The ~~Board~~ Secretary shall annually evaluate the State's economic performance based upon the statistics listed in this subsection and upon the ~~Board's~~ Secretary's stated goals and objectives in its Plan. The statistics upon which the evaluation is made should be available to policymakers. The information may be provided in whatever format and through whatever means is most efficient.

...

(l) Accountability. – The ~~Board~~ Secretary shall make all data, plans, and reports available to the General Assembly, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Economic Development and Global Engagement Oversight Committee, the Senate Appropriations Committee on Natural and Economic Resources, and the House of Representatives Appropriations Subcommittee on Natural and Economic Resources at appropriate times and upon request. The ~~Board~~ Secretary shall prepare and make available on an annual basis public reports on each of the major sections of the Plan and the Annual Report indicating the degree of success in attaining each development objective."

SECTION 1.2.(c) G.S. 143B-437.03 is repealed.

SECTION 1.3. The Department of Commerce shall study and develop a plan for contracting with a North Carolina nonprofit corporation pursuant to G.S. 143B-431A, as enacted by this act, for the performance of economic development activities and duties of the Department. The study shall include each of the following:

(1) The Department shall develop a plan for private fund-raising efforts for the nonprofit corporation for the performance of economic development functions. The study shall include the creation of a budget for the nonprofit corporation that provides for the performance of core functions of the corporation, including economic development functions, in the absence of private funds. The study shall compare the budget of the Department and the budget developed for the nonprofit corporation according to Department division and budget category, including personal services; purchased services; supplies; property, plant, and equipment; other expenses and adjustments; aid and public assistance; and other budget categories used by the Department. The study shall include a measurement and estimation of expected private fund-raising potential, and the Department shall examine the efforts of other states that have permitted public-private partnerships for economic development activities and report on the source or sources of funds for those partnerships, separately accounting for funds provided by the State and private funds.

(2) The Department shall report on each performance metric listed in this subdivision. The report shall analyze the Department's performance for each

metric for (i) the last full year prior to contracting for performance of the metric and (ii) the annual average for the five-year period preceding contracting for performance of the metric. The performance metrics to be reported upon are as follows:

a. For business recruitment:
   1. Number of jobs announced by the Department in total.
   2. Number of jobs announced resulting from recruitment of new businesses.
   3. Number of jobs announced resulting from existing business expansions.
   4. Total U.S. dollar amount of investment resulting from new projects.
   5. Total U.S. dollar amount of investment resulting from recruitment of new businesses.
   6. Total U.S. dollar amount of investment resulting from existing business expansions.
   7. Total U.S. dollar amount of foreign direct investment.

b. For business services:
   1. Number of existing businesses receiving support.
   2. Number of Business Services Team leads that lead to an expansion of existing businesses.
   3. Number of businesses receiving export assistance.
   4. Total U.S. dollar amount of exports by assisted companies.

c. For tourism and marketing:
   1. Number of consumer inquiries about travel to North Carolina.
   2. Total U.S. dollar amount of spending by visitors while in North Carolina.
   3. Total U.S. dollar amount of State and local tax revenues resulting from visitors' spending while in North Carolina.
   4. Number of business inquiries for business relocation, investment, and expansion.

d. Any other information or performance metrics allowing comparison between departmental and corporate performance for any other economic development division in the Department for which the Department contracts for performance with a North Carolina nonprofit corporation pursuant to this act.

e. Any other information or performance metrics deemed useful or necessary by the Department in the listed areas or other areas.

The Department shall make a report to the Office of State Budget Management, to the Joint Legislative Commission on Governmental Operations, to the Joint Legislative Economic Development and Global Engagement Oversight Committee, and to the Fiscal Research Division no later than December 1, 2014.

The Department shall require the nonprofit corporation to include in each report mandated by G.S. 143B-431A(e)(2) an analysis of the corporation's performance and a comparison to departmental performance using the same performance metrics studied and reported by the Department, as required by subdivision (2) of this section.

SECTION 1.4. G.S. 126-5 reads as rewritten:

"**§ 126-5. Employees subject to Chapter; exemptions.**

...

(c2) The provisions of this Chapter shall not apply to:

...

(5) Officers, employees, and members of the governing board of a North Carolina nonprofit corporation with which the Department of Commerce has contracted pursuant to the authority granted in G.S. 143B-431A.

...

(d) (1) Exempt Positions in Cabinet Department. – Subject to the provisions of this Chapter, which is known as the North Carolina Human Resources Act, the Governor may designate a total of 1,000 exempt positions throughout the following departments:

...

(2b) Designation of Liaison Positions. – Liaisons to the Collaboration for Prosperity Zones set out in G.S. 143B-28.1 for the Departments of Commerce, Environment and Natural Resources, and Transportation are designated as exempt.

...."

SECTION 1.5. Section 15.7A of S.L. 2013-360 is repealed.

SECTION 1.6. Section 1.5 of this act is effective when it becomes law. The remainder of this Part becomes effective July 1, 2014.

PART II. MODIFY NORTH CAROLINA BOARD OF SCIENCE AND TECHNOLOGY

SECTION 2.1. Part 18 of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 18. North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation.

"**§ 143B-472.80. North Carolina Board of ~~Science and Technology;~~ Science, Technology, and Innovation; creation; powers and duties.**

The North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation of the Department of Commerce is created. The Board has the following powers and duties:

...

(4) To advise and make recommendations to the Governor, the General Assembly, the Secretary of Commerce, and ~~the Economic Development Board~~ any North Carolina nonprofit corporation with which the Department of Commerce contracts pursuant to G.S. 143B-431A on the role of ~~science and technology~~ science, technology, and innovation in the economic growth and development of North Carolina.

...

"**§ 143B-472.81. North Carolina Board of ~~Science and Technology;~~ Science, Technology, and Innovation; membership; organization; compensation; staff services.**

(a) The North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation consists of the Governor, the Secretary of Commerce, and ~~17~~ 23 members appointed as follows: the Governor shall appoint one member from the University of North Carolina at Chapel Hill, one member from North Carolina State University at Raleigh, and two members from other components of the University of North Carolina, one of which shall be from a historically black college or university, all nominated by the President of the University of North Carolina; one member from Duke University, nominated by the President of Duke University; one member from a private college or university, other than Duke University, in North Carolina, nominated by the President of the Association of Private Colleges and Universities; one member of the North Carolina Community College System; one member representing K-12 public education; ~~one member from the Research Triangle Institute, nominated by the executive committee of the board of that institute; one member from the Microelectronics Center of North Carolina, nominated by the executive committee of the board~~

~~of that center; one member from the North Carolina Biotechnology Center, nominated by the executive committee of the board of that center; four~~ six members from private industry in North ~~Carolina, at least one of whom shall be a professional engineer registered pursuant to Chapter 89C of the General Statutes or a person who holds at least a bachelors degree in engineering from an accredited college or university; and two members from public agencies in North Carolina.~~Carolina; and seven at-large members. Two members shall be appointed by the General Assembly, one shall be appointed upon the recommendation of the President Pro Tempore of the Senate, and one shall be appointed upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. The nominating authority for any vacancy on the Board among members appointed by the Governor shall submit to the Governor two nominations for each position to be filled, and the persons so nominated shall represent different disciplines.

...."

SECTION 2.2. G.S. 143B-437.80 reads as rewritten:

"**§ 143B-437.80. North Carolina SBIR/STTR Incentive Program.**

(a) Program. – There is established the North Carolina SBIR/STTR Incentive Program to be administered by the North Carolina Board of ~~Science and Technology.~~Science, Technology, and Innovation. In order to foster job creation and economic development in the State, the Board may provide grants to eligible businesses to offset costs associated with applying to the United States Small Business Administration for Small Business Innovative Research (SBIR) grants or Small Business Technology Transfer Research (STTR) grants. The grants shall be paid from the One North Carolina Small Business Account established in G.S. 143B-437.71.

...

(c) Grant. – The North Carolina Board of ~~Science and Technology~~Science, Technology, and Innovation may award grants to reimburse an eligible business for up to fifty percent (50%) of the costs of preparing and submitting a SBIR/STTR Phase I proposal, up to a maximum of three thousand dollars ($3,000). A business may receive only one grant under this section per year. A business may receive only one grant under this section with respect to each federal proposal submission. Costs that may be reimbursed include costs incurred directly related to preparation and submission of the grant such as word processing services, proposal consulting fees, project-related supplies, literature searches, rental of space or equipment related to the proposal preparation, and salaries of individuals involved with the preparation of the proposals. Costs that shall not be reimbursed include travel expenses, large equipment purchases, facility or leasehold improvements, and legal fees.

(d) Application. – A business shall apply, under oath, to the North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation for a grant under this section on a form prescribed by the Board that includes at least all of the following:

...."

SECTION 2.3. G.S. 143B-437.81 reads as rewritten:

"**§ 143B-437.81. North Carolina SBIR/STTR Matching Funds Program.**

(a) Program. – There is established the North Carolina SBIR/STTR Matching Funds Program to be administered by the North Carolina Board of ~~Science and Technology.~~ Science, Technology, and Innovation. In order to foster job creation and economic development in the State, the Board may provide grants to eligible businesses to match funds received by a business as a SBIR or STTR Phase I award and to encourage businesses to apply for Phase II awards.

...

(c) Grant. – The North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation may award grants to match the funds received by a business through a SBIR/STTR Phase I proposal up to a maximum of one hundred thousand dollars

($100,000). Seventy-five percent (75%) of the total grant shall be remitted to the business upon receipt of the SBIR/STTR Phase I award and application for funds under this section. Twenty-five percent (25%) of the total grant shall be remitted to the business upon submission by the business of the Phase II application to the funding agency and acceptance of the Phase I report by the funding agency. A business may receive only one grant under this section per year. A business may receive only one grant under this section with respect to each federal proposal submission. Over its lifetime, a business may receive a maximum of five awards under this section.

(d) Application. – A business shall apply, under oath, to the North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation for a grant under this section on a form prescribed by the Board that includes at least all of the following:

...."

SECTION 2.4. This Part becomes effective July 1, 2014.

PART III. CREATION OF COLLABORATION FOR PROSPERITY ZONES

SECTION 3.1. Intent to create Collaboration for Prosperity Zones. – It is the intent of the General Assembly to establish geographically uniform zones in this State to facilitate collaborative and coordinated planning and use of resources, to improve cooperation with other governmental and nonprofit entities at the local and regional level, to facilitate administrative efficiencies within State government, to receive advice on economic development issues by local boards established by a North Carolina nonprofit corporation with which the Department of Commerce contracts, and, to the extent feasible, to establish one-stop sources in each region for citizens and businesses seeking State services at a regional level.

SECTION 3.2. Article 1 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-28.1. Create Collaboration for Prosperity Zones.**

For purposes of enhanced collaboration and cooperation between governmental agencies, planning, use of resources, and improved efficiency at a regional level, the State is hereby divided into eight permanent zones as follows:

(1) Western Region, consisting of Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, Polk, Rutherford, Swain, and Transylvania Counties.

(2) Northwest Region, consisting of Alleghany, Ashe, Alexander, Avery, Burke, Caldwell, Catawba, McDowell, Mitchell, Watauga, Wilkes, and Yancey Counties.

(3) Southwest Region, consisting of Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Stanly, and Union Counties.

(4) Piedmont-Triad (Central) Region, consisting of Alamance, Caswell, Davidson, Davie, Forsyth, Guilford, Randolph, Rockingham, Stokes, Surry, and Yadkin Counties.

(5) North Central Region, consisting of Chatham, Durham, Edgecombe, Franklin, Granville, Harnett, Johnston, Lee, Nash, Orange, Person, Vance, Wake, Warren, and Wilson Counties.

(6) Sandhills (South Central) Region, consisting of Bladen, Columbus, Cumberland, Hoke, Montgomery, Moore, Richmond, Robeson, Sampson, and Scotland Counties.

(7) Northeast Region, consisting of Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Halifax, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Pitt, Tyrrell, and Washington Counties.

(8) Southeast Region, consisting of Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, and Wayne Counties."

SECTION 3.3. The Departments of Commerce, Environment and Natural Resources, and Transportation, the Community Colleges System Office, and the State Board of Education shall, by January 1, 2015, report to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee on how they plan to establish Collaboration for Prosperity Zones as defined by this act.

SECTION 3.4. G.S. 115C-65 reads as rewritten:

"**§ 115C-65. State divided into districts.**

The State of North Carolina shall be divided into eight educational ~~districts~~ districts, which shall match the composition of the zones set forth in G.S. 143B-28.1 ~~embracing the counties herein set forth:~~

~~**FIRST DISTRICT**~~

~~Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Hertford, Hyde, Martin, Pasquotank, Perquimans, Pitt, Tyrrell, Washington.~~

~~**SECOND DISTRICT**~~

~~Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Sampson, Wayne.~~

~~**THIRD DISTRICT**~~

~~Durham, Edgecombe, Franklin, Granville, Halifax, Johnston, Nash, Northampton, Vance, Wake, Warren, Wilson.~~

~~**FOURTH DISTRICT**~~

~~Bladen, Columbus, Cumberland, Harnett, Hoke, Lee, Montgomery, Moore, Richmond, Robeson, Scotland.~~

~~**FIFTH DISTRICT**~~

~~Alamance, Caswell, Chatham, Davidson, Forsyth, Guilford, Orange, Person, Randolph, Rockingham, Stokes.~~

~~**SIXTH DISTRICT**~~

~~Anson, Cabarrus, Cleveland, Gaston, Lincoln, Mecklenburg, Stanly, Union.~~

~~**SEVENTH DISTRICT**~~

~~Alexander, Alleghany, Ashe, Avery, Burke, Caldwell, Catawba, Davie, Iredell, Rowan, Surry, Watauga, Wilkes, Yadkin.~~

~~**EIGHTH DISTRICT**~~

~~Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Yancey.~~"

SECTION 3.5. Section 3.4 of this act becomes effective April 1, 2015. Members of the State Board of Education appointed by the Governor and confirmed by the General Assembly prior to 2015 with terms ending in 2017, 2019, and 2021 shall be designated as the appointees of the following districts for the remainder of the member's current term:

a. Western Region: Wayne McDevitt
b. Southwest Region: Gregory Alcorn
c. Piedmont Triad (Central) Region: A.L. Collins
d. Sandhills (South Central) Region: Olivia Oxendine
e. Northeast Region: Rebecca Taylor
f. Southeast Region: Reginald Kenan

The remainder of this Part becomes effective July 1, 2014.

PART IV. REQUIRE AT LEAST ONE LIAISON IN EACH COLLABORATION FOR PROSPERITY ZONE

SECTION 4.1. No later than January 1, 2015, the Departments of Commerce, Environment and Natural Resources, and Transportation shall have at least one employee physically located in the same office in each of the Collaboration for Prosperity Zones set out in G.S. 143B-28.1 to serve as that department's liaison with the other departments and with local governments, schools and colleges, planning and development bodies, and businesses in that zone. The departments shall jointly select the office. For purposes of this Part, the Department of Commerce may contract with a North Carolina nonprofit corporation pursuant to G.S. 143B-431A, as enacted by this act, to fulfill the departmental liaison requirements for each office in each of the Collaboration for Prosperity Zones.

No later than January 1, 2015, the Community Colleges System Office shall designate at least one representative from a community college or from the Community Colleges System Office to serve as a liaison in each Collaboration for Prosperity Zone for the community college system, the community colleges in the zone, and other educational agencies and schools within the zone. A liaison may be from a business center located in a community college. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

No later than January 1, 2015, the State Board of Education shall designate at least one representative from a local school administrative unit or from the Department of Public Instruction to serve as a liaison in each Collaboration for Prosperity Zone for the local school administrative units and other public schools within the zone. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

SECTION 4.2. In addition to other related tasks assigned by their respective agencies, liaisons in each Collaboration for Prosperity Zone shall work to enhance collaboration and cooperation between their departments and other State agencies, local governmental agencies, and other regional public and nonprofit entities. The liaisons from the Departments of Environment and Natural Resources and Transportation shall work to consolidate and simplify the process for citizens and businesses seeking permits from their respective agencies. The liaisons from the Department of Commerce shall be used to support local economic development efforts, to coordinate such efforts, and to coordinate the Department of Commerce's activities within each Collaboration for Prosperity Zone. The liaisons from the community college system and local school administrative units shall work closely with the Department of Commerce and other State and local governmental agencies and local businesses in the zone to promote job development through career technical education.

SECTION 4.3.(a) The Departments of Transportation and Environment and Natural Resources shall jointly report to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, the Environmental Review Commission, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee, as follows:

(1) No later than January 1, 2015, on the establishment of collocated liaisons within each Collaboration for Prosperity Zone and a description of the activities the liaisons have been assigned to perform.

(2) No later than April 1, 2015, on the activities of the liaisons, specifically any activities undertaken that resulted in enhanced collaboration and coordination with the other Department and with other governmental agencies, improved administrative efficiencies, and any steps taken to make services to citizens and businesses within each zone more efficient, economical, and user-friendly.

SECTION 4.3.(b) The Community Colleges System Office and the State Board of Education shall each report to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Education Oversight Committee, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee, as follows:

(1) No later than January 1, 2015, on the establishment of liaisons within each Collaboration for Prosperity Zone and a description of the activities the liaisons have been assigned to perform.

(2) No later than April 1, 2015, on the activities of the liaisons, specifically any activities undertaken that resulted in enhanced collaboration and coordination with other governmental agencies, improved planning on use of educational resources, and improved administrative efficiencies.

SECTION 4.3.(c) The Department of Commerce shall include in its first report under G.S. 143B-431(f), as enacted by this act, a report on the establishment and activities of its liaisons in each Collaboration for Prosperity Zone. The Department of Commerce shall send a copy of this report to the Office of State Budget and Management, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee.

SECTION 4.4. The Departments of Commerce, Environment and Natural Resources, and Transportation, the Community Colleges System Office, and the State Board of Education shall use funds available to carry out the requirements of this section. Nothing in this act shall be construed as an authorization for payment of additional compensation for persons serving as liaisons.

SECTION 4.5. This Part becomes effective July 1, 2014, and expires July 1, 2018.

PART V. GENERAL ASSEMBLY REVIEW OF REPORTS

SECTION 5. It is the intent of the General Assembly to receive and review the reports required by Section 4.3 of this act concerning the creation of the Collaboration for Prosperity Zones and to use those reports to further address the following topics:

(1) Enhancing collaboration and cooperation between State and other governmental agencies in order to streamline and improve services to citizens and businesses, to make such services more user-friendly, and to implement collaborative and cooperative interagency measures to enhance access to services.

(2) Reducing barriers faced by citizens and businesses in accessing services that are unnecessarily caused by agency specialization, which may produce a "silo mentality."

(3) Additional recommendations regarding liaison personnel, including expanding the requirement to other State departments.

(4) Ways to integrate collaboration between educational institutions in each Collaboration for Prosperity Zone on the one hand and other governmental agencies and local businesses on the other.

(5) Requiring the establishment of interagency one-stop shops in each Collaboration for Prosperity Zone.

(6) Consolidating programs or services.

(7) Cross-training employees.

(8) Identifying offices, equipment, and support services that may be efficiently and economically shared between agencies in each Collaboration for Prosperity Zone.

(9) The grouping of counties within each Collaboration for Prosperity Zone to determine whether there is a better configuration while keeping the same overall number of zones.

PART VI. THE FILM AND ENTERTAINMENT GRANT FUND

SECTION 6.1. Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-437.02A. The Film and Entertainment Grant Fund.**

(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a special, non-reverting account to be known as the Film and Entertainment Grant Fund to provide funds to encourage the production of motion pictures, television shows, and commercials and to develop the film-making industry within the State. The Department of Commerce shall adopt rules providing for the administration of the program. Those rules may provide for the Secretary to award the grant proceeds over a period of time, not to exceed three years. Those rules shall include the following provisions, which shall apply to each grant from the account:

(1) The funds are reserved for a production on which the production company has qualifying expenses of at least the following:

a. For a feature-length film, ten million dollars ($10,000,000).

b. For a video or television series, one million dollars ($1,000,000) per episode.

c. For a commercial for theatrical or television viewing, five hundred thousand dollars ($500,000).

(2) The funds are not used to provide a grant in excess of any of the following:

a. An amount more than twenty-five percent (25%) of the qualifying expenses for the production.

b. An amount more than five million dollars ($5,000,000) for a feature-length film, more than five million dollars ($5,000,000) for a television or video series, or two hundred fifty thousand dollars ($250,000) for a commercial for theatrical or television viewing.

(3) The funds are not used to provide a grant to more than one production company for a single production.

(4) The funds are not used to provide a grant for a production that meets one or more of the following:

a. It contains material that is obscene, as defined in G.S. 14.190.1.

b. It has the primary purpose of political advertising, fundraising, or marketing, other than by commercial, a product or service.

c. News programming, including weather, financial market, and current events reporting.

d. Live sporting event programming, including pre-event and post-event coverage and scripted sports entertainment. For purposes of this exception, a live sporting event is a scheduled sporting competition, game, or race that is originated solely by an amateur, collegiate, or professional organization, institution, or association for live or tape-delayed television or satellite broadcast. The term does not include commercial advertising, an episodic television series, a television pilot, a music video, a motion picture, or a documentary production in which sporting events are presented through archived historical footage or similar footage taken at least 30 days before it is used.

e. Radio productions.

f. It is a talk, game, or awards show, or other gala event. For purposes of this exception, an awards show is television programming involving the filming of a ceremony in which individuals, groups, or organizations are given an award.

g. It fails to contain, in the end credits of the production, a statement that the production was 'Filmed in North Carolina', a logo provided by the North Carolina Film Office, and an acknowledgement of the regional film office responsible for the geographic area in which the filming of the production occurred. Additionally, the production company will offer marketing opportunities to be evaluated by the North Carolina Film Office to ensure that they offer promotional value to the State.

(5) Priority for the use of funds shall be given to productions that are reasonably anticipated to maximize the benefit to the State, in consideration of at least the following factors:

a. Percentage of employees that are permanent residents in the State.

b. The extent to which the production features identifiable attractions or State locales in a manner that would be reasonably expected to induce visitation by nonresidents of the State to the attraction or locale.

c. The extent to which the production invests in permanent improvements to open, public spaces, commercial districts, traditional downtown areas, public landmarks, residential areas, or similar properties or areas.

d. The extent to which the production will be filmed in an economically distressed county or area of the State.

e. The duration of production activities in the State.

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

(1) Department. – The Department of Commerce.

(2) Employee. – A person who is employed for consideration for at least 35 hours a week and whose wages are subject to withholding under Article 4A of Chapter 105 of the General Statutes.

(3) Highly compensated individual. – An individual who directly or indirectly receives compensation in excess of one million dollars ($1,000,000) for personal services with respect to a single production. An individual receives compensation indirectly when a production company pays a personal service company or an employee leasing company that pays the individual.

(4) Loan out company. – A personal service corporation that employs an individual who is hired by a film or digital media production company.

(5) Production. – Any of the following:
a. A motion picture intended for commercial distribution to a motion picture theater or directly to the consumer viewing market that has a running time of at least 75 minutes.
b. A video or television series or a commercial for theatrical or television viewing. For video and television series, a production is all of the episodes of the series produced for a single season.
(6) Production company. – Defined in G.S. 105-164.3.
(7) Qualifying expenses. – The sum of the following amounts substantiated pursuant to subsection (d) of this section and spent in this State by a production company in connection with a production, less the amount paid in excess of one million dollars ($1,000,000) to a highly compensated individual:
a. Goods and services leased or purchased. For goods with a purchase price of twenty-five thousand dollars ($25,000) or more, the amount included in qualifying expenses is the purchase price less the fair market value of the good at the time the production is completed. Goods and services includes the costs of tangible and intangible property used for, and services performed primarily and customarily in, production, including preproduction and postproduction and other direct costs of producing the project in accordance with generally accepted entertainment industry practices. Goods and services exclude costs for development, marketing, and distribution.
b. Compensation and wages and payments on which withholding payments are remitted to the Department of Revenue under Article 4A of Chapter 105 of the General Statutes. Payments made to a loan out company for services provided in North Carolina shall be subject to gross income tax withholding at the applicable rate under the Article 4 of Chapter 105 of the General Statutes.
c. Employee fringe contributions, including health, pension, and welfare contributions.
d. Per diems, stipends, and living allowances paid for work being performed in this State.
(8) Related member. – Defined in G.S. 105-130.7A.
(9) Secretary – The Secretary of Commerce

(c) Application. – A production company shall apply, under oath, to the Secretary for a grant on a form prescribed by the Secretary. The Secretary shall evaluate the applications to ensure the production's content is created for entertainment purposes. The application shall include all documentation and information the Secretary deems necessary to evaluate the grant application. When filing an application under this section, the business shall pay the Department a fee of one thousand dollars ($1,000). The fee is due at the time the application is filed. The proceeds of the fee are receipts of the Department.

(d) Substantiation. – The Secretary shall work with the North Carolina Film Office to adopt rules to provide a process to verify the actual qualifying expenses of a certified production. The Secretary may not release grant funds until the substantiation process required by this subsection is complete and the final verified amount of qualified expenses is determined. The process shall require each of the following:

(1) The production company shall submit all the qualifying expenses for the production and data substantiating the qualifying expenses, including documentation on the net expenditure on equipment and other tangible

personal property to an independent certified public accountant licensed in this State.

(2) The accountant shall conduct a compliance audit, at the certified production's expense, pursuant to rules established by the Secretary and submit the results as a report, along with the required substantiating data, to the production company and the North Carolina Film Office.

(3) The North Carolina Film Office shall review the report and advise the Department on the final verified amount of qualifying expenses made by the certified production.

(e) Report. – The Department shall provide to the Department of Revenue, and the Department of Revenue must include in the economic incentives report required by G.S. 105-256, the following information, itemized by production company:

(1) The location of sites used in a production for which a grant was awarded.

(2) The qualifying expenses, classified by whether the expenses were for goods, services, or compensation paid by the production company.

(3) The number of people employed in the State with respect to grants awarded, including the number of residents of the State employed.

(4) The total cost of the grants awarded.

(f) NC Film Office. – To claim a grant under this section, a production company must notify the Division of Tourism, Film, and Sports Development in the Department of Commerce of its intent to apply for a grant. The notification must include the title of the production, the name of the production company, a financial contact for the production company, the proposed dates on which the production company plans to begin filming the production, and any other information required by the Division."

SECTION 6.2. There is appropriated from the Repairs and Renovations Reserve to the Film and Entertainment Grant Fund the sum of ten million dollars ($10,000,000) for the 2014-2015 fiscal year in nonrecurring funds.

SECTION 6.3. There is appropriated from the Savings Reserve to the Film and Entertainment Grant Fund the sum of ten million dollars ($10,000,000) for the 2014-2015 fiscal year in nonrecurring funds.

SECTION 6.4. This Part becomes effective January 1, 2015, and expires July 1, 2020. The Secretary shall not award a grant for any qualifying expenses for which a taxpayer receives a tax credit under G.S. 105-130.47 or G.S. 105-151.29.

PART VII. EFFECTIVE DATE AND CONSTRUCTION

SECTION 7.1. Nothing in this act shall be construed to obligate the General Assembly to appropriate funds to implement this act.

SECTION 7.2. Except as otherwise provided, this act is effective when it becomes law.

SENATE BILL 743:
NC Econ. Dev. Partnership Modifications

2013-2014 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	June 4, 2014
Introduced by:	Sen. Brown	**Prepared by:**	Dan Ettefagh Committee Counsel
Analysis of:	PCS to Second Edition S743-CSMC-29		

SUMMARY: ***The PCS for Senate Bill 743 would (i) permit the Department of Commerce to contract with a North Carolina nonprofit corporation for the performance of certain economic development functions currently performed by the Department, (ii) eliminate the Economic Development Board, (iii) modify the duties and membership of the North Carolina Board of Science and Technology, and (iv) establish 8 geographic zones in the State for inter-departmental cooperation purposes and (v) enact the Film and Entertainment Grant Fund.***

[As introduced, this bill was identical to H1031, as introduced by Rep. Murry, which is currently in House Commerce and Job Development Subcommittee on Biotechnology and Health Care.]

BILL ANALYSIS:

Part I of the bill establishes the framework for the Department of Commerce to contract with a nonprofit corporation to assist the Department in fostering and retaining jobs and business development, international trade, marketing, and travel and tourism. The bill incorporates a number of requirements regarding contracting that can be broadly categorized as follows: limitations on scope, oversight requirements, contractual pre-requisites, mandatory contract terms, reporting requirements, applicability of laws provisions.

Limitations on Scope: The contract for performance is limited in scope by disallowing for the contracting of the following economic development functions of the Department:

- The obligation or commitment of funds under Article 10 (Commerce) of Chapter 143B of the General Statutes; however, marketing and recruitment relating to economic development programs would fall within the purview of the nonprofit corporation.
- The Division of Employment Security, including the administration of unemployment insurance.
- The functions, powers, duties, and obligations vested in the State Board of Alcoholic Control, the North Carolina Utilities Commission, the North Carolina Industrial Commission, the State Banking Commission and the Commissioner of Banks, the Savings Institutions Division, the Credit Union Commission, the North Carolina Mutual Burial Association Commission, and the North Carolina Rural Electrification Authority.
- The administration of federal funds or grants.

Oversight: A nonprofit corporation contracted with by the Department would be overseen by an Economic Development Accountability & Standards Committee, consisting of the Secretaries of Commerce (Chair), Transportation, Environment and Natural Resources, and Revenue, one member appointed by the Speaker of the House, one member appointed by the President Pro Tempore of the Senate, and one member jointly appointed by the Speaker and President Pro Temp. No member may be

a member of the General Assembly. The Committee would meet at least quarterly and would function to do the following:

- Monitor/oversee the performance of the contract by the nonprofit corporation.
- Receive, review, and refer complaints, as appropriate.
- Request enforcement of the contract by the Attorney General or the Department.
- Audit, via the State Auditor, the records of the nonprofit corporation to verify data affecting performance and reports.
- Coordinate economic development grant programs between the Departments of Commerce, Transportation, and Environment and Natural Resources.
- Perform other contractual duties.

Contractual Pre-requisites: The contractual authority granted in the bill and the permission to receive State funds by a nonprofit pursuant to a contract exist only if certain requirements are satisfied, as follows:

- At least 45 days prior to entering or substantively amending the contract, the Department submits the contract and a detailed explanation to GovOps and the Fiscal Research Division.
- The nonprofit corporation's governing board meets the following requirements:
    - It is composed of 17 members (9 Governor appointees, including the chair, 4 Senate appointees, and 4 House appointees). The appointees should reflect the geographic diversity of the State, and the Governor's appointees should meet expertise requirements.
    - No State officer or employee may serve on the board.
    - The board must meet at least quarterly and report to the Economic Development Accountability & Standards Committee on economic development progress.
    - The board must provide advice concerning economic and community development planning for the State, recommend economic development policy, recommend appropriations levels for economic development programs, and recommend how to coordinate economic development efforts amount involved agencies and entities.
    - The nonprofit corporation must adhere to the restrictions on lobbying set forth in Section 501(c)(3) of the Internal Revenue Code.
- The amount of State funds used for annual salaries for individual employees and officers of the corporation is capped at the greater of $120,000 per annum or the amount most recently set by the General Assembly in a budget act.
- The nonprofit corporation receives from sources other than the State funds totaling at least $250,000.

Mandatory Contract Terms: A contract authorized by the bill must contain the following terms:

- A provision requiring annual audited financial statements be submitted within 7 days of issuance to the Fiscal Research Division, the Joint Legislative Economic Development and Global Engagement Oversight Committee, and the Department.

- A provision requiring annual reporting to the Department on program activities, objectives, accomplishments, expenditures, and fund sources, as well as jobs anticipated to result from the nonprofit's activities (including project leads not submitted to the Department for possible discretionary incentives), itemized performance metrics, proposed amendments to areas of expertise for the governing board, and an explanation of how salaries are determined (base pay and bonus pay, including bonuses designed to aid rural/low-income area development). The report must also include any additional information requested by the Department.
- A provision requiring that, upon termination or repeal of the charter of the corporation or dissolution of the corporation, the corporation's assets and funds (including those of affiliated and subsidiary entities) must be returned to the Department within 30 days (during which no further encumbering may occur).
- A provision requiring the corporation to adopt and publish policies on ethics, conflicts of interest, and gifts.

  The ethics policy should provide, at a minimum, for the need to obey all applicable laws re: actions taken, the need to uphold the integrity/independence of the board and nonprofit, the need to avoid impropriety and faithfully perform their duties, and the need to conduct the affairs of the board and nonprofit in an open and public manner and to avoid conflicts of interest.

  The conflict of interest provision should provide, at a minimum, the need to avoid use of the official position to profit themselves, their immediate families or businesses in a way that is greater than similarly located and situated people or businesses. Otherwise, abstinence from voting on or discussing the matter is appropriate.

  The gift policy should provide, at a minimum, that an employee, officer, or member of the board should not knowingly accept a gift from a person seeking to do business in the State or that has a financial interests that may be substantially and materially affected in a way different than the public due to the corporate personnel's job performance. Excepted from the gift prohibition are gifts of food, beverages, transportation, lodging, entertainment, or related expenses associated with recruitment, travel, tourism, and trade if unsolicited and not in trade for job performance and if reported within 30 days to the corporation, including value, description, and explanation of how the gift contributed to recruitment, travel, tourism, or trade. Also excepted are gifts less than $100 in value if customarily given in another country as protocol.
- A provision requiring the corporation to maintain a record of all contributors, including date and aggregate total of all contributions, which is included in the report to the Department.
- A provision requiring separate accounts and bookkeeping by the corporation for State and private funds and prohibiting commingling of funds.
- A provision providing the corporation will not engage in awarding public or private funds of the nonprofit corporation.
- A provision limiting the term and renewal provisions of the contract between the Department and the nonprofit corporation. The maximum initial term is 5 years. The maximum number of term extensions is 4. The maximum single term extension is 1 year. No extension may occur prior to 4/5 of the initial term passing.

- A provision limiting the severance pay of the chief officers to the lesser of $120,000 or (number of whole years in chief officer position/4) x ($120,000).
- An annual certification that the corporation is in compliance with the North Carolina Nonprofit Corporation Act and has complied with all mandatory contract terms (or an explanation of noncompliance).
- A provision requiring the nonprofit to comply with the travel and tourism policy act if the Department contracts with the nonprofit to promote and market tourism.
- A provision requiring fundraising results of at least $750k in the first year of the contract and at least $1.25M in each additional year of the contract.
- A provision that financial obligations by State agencies are subject to the availability of appropriated funds or available funds that are not State funds as defined by Chapter 143C.

Reporting and Applicability of Laws: The Department must annually report to EDGE, GovOps, and the Fiscal Research Division on any performance for which the Department has contracted with a nonprofit corporation. The report must contain the report received by the Department from the nonprofit, an executive summary of that report, a listing of each entity for which the corporation has referred to the Department, an explanation of response by the Department for corporate noncompliance with mandatory contract terms, and any soliciting of funds by the Secretary of Commerce on behalf of the corporation. A corporation contracted with must adhere to public records laws and open meetings laws. Regarding State funds, the PCS provides (i) interest earned on State funds must be used for the same purposes as the principal, (ii) travel and personnel expenses reimbursed by State funds must adhere to reimbursement limitations in the North Carolina Budget manual used for State employees (deviations must be approved by the Secretary), and (iii) State funds may not be used for hiring a lobbyist.

The PCS makes clear the Secretary can engage in solicitation of funds for the corporation, but other State employees cannot engage in solicitation of funds for the corporation. In addition, corporate personnel are not State employees, are not covered by the State Personnel Act, and are not entitled to State-funded employee benefits.

Although made subject to the open records law, the PCS modifies the public records laws. Under current law, public records relating to the proposed expansion or location of specific business or industrial projects may be withheld; however, once there is an announcement to expand or locate a project in the State (or a final, communicated decision not to), the records withheld become public. Under the PCS, a final, communicated decision not to expand or locate no longer removes the provision allowing the withholding of public records. Also, if a business requests discretionary incentives for a project but does not expand or locate in the State or does not receive the discretionary incentives, the only records subject to the public records law are the records submitted to the Department by the nonprofit. If a business expands/located in the State but the nonprofit submits no documentation to the Department regarding discretionary incentives and if the business does not receive discretionary incentives, the records regarding the project are not subject to the public records laws.

The remaining provisions of Part I include (i) a repeal of the Economic Development Board, (ii) an authorization to allow the Secretary to delegate the Secretary's responsibilities with respect to a comprehensive strategic economic development plan to the governance board of the nonprofit corporation with which the Department has contracted, (iii) a requirement that the governing board of the nonprofit corporation continue functions previously performed by the Economic Development Board, (iv) an exemption for Collaboration for Prosperity Zone liaisons and officers, board members,

and employees of the nonprofit corporation from certain provisions of the State Personnel Act, and (v) a requirement that the Department study and develop:

- A plan for private fundraising efforts for the nonprofit corporation, including private fundraising potential, private fundraising in other states, creating a budget for the corporation without private fundraising and comparing the budget with amounts required by the Department for the same functions.
- A report on various performance metrics for the Department for the last year and annual averages for the last 5 years. The Department must report to OSBM, GovOps, EDGE, and FRD no later than 12/1/14, and the Department must require the nonprofit corporation to report on the same metrics for comparison purposes to Departmental performance.

Part I of the bill repeals the budgetary provision authorizing privatization of Departmental functions.

Part II of the bill renames the North Carolina Board of Science and Technology as the North Carolina Board of Science, Technology, and Innovation, which would gain the duty to advise and make recommendations to the nonprofit corporation on the role of science, technology, and innovation. The composition of the Board would be changed, increasing from 17 to 23 members. New members include one member of the North Carolina Community Colleges System, one member representing K-12 public education, 2 additional private industry members, and 7 at-large members. Of the existing two members appointed by the Governor from components of The University of North Carolina system other than UNC-CH and NCSU, one member must be from a historically black college or university.[1] Eliminated members include one member from the Research Triangle Institute (nominated by its executive committee), one member from the Microelectronics Center of NC (nominated by its executive committee), one member from the Biotechnology Center (nominated by its executive committee), and two members from public agencies in the State. An additional elimination is the requirement that at least one member be a professional, registered engineer with a degree from an accredited college or university.

Part III of the bill divides the State into 8 geographic regions to facilitate collaborative and coordinated planning and resource use, improve cooperation, facilitate increased efficiencies, receive advice on economic development issues by local boards established by a nonprofit corporation, and establish one-stop assistance in each region for citizens and businesses. The bill would require that the Departments of Commerce, Environment and Natural Resources, and Transportation each provide one employee to each regional office to serve as that department's liaison with other departments and with local governments, schools and colleges, businesses, and other developmental planning bodies. The Community Colleges System Office and State Board of Education would also be required to designate one representative to serve as a liaison in each zone. Office location shall be jointly selected, and Commerce would be authorized to contract with the nonprofit corporation to fulfill the Department's liaison responsibilities. Part IV includes reporting requirements on the establishment and activities of liaisons by Commerce, the Community Colleges System Office, the State Board of Education, the Department of Transportation and DENR. Finally, Part IV modifies the existing educational districts to match the Prosperity Zone composition.

Part V of the bill provides for review of reports and intent to address certain topics by the General Assembly.

Part VI of the bill would enact the Film and Entertainment Grant Fund in the Department of Commerce. The Fund is a special, non-reverting account used to provide grants to films, tv series, video series, and

[1] The appointments from UNC-Chapel Hill and NCSU are unchanged by the bill.

commercials produced in the State. The Department would adopt rules for the administration of the program, including:

- Grants may be given in periods up to 3 years.
- Funds cannot be used for productions unless they meet minimum qualifying expenses[2] of $10M for films, $1M per episode for tv/video series, and $500k for commercials. Grants cannot exceed 25% of qualifying expenses and are capped at $5M for a film and tv/video series and at $250k for a commercial.
- Funds cannot go to more than one production company for a single production.
- Funds cannot go to a production that is obscene, political advertising, fundraising, marketing (other than by commercial), news programming, live sporting events, radio productions, talk/game/awards/gala shows, or productions that do not have, in the end credits a statement of filming in NC, the NC Film Office logo, and acknowledgement of any involved local film offices.
- Priority for funds are based on reasonable expectations of benefit to the State using, among other factors, percentage of NC residents employed, extent the production is likely to increase tourism, extent to which the production invests money in permanent improvements, extent to which the production occurs in economically distressed areas in the State, and the duration of the production activities.

To obtain a grant, the production company must apply to the Secretary and pay an application fee of $1,000. Qualifying expenses must undergo a substantiation process, including (i) submission of qualifying expenses and documentation to an independent CPA licensed in the State, (ii) auditing by the CPA of the expenses and reporting to the production company and the NC Film Office, and (iii) review of the report and advice to the Department on the final, verified amount of qualifying expenses.

The Department must report to the Department of Revenue, which must include in the Economic Incentives Report, the following information, itemized by production company: (i) the location of sites used, (ii) qualifying expenses, (iii) number of NC residents employed, and (iv) total cost of the grants awarded.

To claim a grant, the production company must notify the Division of Tourism, Film, and Sports Development of the intent to claim a grant and include the title of the production, the name and financial contact of the production company, the proposed dates for when production will begin filming, and any other required information.

The fund is funded by two appropriations in the bill, each for $10M, coming from the Repairs and Renovations Reserve and the Savings Reserve.

EFFECTIVE DATE: Other than the repeal of the budgetary privatization provision, which becomes effective when the act becomes law, Parts I, II, and III become effective 7/1/14. Part IV becomes effective 7/1/14 and expires 7/1/18. Part VI becomes effective 1/1/15 and expires 7/1/20. The remainder of the act is effective when it becomes law.

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[2] Qualifying expenses are amounts spent on goods and services leased, compensation and wages on which withholding payments are remitted (excluding amounts over $1M), fringe benefits, per diems, stipends, and living allowances.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

S D

SENATE BILL 743*
PROPOSED COMMITTEE SUBSTITUTE S743-PCS35557-MC-24

Short Title: NC Econ. Dev. Partnership Modifications. (Public)

Sponsors:

Referred to:

May 15, 2014

A BILL TO BE ENTITLED

AN ACT TO FACILITATE ECONOMIC DEVELOPMENT WITHIN THE STATE.

The General Assembly of North Carolina enacts:

PART I. AUTHORIZE CONTRACTING OF ECONOMIC DEVELOPMENT FUNCTIONS BY THE DEPARTMENT OF COMMERCE

SECTION 1.1.(a) Part 1 of Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-431A. Department of Commerce – contracting of functions.**

(a) Purpose. – The purpose of this section is to establish a framework whereby the Department of Commerce may contract with a North Carolina nonprofit corporation to assist the Department in fostering and retaining jobs and business development, international trade, marketing, and travel and tourism. It is the intent of the General Assembly that the Department develop a plan to work cooperatively with a nonprofit corporation for these purposes while safeguarding programmatic transparency and accountability as well as the fiscal integrity of economic development programs of the State.

(b) Contract. – The Department of Commerce is authorized to contract with a North Carolina nonprofit corporation to perform one or more of the Department's functions, powers, duties, and obligations set forth in G.S. 143B-431, except as provided in this subsection. If the Department contracts with a North Carolina nonprofit corporation to promote and grow the travel and tourism industries, then all funds appropriated to the Department for tourism marketing purposes shall be used for a research-based, comprehensive marketing program directed toward consumers in key markets most likely to travel to North Carolina and not for ancillary activities, such as statewide branding and business development marketing. The Department may not contract with a North Carolina nonprofit corporation regarding any of the following:

(1) The obligation or commitment of funds under this Article, such as the One North Carolina Fund, the Job Development Investment Grant Program, the Industrial Development Fund, or the Job Maintenance and Capital Development Fund.

(2) The Division of Employment Security, including the administration of unemployment insurance.

(3) The functions set forth in G.S. 143B-431(a)(2).

(4) The administration of funds or grants received from the federal government or its agencies.

(c) Oversight. – There is established the Economic Development Accountability & Standards Committee, which is a Board as that term is defined in G.S. 138A-3 of the State Government Ethics Act. The Committee shall consist of seven members as follows: the Secretary of Commerce as Chair of the Committee, the Secretary of Transportation, the Secretary of Environment and Natural Resources, the Secretary of Revenue, one member appointed by the Speaker of the House of Representatives, one member appointed by the President Pro Tempore of the Senate, and one member jointly appointed by the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

The members of the Committee who are appointed by the Speaker of the House of Representatives or by the President Pro Tempore of the Senate may not be members of the General Assembly. The Committee shall meet at least quarterly upon the call of the Chair. The duties of the Committee shall include all of the following:

(1) Monitoring and oversight of the performance of a contract entered into pursuant to this section by the Department with a North Carolina nonprofit corporation.

(2) Receiving, reviewing, and referring complaints regarding the contract or the performance of the North Carolina nonprofit corporation, as appropriate.

(3) Requesting enforcement of the contract by the Attorney General or the Department.

(4) Auditing, at least annually, by the Office of State Auditor the records of the North Carolina nonprofit corporation with which the Department has contracted pursuant to this section during and after the term of the contract to review financial documents of the corporation, performance of the corporation, and compliance of the corporation with applicable laws.

(5) Coordination of economic development grant programs of the State between the Department of Commerce, the Department of Transportation, and the Department of Environment and Natural Resources.

(6) Any other duties deemed necessary by the Committee.

(d) Limitations. – Prior to contracting with a North Carolina nonprofit corporation pursuant to this section and in order for the North Carolina nonprofit corporation to receive State funds, the following conditions shall be met:

(1) At least 45 days prior to entering into or amending in a nontechnical manner a contract authorized by this section, the Department shall submit the contract or amendment, along with a detailed explanation of the contract or amendment, to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

(2) The nonprofit corporation adheres to the following governance provisions related to its governing board:

a. The board shall be composed of 17 voting members as follows: eight members and the chair appointed by the Governor, four members appointed by the Speaker of the House of Representatives, and four members appointed by the President Pro Tempore of the Senate. The Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate shall each use best efforts to select members so as to reflect the diversity of the State's geography, and the Governor shall use best efforts to ensure that each member appointed by the Governor has expertise in one or more of the following areas:

1. Agribusiness, as recommended by the Commissioner of Agriculture.

2. Financial services.

3. Information technology.
4. Biotechnology or life sciences.
5. Energy.
6. Manufacturing.
7. Military or defense.
8. Tourism, as recommended by the North Carolina Travel and Tourism Coalition.
9. Tourism, as recommended by the North Carolina Travel Industry Association.

b. The nonprofit corporation shall comply with the restrictions on lobbying set forth in section 501(c)(3) of the Internal Revenue Code.

c. No State officer or employee may serve on the board.

d. The board shall meet at least quarterly at the call of its chair. Each quarter and upon request, the board shall report to the Chair of the Economic Development Accountability and Standards Committee on the progress of the State's economic development.

e. The board is required to perform the following duties if the Department contracts pursuant to G.S. 143B-431A for the performance of the Secretary's responsibilities under G.S. 143B-434.01:

1. To provide advice concerning economic and community development planning for the State, including a strategic business facilities development analysis of existing, available buildings or shell or special-use buildings and sites.
2. To recommend economic development policy to the Secretary of Commerce, the General Assembly, and the Governor.
3. To recommend annually to the Governor biennial and annual appropriations for economic development programs.
4. To recommend how best to coordinate economic development efforts among the various agencies and entities, including those created by executive order of the Governor, that receive economic development appropriations, including the assignment of key responsibilities for different aspects of economic development and resource allocation and planning designed to encourage each agency to focus on its area of primary responsibility and not diffuse its resources by conducting activities assigned to other agencies.

(3) The amount of State funds that may be used for the annual salary of any one officer, employee, or member of a governing board of the nonprofit corporation with which the Department contracts pursuant to this section shall not exceed the greater of (i) one hundred twenty thousand dollars ($120,000) or (ii) the amount most recently set by the General Assembly in a Current Operations Appropriations Act.

(4) The nonprofit corporation shall have received from fund-raising efforts and sources, other than State funds, an amount totaling at least two hundred fifty thousand dollars ($250,000) to support operations and functions of the corporation.

(e) Mandatory Contract Terms. – Any contract entered into under this section must include all of the following:

(1) A provision requiring the North Carolina nonprofit corporation provide to the Joint Legislative Economic Development and Global Engagement Oversight Committee, the Department of Commerce, and the Fiscal Research Division a copy of the corporation's annual audited financial statement within seven days of issuance of the statement.

(2) A provision requiring the nonprofit corporation to provide by September 1 of each year, and more frequently as requested, a report to the Department on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources. The report shall also include all of the following:

a. Jobs anticipated to result from efforts of the nonprofit corporation. This includes project leads that were not submitted to the Department for possible discretionary incentives pursuant to Chapter 143B of the General Statutes.

b. Developed performance metrics of economic development functions itemized by county, by development tier area designation, as defined by G.S. 143B-437.08, and by Collaboration for Prosperity Zones created pursuant to G.S. 143B-28.1.

c. Any proposed amendments to the areas of expertise required to be represented on the governing board of the nonprofit corporation.

d. A detailed explanation of how annual salaries are determined, including base pay schedules and any additional salary amounts or bonuses that may be earned as a result of job performance. The explanation shall include the proportion of State and private funds for each position and shall include the means used by the nonprofit corporation to foster employee efforts for economic development in rural and low-income areas in the State. Any bonuses paid to employees shall be based upon overall job performance and not be based on a specific project lead.

e. Any other information requested by the Department.

(3) A provision providing that, upon termination of the contract, or upon dissolution of, or repeal by the General Assembly of, the charter of the nonprofit corporation with which the Department has contracted under this section, all assets and funds of the nonprofit corporation, including interest on funds, financial and operational records, and the right to receive future funds pursuant to the contract, will be surrendered to the Department within 30 days of the termination, dissolution, or repeal. During the 30-day period, the corporation may not further encumber any assets or funds. For purposes of this subdivision, assets and funds of the nonprofit corporation include assets and funds of any subsidiary or affiliate of the nonprofit corporation. An affiliate of the nonprofit corporation exists when both are directly or indirectly controlled by the same parent corporation or by the same or associated financial interests by stock ownership, interlocking directors, or by any other means whatsoever, whether the control is direct or through one or more subsidiary, affiliated, or controlled corporations.

(4) A provision providing that the nonprofit corporation shall adopt and publish a resolution or policy containing a code of ethics, conflict of interest policy, and gift policy to guide actions by the governing board members, officers, and employees of the nonprofit corporation in the performance of their duties. The resolution or policy required by this subdivision shall address at least all of the following:

a. The need to obey all applicable laws regarding actions taken.
b. The need to uphold the integrity and independence of the board and the nonprofit corporation.
c. The need to avoid impropriety in the exercise of their duties.
d. The need to faithfully perform their duties.
e. The need to conduct the affairs of the governing board and the nonprofit corporation in an open and public manner and to avoid conflicts of interest.

(5) The conflict of interest policy required by subdivision (4) of this section shall contain at a minimum the information in this subdivision. No subject person of the nonprofit corporation may take any official action or use the subject person's official position to profit in any manner the subject person, the subject person's immediate family, a business with which the subject person or the subject person's immediate family has a business association, or a client of the subject person or the subject person's immediate family with whom the subject person, or the subject person's immediate family, has an existing business relationship. No subject person shall attempt to profit from a proposed project lead if the profit is greater than that which would be realized by other persons living in the area where the project lead is located. If the profit under this subdivision would be greater for the subject person than other persons living in the area where the project lead is located, not only shall the subject person abstain from voting on that issue, but once the conflict of interest is apparent, the subject person shall not discuss the project lead with any other subject person or representative of the Department except to state that a conflict of interest exists. Under this subdivision, a subject person is presumed to profit if the profit would be realized by the subject person, the subject person's immediate family, a business with which the subject person or the subject person's immediate family has a business association, or a client of the subject person or the subject person's immediate family with whom the subject person, or the subject person's immediate family, has an existing business relationship with a company that is the subject of a proposed project lead. No subject person, in contemplation of official action by the subject person, or in reliance on information that was made known to the subject person in the subject person's official capacity and that has not been made public, shall (i) acquire a pecuniary interest in any property, transaction, or enterprise or gain any pecuniary benefit that may be affected by such information or official action or (ii) intentionally aid another to do any of the above acts. As used in this subdivision, the following terms mean:

a. Board. – The governing board of the nonprofit corporation with which the Department contracts pursuant to this section.
b. Board member. – A member of the board.
c. Business association. – A director, employee, officer, or partner of a business entity, or owner of more than ten percent (10%) interest in any business entity.
d. Subject person. – A board member, officer, or employee of the nonprofit corporation.
e. Department. – The Department of Commerce.
f. Immediate family. – Spouse, children, parents, brothers, and sisters.
g. Official action. – Actions taken in connection with the subject person's duties, including, but not limited to, voting on matters before

the board, proposing or objecting to proposals for economic development actions by the Department, discussing economic development matters with other subject persons or Department staff in an effort to further the matter after the conflict of interest has been discovered, or taking actions in the course and scope of the position as a subject person and actions leading to or resulting in profit.

h. Profit. – Receive monetary or economic gain or benefit, including an increase in value whether or not recognized by sale or trade.

(6) The gift policy required by subdivision (4) of this subsection shall at a minimum prohibit an employee, officer, or member of the board of the corporation from knowingly accepting a gift from a person whom the employee, officer, or member of the board knows or has reason to know (i) is seeking to do business of any kind in the State or (ii) has financial interests that may be substantially and materially affected, in a manner distinguishable from the public generally, by the performance or nonperformance of official duties of the employee, officer, or member of the board. This prohibition shall not apply to either of the following:

a. Gifts given to the employee, officer, or member of the board where the gift is food or beverages, transportation, lodging, entertainment or related expenses associated with industry recruitment, promotion of international trade, or the promotion of travel and tourism, and the employee, officer, or member of the board is responsible for conducting the business on behalf of the State, provided (i) the employee, officer, or member of the board did not solicit the gift and did not accept the gift in exchange for the performance or nonperformance of corporate duties, and (ii) the employee, officer, or member of the board reports electronically to the corporation within 30 days of receipt of the gift, including a description and value of the gift and a description of how the gift contributed to industry recruitment, promotion of international trade, or the promotion of travel and tourism.

b. Gifts of personal property valued at less than one hundred dollars ($100.00) given to the employee, officer, or member of the board in the commission of corporate duties if the gift is given as a personal gift in another country as part of an overseas trade mission and the giving and receiving of such personal gifts is considered a customary protocol in the other country.

(7) A provision providing that the nonprofit corporation maintain a record containing the name of all persons who have contributed to the nonprofit corporation, the date of each contribution, and the aggregate total of all contributions to the nonprofit corporation. The nonprofit corporation shall include the record in the report required to be filed with the Department pursuant to subdivision (2) of subsection (e) of this section.

(8) A provision requiring the nonprofit corporation to maintain separate accounting records for and separate accounts for State and private funds and prohibiting any commingling of State and private funds. Records and accounts must be maintained according to generally accepted accounting principles.

(9) A provision stating that the nonprofit corporation will not engage in the awarding of grants of the public or private funds of the nonprofit corporation.

(10) A provision limiting the term of the contract to no more than five years. The term of the contract may be extended in one-year increments up to four times after no less than four-fifths of the original contract term has passed. A contract extension may not extend the remaining term of the contract, including the term of the extension, to more than two years. Nothing in this subdivision shall be construed as a prohibition against entering into a new contract with the nonprofit corporation.

(11) A provision limiting the severance pay for the chief executive officer and other officers of the nonprofit corporation to no more than the lesser of the following:

a. The salary limitation contained in subdivision (3) of subsection (d) of this section.

b. The salary limitation contained in subdivision (3) of subsection (d) of this section multiplied by a fraction, the numerator of which is the number of whole years the chief officer has been chief officer of the corporation and the denominator of which is four.

(12) A provision requiring annual certification by the nonprofit corporation that it is in compliance with the following:

a. The requirements of Chapter 55A of the General Statutes.

b. The requirements of each of the provisions listed in subsection (e) of this section. For any provision in this subsection that the nonprofit corporation did not comply with, the corporation shall provide a detailed explanation of the circumstances and time of the noncompliance.

(13) A provision requiring the nonprofit corporation to comply with and perform the duties set out in G.S. 143B-434.2 in the event the Department contracts with the nonprofit corporation to promote and market tourism.

(14) A provision requiring the nonprofit corporation to receive from fund-raising efforts and sources other than State funds an amount totaling at least five million seven hundred fifty thousand dollars ($5,750,000) during the term of the contract to support operations and functions of the corporation. The corporation shall raise at least seven hundred fifty thousand dollars ($750,000) during the first year of the term of the contract and shall raise at least one million two hundred fifty thousand dollars ($1,250,000) during each subsequent year of the term of the contract. Amounts raised prior to entering the contract or during a year preceding the current year of the contract shall not apply to the amount required to be raised during the current year.

(15) A provision that the limitation of G.S. 143C-6-8 applies.

(f) Report. – By September 30 of each year, and more frequently as requested, the Department shall submit a report to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Economic Development and Global Engagement Oversight Committee, and the Fiscal Research Division on any performance for which the Department has contracted pursuant to this section. The report shall contain, at a minimum, each of the following:

(1) A copy of the most recent report required by the Department pursuant to subdivision (2) of subsection (e) of this section.

(2) An executive summary of the report required by subdivision (1) of this subsection.

(3) A listing of each entity referred to the Department by a North Carolina nonprofit corporation with which the Department contracts pursuant to this

section and any other information the Secretary determines is necessary or that is specifically requested in writing.

(4) An explanation of the response by the Department to any notifications of noncompliance submitted to the Department by the nonprofit corporation, as required by G.S. 143B-431A(e), including actions taken by the Department to prevent repeat or similar instances of noncompliance.

(5) For each activity in which the Secretary of Commerce solicits funds for the corporation, as permitted by subsection (i) of this section, a listing of each activity, including the date and the name of each person or entity from whom funds were solicited.

(6) If the nonprofit corporation or any affiliated entity of the corporation has received, directly or indirectly, any gift, contribution, or item or service of value for which fair market value was not paid and if an entity making the gift or contribution receives an award, a list of the entity and the amount of the award.

(g) Public Funds. – A North Carolina nonprofit corporation with which the Department contracts pursuant to this section shall comply with the requirements provided in this subsection regarding the use of State funds.

(1) Interest earned on State funds after receipt of the funds by the nonprofit corporation shall be used for the same purposes for which the principal was to be used.

(2) The travel and personnel policies and regulations of the State of North Carolina Budget Manual limiting reimbursement for expenses of State employees apply to reimbursements for expenses of officers, employees, or members of a governing board of the nonprofit corporation. Deviations from the policies and regulations shall be approved by the Secretary.

(3) State funds shall not be used to hire a lobbyist.

(h) Applicable Laws. – A North Carolina nonprofit corporation with which the Department contracts pursuant to this section is subject to the requirements and the exceptions of (i) Chapter 132 of the General Statutes and (ii) Article 33C of Chapter 143 of the General Statutes.

(i) Prohibition. – A State officer or employee, other than the Secretary of Commerce, shall not solicit funds for a North Carolina nonprofit corporation with which the Department contracts pursuant to this section. The Secretary of Commerce may solicit funds for the nonprofit corporation pursuant to G.S. 138A-31(b)(5).

(j) Benefits. – An officer, employee, or member of a governing board of a North Carolina nonprofit corporation with which the Department contracts pursuant to this section is not a State employee, is not covered by Chapter 126 of the General Statutes, and is not entitled to State-funded employee benefits, including membership in the Teachers' and State Employees' Retirement System and the State Health Plan for Teachers and State Employees."

SECTION 1.1.(b) G.S. 143B-431A(i), as enacted by this act, does not apply to employees of the Department of Commerce, other than employees involved in the recommendation and administration of State economic development incentive programs, prior to the time the Department contracts with a North Carolina nonprofit corporation pursuant to this act.

SECTION 1.1.(c) G.S. 132-6(d) reads as rewritten:

"(d) Notwithstanding the provisions of subsections (a) and (b) of this section, public records relating to the proposed expansion or location of specific business or industrial projects may be withheld so long as their inspection, examination or copying would frustrate the purpose for which such public records were created; provided, however, that nothing herein shall be construed to permit the withholding of public records relating to general economic

development policies or activities. Once the State, a local government, or the specific business has announced a commitment by the business to expand or locate a specific project in this State ~~or a final decision not to do so and the business has communicated that commitment or decision to the State or local government agency involved with the project,~~and that the business will receive a discretionary incentive for the project pursuant to Chapter 143B of the General Statutes, the provisions of this subsection allowing public records to be withheld by the agency no longer apply. If the specific business has requested discretionary incentives for the project pursuant to Chapter 143B of the General Statutes, but decides to not expand or locate the project in this State or does not receive such discretionary incentives, then the only records that are subject to disclosure pursuant to this Chapter are the records submitted to the Department of Commerce by the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431A. If a business decides to expand or locate a specific project in this State, but the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431A does not submit any documentation to the Department regarding a request for any discretionary incentives by the State pursuant to Chapter 143B of the General Statutes, and the business does not receive any such discretionary incentives, then any records regarding such project are not subject to disclosure pursuant to this Chapter. Once the provisions of this subsection no longer apply, the agency shall disclose as soon as practicable, and within 25 business days, public records requested for the announced project that are not otherwise made confidential by law. An announcement that a business or industrial project has committed to expand or locate in the State shall not require disclosure of local government records relating to the project if the business has not selected a specific location within the State for the project. Once a specific location for the project has been determined, local government records must be disclosed, upon request, in accordance with the provisions of this section. For purposes of this section, "local government records" include records maintained by the State that relate to a local government's efforts to attract the project."

SECTION 1.2.(a) G.S. 143B-434 is repealed.

SECTION 1.2.(b) G.S. 143B-434.01 reads as rewritten:

"**§ 143B-434.01. Comprehensive Strategic Economic Development Plan.**

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

~~(1) Board. – The Economic Development Board.~~

...

(6) Secretary. – The Secretary of Commerce or the governing board of a North Carolina nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431A for the performance of the Secretary's responsibilities under this section.

(b) ~~Board to Prepare~~ Plan. – The ~~Board~~ Secretary shall ~~prepare~~ review and update the existing Plan ~~by April 1, 1994~~ on or before April 1 of each year. ~~The Board shall review and update this Plan by April 1 of each year.~~ The ~~original~~ Plan shall cover a period of four years and each annual update shall extend the time frame by one year so that a four-year plan is always in effect. The ~~Board~~ Secretary shall provide copies of the Plan and each annual update to the Governor and the Joint Legislative Commission on Governmental Operations. The Plan shall encompass all of the components set out in this section.

(c) Purpose. – The purpose of this section is to require the ~~Board~~ Secretary to apply strategic planning principles to its economic development efforts. This requirement is expected to result in:

(1) The selection of a set of priority development objectives that recognizes the increasingly competitive economic environment and addresses the changing needs of the State in a more comprehensive manner.

(2) The effective utilization of available and limited resources.

(3) A commitment to achieve priority objectives and to sustain the process.

(d) (1) Public and Private Input. – At each stage as it develops and updates the Plan, the ~~Board~~ Secretary shall solicit input from all parties involved in economic development in North Carolina, including:

a. Each of the programs and organizations that, for State budget purposes, identifies economic development as one of its global goals.

b. Local economic development departments and regional economic development organizations.

c. The Board of Governors of The University of North Carolina.

(2) The ~~Board~~ Secretary shall also hold hearings in each of the Regions to solicit public input on economic development before the initial Plan is completed. The purposes of the public hearings are to:

a. Assess the strengths and weaknesses of recent regional economic performance.

b. Examine the status and competitive position of the regional resource base.

c. Identify and seek input on issues that are key to improving the economic well-being of the Region.

The ~~Board~~ Secretary shall hold additional hearings from time to time to solicit public input regarding economic development activities.

(3) Each component of the Plan shall be based on this broad input and, to the extent possible, upon a consensus among all affected parties. The ~~Board~~ Secretary shall coordinate its planning process with any State capital development planning efforts affecting State infrastructure such as roads and water and sewer facilities.

(e) Environmental Scan. – The first step in developing the Plan shall be to develop an environmental scan based on the input from economic development parties and the public and on information about the economic environment in North Carolina. To prepare the scan, the ~~Board~~ Secretary shall gather the ~~following~~ information required in this subsection and ensure that the information is updated periodically. The updated information may be provided in whatever format and through whatever means is most efficient. The information required to prepare the scan includes all of the following:

...

(f) Repealed by Session Laws 2012-142, s. 13.4(a), effective July 1, 2012.

(g) Vision and Mission Statements. – The ~~Board~~ Secretary shall develop a vision statement for economic development that would describe the preferred future for North Carolina and what North Carolina would be like if all economic development efforts were successful. The ~~Board~~ Secretary shall then develop a mission statement that outlines the basic purpose of each of North Carolina's economic development programs. Because special purpose nonprofit organizations are uniquely situated to conduct the entrepreneurial and high-risk activity of investing in and supporting new business creation in the State, they should be assigned a dominant role in this key component of economic development activity.

(h) Goals and Objectives. – The ~~Board~~ Secretary, using data from the public input and the environmental scan, shall formulate a list of goals and objectives. Goals shall be long-range, four years or more, and shall address both needs of economically distressed Regions and counties as well as opportunities for Regions and counties not distressed. The goals shall be developed with realism but should also be selected so as to encourage every Region and county within the State to develop to its maximum potential. Objectives shall be one year or less in scope and shall, if achieved, lead to the realization of the goals formulated by the ~~Board~~ Secretary as provided in this section.

Both goals and objectives should be stated largely in economic terms, that is, they should be related to specific population, employment, demographic targets, or economic sector targets.

Both efficiency and equity considerations are to be addressed and balanced with special emphasis placed on the needs of disadvantaged or economically distressed populations and communities. The goals and objectives should not state how the economic targets are to be reached, but rather what the economic conditions will be if they are obtained. So that the progress of North Carolina's economic development efforts can be monitored, the ~~Board~~ Secretary shall set objectives for each goal that allow measurement of progress toward the goal. Objectives should be quantifiable and time-specific in order to serve as performance indicators.

...

(j) Implementation Plan. – Based upon all of the foregoing steps, the ~~Board~~ Secretary shall establish an implementation plan assigning to the appropriate parties specific responsibilities for meeting measurable objectives. The implementation plan shall contain all necessary elements so that it may be used as a means to monitor performance, guide appropriations, and evaluate the outcomes of the parties involved in economic development in the State.

(k) Annual Evaluation. – The ~~Board~~ Secretary shall annually evaluate the State's economic performance based upon the statistics listed in this subsection and upon the ~~Board's~~ Secretary's stated goals and objectives in its Plan. The statistics upon which the evaluation is made should be available to policymakers. The information may be provided in whatever format and through whatever means is most efficient.

...

(l) Accountability. – The ~~Board~~ Secretary shall make all data, plans, and reports available to the General Assembly, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Economic Development and Global Engagement Oversight Committee, the Senate Appropriations Committee on Natural and Economic Resources, and the House of Representatives Appropriations Subcommittee on Natural and Economic Resources at appropriate times and upon request. The ~~Board~~ Secretary shall prepare and make available on an annual basis public reports on each of the major sections of the Plan and the Annual Report indicating the degree of success in attaining each development objective."

SECTION 1.2.(c) G.S. 143B-437.03 is repealed.

SECTION 1.3. The Department of Commerce shall study and develop a plan for contracting with a North Carolina nonprofit corporation pursuant to G.S. 143B-431A, as enacted by this act, for the performance of economic development activities and duties of the Department. The study shall include each of the following:

(1) The Department shall develop a plan for private fund-raising efforts for the nonprofit corporation for the performance of economic development functions. The study shall include the creation of a budget for the nonprofit corporation that provides for the performance of core functions of the corporation, including economic development functions, in the absence of private funds. The study shall compare the budget of the Department and the budget developed for the nonprofit corporation according to Department division and budget category, including personal services; purchased services; supplies; property, plant, and equipment; other expenses and adjustments; aid and public assistance; and other budget categories used by the Department. The study shall include a measurement and estimation of expected private fund-raising potential, and the Department shall examine the efforts of other states that have permitted public-private partnerships for economic development activities and report on the source or sources of funds for those partnerships, separately accounting for funds provided by the State and private funds.

(2) The Department shall report on each performance metric listed in this subdivision. The report shall analyze the Department's performance for each

metric for (i) the last full year prior to contracting for performance of the metric and (ii) the annual average for the five-year period preceding contracting for performance of the metric. The performance metrics to be reported upon are as follows:

a. For business recruitment:
   1. Number of jobs announced by the Department in total.
   2. Number of jobs announced resulting from recruitment of new businesses.
   3. Number of jobs announced resulting from existing business expansions.
   4. Total U.S. dollar amount of investment resulting from new projects.
   5. Total U.S. dollar amount of investment resulting from recruitment of new businesses.
   6. Total U.S. dollar amount of investment resulting from existing business expansions.
   7. Total U.S. dollar amount of foreign direct investment.

b. For business services:
   1. Number of existing businesses receiving support.
   2. Number of Business Services Team leads that lead to an expansion of existing businesses.
   3. Number of businesses receiving export assistance.
   4. Total U.S. dollar amount of exports by assisted companies.

c. For tourism and marketing:
   1. Number of consumer inquiries about travel to North Carolina.
   2. Total U.S. dollar amount of spending by visitors while in North Carolina.
   3. Total U.S. dollar amount of State and local tax revenues resulting from visitors' spending while in North Carolina.
   4. Number of business inquiries for business relocation, investment, and expansion.

d. Any other information or performance metrics allowing comparison between departmental and corporate performance for any other economic development division in the Department for which the Department contracts for performance with a North Carolina nonprofit corporation pursuant to this act.

e. Any other information or performance metrics deemed useful or necessary by the Department in the listed areas or other areas.

The Department shall make a report to the Office of State Budget Management, to the Joint Legislative Commission on Governmental Operations, to the Joint Legislative Economic Development and Global Engagement Oversight Committee, and to the Fiscal Research Division no later than December 1, 2014.

The Department shall require the nonprofit corporation to include in each report mandated by G.S. 143B-431A(e)(2) an analysis of the corporation's performance and a comparison to departmental performance using the same performance metrics studied and reported by the Department, as required by subdivision (2) of this section.

SECTION 1.4. G.S. 126-5 reads as rewritten:

"**§ 126-5. Employees subject to Chapter; exemptions.**

...

(c2) The provisions of this Chapter shall not apply to:

...

(5) Officers, employees, and members of the governing board of a North Carolina nonprofit corporation with which the Department of Commerce has contracted pursuant to the authority granted in G.S. 143B-431A.

...

(d) (1) Exempt Positions in Cabinet Department. – Subject to the provisions of this Chapter, which is known as the State Personnel Act, the Governor may designate a total of 1,000 exempt positions throughout the following departments:

...

(2b) Designation of Liaison Positions. – Liaisons to the Collaboration for Prosperity Zones set out in G.S. 143B-28.1 for the Departments of Commerce, Environment and Natural Resources, and Transportation are designated as exempt.

...."

SECTION 1.5. Section 15.7A of S.L. 2013-360 is repealed.

SECTION 1.6. Section 1.5 of this act is effective when it becomes law. The remainder of this Part becomes effective July 1, 2014.

PART II. MODIFY NORTH CAROLINA BOARD OF SCIENCE AND TECHNOLOGY

SECTION 2.1. Part 18 of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 18. North Carolina Board of ~~Science and Technology.~~Science, Technology, and Innovation.

"**§ 143B-472.80. North Carolina Board of ~~Science and Technology;~~ Science, Technology, and Innovation; creation; powers and duties.**

The North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation of the Department of Commerce is created. The Board has the following powers and duties:

...

(4) To advise and make recommendations to the Governor, the General Assembly, the Secretary of Commerce, and ~~the Economic Development Board~~ any North Carolina nonprofit corporation with which the Department of Commerce contracts pursuant to G.S. 143B-431A on the role of ~~science and technology~~ science, technology, and innovation in the economic growth and development of North Carolina.

...

"**§ 143B-472.81. North Carolina Board of ~~Science and Technology;~~ Science, Technology, and Innovation; membership; organization; compensation; staff services.**

(a) The North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation consists of the Governor, the Secretary of Commerce, and ~~17~~ 23 members appointed as follows: the Governor shall appoint one member from the University of North Carolina at Chapel Hill, one member from North Carolina State University at Raleigh, and two members from other components of the University of North Carolina, one of which shall be from a historically black college or university, all nominated by the President of the University of North Carolina; one member from Duke University, nominated by the President of Duke University; one member from a private college or university, other than Duke University, in North Carolina, nominated by the President of the Association of Private Colleges and Universities; one member of the North Carolina Community College System; one member representing K-12 public education; ~~one member from the Research Triangle Institute, nominated by the executive committee of the board of that institute; one member from the Microelectronics Center of North Carolina, nominated by the executive committee of the board~~

~~of that center; one member from the North Carolina Biotechnology Center, nominated by the executive committee of the board of that center; four~~ six members from private industry in North ~~Carolina, at least one of whom shall be a professional engineer registered pursuant to Chapter 89C of the General Statutes or a person who holds at least a bachelors degree in engineering from an accredited college or university; and two members from public agencies in North Carolina.~~Carolina; and seven at-large members. Two members shall be appointed by the General Assembly, one shall be appointed upon the recommendation of the President Pro Tempore of the Senate, and one shall be appointed upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. The nominating authority for any vacancy on the Board among members appointed by the Governor shall submit to the Governor two nominations for each position to be filled, and the persons so nominated shall represent different disciplines.

...."

SECTION 2.2. G.S. 143B-437.80 reads as rewritten:

"**§ 143B-437.80. North Carolina SBIR/STTR Incentive Program.**

(a) Program. – There is established the North Carolina SBIR/STTR Incentive Program to be administered by the North Carolina Board of ~~Science and Technology.~~Science, Technology, and Innovation. In order to foster job creation and economic development in the State, the Board may provide grants to eligible businesses to offset costs associated with applying to the United States Small Business Administration for Small Business Innovative Research (SBIR) grants or Small Business Technology Transfer Research (STTR) grants. The grants shall be paid from the One North Carolina Small Business Account established in G.S. 143B-437.71.

...

(c) Grant. – The North Carolina Board of ~~Science and Technology~~Science, Technology, and Innovation may award grants to reimburse an eligible business for up to fifty percent (50%) of the costs of preparing and submitting a SBIR/STTR Phase I proposal, up to a maximum of three thousand dollars ($3,000). A business may receive only one grant under this section per year. A business may receive only one grant under this section with respect to each federal proposal submission. Costs that may be reimbursed include costs incurred directly related to preparation and submission of the grant such as word processing services, proposal consulting fees, project-related supplies, literature searches, rental of space or equipment related to the proposal preparation, and salaries of individuals involved with the preparation of the proposals. Costs that shall not be reimbursed include travel expenses, large equipment purchases, facility or leasehold improvements, and legal fees.

(d) Application. – A business shall apply, under oath, to the North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation for a grant under this section on a form prescribed by the Board that includes at least all of the following:

...."

SECTION 2.3. G.S. 143B-437.81 reads as rewritten:

"**§ 143B-437.81. North Carolina SBIR/STTR Matching Funds Program.**

(a) Program. – There is established the North Carolina SBIR/STTR Matching Funds Program to be administered by the North Carolina Board of ~~Science and Technology.~~Science, Technology, and Innovation. In order to foster job creation and economic development in the State, the Board may provide grants to eligible businesses to match funds received by a business as a SBIR or STTR Phase I award and to encourage businesses to apply for Phase II awards.

...

(c) Grant. – The North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation may award grants to match the funds received by a business through a SBIR/STTR Phase I proposal up to a maximum of one hundred thousand dollars

($100,000). Seventy-five percent (75%) of the total grant shall be remitted to the business upon receipt of the SBIR/STTR Phase I award and application for funds under this section. Twenty-five percent (25%) of the total grant shall be remitted to the business upon submission by the business of the Phase II application to the funding agency and acceptance of the Phase I report by the funding agency. A business may receive only one grant under this section per year. A business may receive only one grant under this section with respect to each federal proposal submission. Over its lifetime, a business may receive a maximum of five awards under this section.

(d) Application. – A business shall apply, under oath, to the North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation for a grant under this section on a form prescribed by the Board that includes at least all of the following:

...."

SECTION 2.4. This Part becomes effective July 1, 2014. .

PART III. CREATION OF COLLABORATION FOR PROSPERITY ZONES

SECTION 3.1. Intent to create Collaboration for Prosperity Zones. – It is the intent of the General Assembly to establish geographically uniform zones in this State to facilitate collaborative and coordinated planning and use of resources, to improve cooperation with other governmental and nonprofit entities at the local and regional level, to facilitate administrative efficiencies within State government, to receive advice on economic development issues by local boards established by a North Carolina nonprofit corporation with which the Department of Commerce contracts, and, to the extent feasible, to establish one-stop sources in each region for citizens and businesses seeking State services at a regional level.

SECTION 3.2. Article 1 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-28.1. Create Collaboration for Prosperity Zones.**

For purposes of enhanced collaboration and cooperation between governmental agencies, planning, use of resources, and improved efficiency at a regional level, the State is hereby divided into eight permanent zones as follows:

(1) Western Region, consisting of Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, Polk, Rutherford, Swain, and Transylvania Counties.

(2) Northwest Region, consisting of Alleghany, Ashe, Alexander, Avery, Burke, Caldwell, Catawba, McDowell, Mitchell, Watauga, Wilkes, and Yancey Counties.

(3) Southwest Region, consisting of Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Stanly, and Union Counties.

(4) Piedmont-Triad (Central) Region, consisting of Alamance, Caswell, Davidson, Davie, Forsyth, Guilford, Randolph, Rockingham, Stokes, Surry, and Yadkin Counties.

(5) North Central Region, consisting of Chatham, Durham, Edgecombe, Franklin, Granville, Harnett, Johnston, Lee, Nash, Orange, Person, Vance, Wake, Warren, and Wilson Counties.

(6) Sandhills (South Central) Region, consisting of Bladen, Columbus, Cumberland, Hoke, Montgomery, Moore, Richmond, Robeson, Sampson, and Scotland Counties.

(7) Northeast Region, consisting of Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Halifax, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Pitt, Tyrrell, and Washington Counties.

(8) Southeast Region, consisting of Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, and Wayne Counties."

SECTION 3.3. The Departments of Commerce, Environment and Natural Resources, and Transportation, the Community Colleges System Office, and the State Board of Education shall, by January 1, 2015, report to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee on how they plan to establish Collaboration for Prosperity Zones as defined by this act.

SECTION 3.4. G.S. 115C-65 reads as rewritten:

"**§ 115C-65. State divided into districts.**

The State of North Carolina shall be divided into eight educational ~~districts~~ districts, which shall match the composition of the zones set forth in G.S. 143B-28.1 ~~embracing the counties herein set forth:~~

~~**FIRST DISTRICT**~~

~~Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Hertford, Hyde, Martin, Pasquotank, Perquimans, Pitt, Tyrrell, Washington.~~

~~**SECOND DISTRICT**~~

~~Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Sampson, Wayne.~~

~~**THIRD DISTRICT**~~

~~Durham, Edgecombe, Franklin, Granville, Halifax, Johnston, Nash, Northampton, Vance, Wake, Warren, Wilson.~~

~~**FOURTH DISTRICT**~~

~~Bladen, Columbus, Cumberland, Harnett, Hoke, Lee, Montgomery, Moore, Richmond, Robeson, Scotland.~~

~~**FIFTH DISTRICT**~~

~~Alamance, Caswell, Chatham, Davidson, Forsyth, Guilford, Orange, Person, Randolph, Rockingham, Stokes.~~

~~**SIXTH DISTRICT**~~

~~Anson, Cabarrus, Cleveland, Gaston, Lincoln, Mecklenburg, Stanly, Union.~~

~~**SEVENTH DISTRICT**~~

~~Alexander, Alleghany, Ashe, Avery, Burke, Caldwell, Catawba, Davie, Iredell, Rowan, Surry, Watauga, Wilkes, Yadkin.~~

~~**EIGHTH DISTRICT**~~

~~Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Yancey.~~"

SECTION 3.5. Section 3.4 of this act becomes effective April 1, 2015. Members of the State Board of Education appointed by the Governor and confirmed by the General Assembly prior to 2015 with terms ending in 2017, 2019, and 2021 shall be designated as the appointees of the following districts for the remainder of the member's current term:

a. Western Region: Wayne McDevitt
b. Southwest Region: Gregory Alcorn
c. Piedmont Triad (Central) Region: A.L. Collins
d. Sandhills (South Central) Region: Olivia Oxendine
e. Northeast Region: Rebecca Taylor
f. Southeast Region: Reginald Kenan

The remainder of this Part becomes effective July 1, 2014.

PART IV. REQUIRE AT LEAST ONE LIAISON IN EACH COLLABORATION FOR PROSPERITY ZONE

SECTION 4.1. No later than January 1, 2015, the Departments of Commerce, Environment and Natural Resources, and Transportation shall have at least one employee physically located in the same office in each of the Collaboration for Prosperity Zones set out in G.S. 143B-28.1 to serve as that department's liaison with the other departments and with local governments, schools and colleges, planning and development bodies, and businesses in that zone. The departments shall jointly select the office. For purposes of this Part, the Department of Commerce may contract with a North Carolina nonprofit corporation pursuant to G.S. 143B-431A, as enacted by this act, to fulfill the departmental liaison requirements for each office in each of the Collaboration for Prosperity Zones.

No later than January 1, 2015, the Community Colleges System Office shall designate at least one representative from a community college or from the Community Colleges System Office to serve as a liaison in each Collaboration for Prosperity Zone for the community college system, the community colleges in the zone, and other educational agencies and schools within the zone. A liaison may be from a business center located in a community college. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

No later than January 1, 2015, the State Board of Education shall designate at least one representative from a local school administrative unit or from the Department of Public Instruction to serve as a liaison in each Collaboration for Prosperity Zone for the local school administrative units and other public schools within the zone. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

SECTION 4.2. In addition to other related tasks assigned by their respective agencies, liaisons in each Collaboration for Prosperity Zone shall work to enhance collaboration and cooperation between their departments and other State agencies, local governmental agencies, and other regional public and nonprofit entities. The liaisons from the Departments of Environment and Natural Resources and Transportation shall work to consolidate and simplify the process for citizens and businesses seeking permits from their respective agencies. The liaisons from the Department of Commerce shall be used to support local economic development efforts, to coordinate such efforts, and to coordinate the Department of Commerce's activities within each Collaboration for Prosperity Zone. The liaisons from the community college system and local school administrative units shall work closely with the Department of Commerce and other State and local governmental agencies and local businesses in the zone to promote job development through career technical education.

SECTION 4.3.(a) The Departments of Transportation and Environment and Natural Resources shall jointly report to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, the Environmental Review Commission, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee, as follows:

(1) No later than January 1, 2015, on the establishment of collocated liaisons within each Collaboration for Prosperity Zone and a description of the activities the liaisons have been assigned to perform.

(2) No later than April 1, 2015, on the activities of the liaisons, specifically any activities undertaken that resulted in enhanced collaboration and coordination with the other Department and with other governmental agencies, improved administrative efficiencies, and any steps taken to make services to citizens and businesses within each zone more efficient, economical, and user-friendly.

SECTION 4.3.(b) The Community Colleges System Office and the State Board of Education shall each report to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Education Oversight Committee, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee, as follows:

(1) No later than January 1, 2015, on the establishment of liaisons within each Collaboration for Prosperity Zone and a description of the activities the liaisons have been assigned to perform.

(2) No later than April 1, 2015, on the activities of the liaisons, specifically any activities undertaken that resulted in enhanced collaboration and coordination with other governmental agencies, improved planning on use of educational resources, and improved administrative efficiencies.

SECTION 4.3.(c) The Department of Commerce shall include in its first report under G.S. 143B-431(f), as enacted by this act, a report on the establishment and activities of its liaisons in each Collaboration for Prosperity Zone. The Department of Commerce shall send a copy of this report to the Office of State Budget and Management, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee.

SECTION 4.4. The Departments of Commerce, Environment and Natural Resources, and Transportation, the Community Colleges System Office, and the State Board of Education shall use funds available to carry out the requirements of this section. Nothing in this act shall be construed as an authorization for payment of additional compensation for persons serving as liaisons.

SECTION 4.5. This Part becomes effective July 1, 2014, and expires July 1, 2018.

PART V. GENERAL ASSEMBLY REVIEW OF REPORTS

SECTION 5. It is the intent of the General Assembly to receive and review the reports required by Section 4.3 of this act concerning the creation of the Collaboration for Prosperity Zones and to use those reports to further address the following topics:

(1) Enhancing collaboration and cooperation between State and other governmental agencies in order to streamline and improve services to citizens and businesses, to make such services more user-friendly, and to implement collaborative and cooperative interagency measures to enhance access to services.

(2) Reducing barriers faced by citizens and businesses in accessing services that are unnecessarily caused by agency specialization, which may produce a "silo mentality."

(3) Additional recommendations regarding liaison personnel, including expanding the requirement to other State departments.

(4) Ways to integrate collaboration between educational institutions in each Collaboration for Prosperity Zone on the one hand and other governmental agencies and local businesses on the other.

(5) Requiring the establishment of interagency one-stop shops in each Collaboration for Prosperity Zone.

(6) Consolidating programs or services.

(7) Cross-training employees.

(8) Identifying offices, equipment, and support services that may be efficiently and economically shared between agencies in each Collaboration for Prosperity Zone.

(9) The grouping of counties within each Collaboration for Prosperity Zone to determine whether there is a better configuration while keeping the same overall number of zones.

PART VI. EFFECTIVE DATE AND CONSTRUCTION

SECTION 6.1. Nothing in this act shall be construed to obligate the General Assembly to appropriate funds to implement this act.

SECTION 6.2. Except as otherwise provided, this act is effective when it becomes law.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 743*

AMENDMENT NO._____
(to be filled in by
Principal Clerk)

S743-AMC-60 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
~~Second Edition~~
S743-CSMC-29 [v.4]

Date _____,2014

Senator Bryant

moves to amend the bill on page 7, lines 39 – 40, by inserting between the lines the following language to read:

"(16) For any entity reported pursuant to subdivision (6) of subsection (f) of this section, a provision requiring the nonprofit corporation to publish within seven days of the award, the entity, the fair market value and description of that which was received from the entity by the nonprofit corporation or the affiliate entity of the corporation, and the date and amount of the award to the entity. This publication requirement is satisfied if the Department publishes the information required in this subdivision within seven days of the award either separately or as part of a press release concerning the award.".

for a gift, contribution, or item or service of for value which fair market value exceeds one thousand dollars ($1,000) and was not paid

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

Attachment 6

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 5, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Allison Waller	Nelson Mullins
	Mixc
Allen Harrison	CRSWMA
	SA
Tony Adams	Adams and Assoc.
	HBO
	Disney
Vals Stevenson	Motion Picture Association of America
	Comcast
	TS
Paul Sherman	NCFB
	NCAEC
TJ Bunkea	NP
Jacob Bone	Bone and Associates
	Bone & Assoc.
Sarah Wolfe	MWC
Michelle Fraciett	MFTS

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 5, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Daniel Baum	Troutman Sanders
	NCRMA
Cory Hahn	NCHA
Ben Dowgs	NCOSHR
Hannah Griggs	CCNC
Andy Chase	KMA
	SA
	NC Chm
Chris McClure	BP
Ward Sylvester	Parent of a Page
Mitch Leonard	SEANC
	NCAFP
Robert Thrush Jr.	GESINC
Katherine Joyce	NCASA
	NCRMA
Andrea Allen	NCRMA
	UCICU

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 5, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	NWC
Tracy Kimbrell	Parker Poe
Erin Jones	TWJC
Tom West	Poyner Spruill LLP
[signature]	Misc
Matt Ross	NCPC
Annaliese Dolph	DL
Evelyn Hembree	CTNC
Jonathan Kappler	UNC GA
Henry M Lancaster	LCA
Millian DeCamp	Poyner Spruill LLP
Drew Martin	UNCGA
Johanna Reese	NCACC
Morgan Abbott	CTNC
Andrew Cagle	NC Sheriffs Assn
Peg Moore	Conf. of DAs
Chris Piper	DOJ

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 5, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joe McClees	McClees Consulting
Becki Gray	GFT
Elizabeth Hilliard	FFF
Sarah Preston	ACLU-NC
Laura Gunder	NCBIO
Sport Flegge	DOA
Cal Aikens	Sen's Blue's Ofc
Julie Wike	NCMNC
Shannon Bell	NCMNC
Rob McMurry	BEA
PAIGE WORSHAM	NC Coalition for Public Policy Research
Clayton B Mustard	

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 5, 2014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lee anne Pennyman	CSS
Ed Reagan	NCRGEA

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Brown, Co-Chair
Senator Harrington, Co-Chair
Senator Hunt, Co-Chair
Senator B. Jackson, Co-Chair

Thursday, June 05, 2014

Senator Hunt,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

SB **3** Western Crime Lab Funds/Amend Evidence Laws.

Draft Number:	S3-PCS45181-MC-27
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 2

SB **743** **(CS#1)** NC Econ. Dev. Partnership Modifications.

Draft Number:	S743-PCS45180-MC-29
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 2

Senator James Davis will handle SB 3
Senator Harry Brown will handle SB 743



SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE

Legislative Office Building, Room 643

June 18, 2014
8:30 a.m.

Welcome	*Senator Harrington, Presiding*
Lottery Revenue Estimates	*Alice Garland, Executive Director, NC Education Lottery*
Lottery Spending Differences	*Brian Matteson, Fiscal Research Division (FRD)*
Medicaid Differences	*Steve Owen & Susan Jacobs, FRD*
Compensation Differences	*Lanier McRee & David Vanderweide, FRD*
Capital Differences	*Mark Bondo, FRD*
Availability/Reserve Differences	*Kristin Walker, FRD*
H.B. 1031	*Senator Brown*
S.B. 729	*Senator Apodaca*
Adjourn	

Senate Committee on Appropriations/Base Budget
Wednesday, June 18, 2014 at 8:30 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:35AM on June 18, 2014 in Room 643 of the Legislative Office Building. Sixteen members were present. Senator Kathy Harrington presided. Chairwoman Harrington called the meeting to order and recognized the Senate Sergeant-at-Arms' staff and Pages.

Chairwoman Harrington recognized Senator Brown to present HB 1031: NC Econ. Dev. Partnership Modifications. (See Attachments 3 & 4) Sen. Brown invited Secretary of Commerce Sharon Decker to speak on HB 1031. Senator Apodaca made a motion for a favorable report. The motion carried.

Chairwoman Harrington recognized Sen. Apodaca to present SB 729: Coal Ash Management Act of 2014. (See Attachments 5 & 6) Sen. Tillman moved for a favorable report. The motion carried.

Chairwoman Harrington recognized Alice Garland, Executive Director, NC Education Lottery to present on the **Lottery Revenue Estimates**. Ms. Garland referenced a handout entitled **North Carolina Education Lottery Revenue Projection – Fiscal Year 2014-2015**. (See Attachment 7)

The Fiscal Research Staff of the North Carolina General Assembly gave the following presentations:

Areas of Difference Between the House and Senate Budgets:

Lottery Spending Differences
Brian Matteson, Fiscal Research Division
Handout: *2013-15 NC Education Lottery House and Senate Budgets*
(See Attachment 8)

Compensation Differences
Lanier McRee, Fiscal Research Division
Handouts:
Summary of Proposed Compensation Plans (See Attachment 9)
Educator Salary Proposals: "A" Salary Schedule Comparison (See Attachment 10)

Capital Differences
Mark Bondo, Fiscal Research Division
Handout: *House/Senate Comparison Report* (See Attachment 11)

Availability/Reserve Differences
Kristen Walker, Fiscal Research Division
Handout: *General Fund Availability Senate/House Comparison*
(See Attachment 12)

The meeting adjourned at 9:59 AM.

Senator Kathy Harrington, Chair
Presiding

Mary Marchman, Committee Clerk

Attachments:

1 Corrected Committee Notice No. 1
2 Agenda
3 H1031 Summary
4 HB 1031: NC Econ. Dev. Partnership Modifications
5 S729 Summary
6 SB 729: Coal Ash Management Act of 2014
7 North Carolina Education Lottery Revenue Projection – Fiscal Year 2014-2015
8 2013-15 NC Education Lottery House and Senate Budgets
9 Summary of Proposed Compensation Plans
10 Educator Salary Proposals: "A" Salary Schedule Comparison
11 House/Senate Capital Comparison Report
12 General Fund Availability Senate/House Comparison
13 Visitor's Log

ATTACHMENT 1

Principal Clerk
Reading Clerk

Corrected #1: Added Bills

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	June 18, 2014	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 1031	NC Econ. Dev. Partnership Modifications.	Representative Murry
SB 729	Coal Ash Management Act of 2014.	Senator Apodaca Senator Berger

Review of House/Senate Budget Comparison Report.

Senator Harry Brown, Co-Chair
Senator Kathy Harrington, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Brent Jackson, Co-Chair

HOUSE BILL 1031:
NC Econ. Dev. Partnership Modifications

2013-2014 General Assembly

Committee:	Senate Commerce	**Date:**	June 17, 2014
Introduced by:	Rep. Murry	**Prepared by:**	Dan Ettefagh
Analysis of:	Fourth Edition		Committee Counsel

SUMMARY: ***House Bill 1031 would (i) permit the Department of Commerce to contract with a North Carolina nonprofit corporation for the performance of certain economic development functions currently performed by the Department, (ii) eliminate the Economic Development Board, (iii) modify the duties and membership of the North Carolina Board of Science and Technology, and (iv) establish 8 geographic zones in the State for inter-departmental cooperation purposes. The substantive differences between H1031 and S743 last considered by the committee are as follows:***

1. Re: the audit in G.S. 143B-431A(c)(4), H1031 requires it to be biennially and by either OSBM, the State Auditor, or internal departmental auditors. S743 requires it to be annually and by the State Auditor.

2. Re: the governance board requirements in G.S. 143B-431A(d)(2)a., H1031 adds a new requirement that ¼ of legislative appointees and 2/9 of the Governor's appointees be from tier one or tier two areas with no legislative appointees being from the same Prosperity Zone and no more than 2 Governor appointees being from the same Prosperity Zone. No similar requirement in S743.

3. Re: salary limitations in G.S. 143B-431A(d)(3), H1031 limits the salary of board members to per diems and allowances as provided in G.S. 138-5. S743 limits it to $120,000 per year (unless raised in a budget bill).

4. Re: ethics in G.S. 143B-431A(e)(4), H1031 makes the P3 subject to the State Ethics Act. The Senate version requires adoption of a code of ethics containing certain minimum provisions.

5. Re: severance pay in G.S. 143B-431A(e)(11), H1031 disallows State funds to be used for severance. Both bills cap total available severance at the same amount.

6. Re: fundraising in G.S. 143B-431A(k): H1031 requires that, of funds raised by the nonprofit from sources other than the State, 25% of those funds be used for tier one/two development or for salaries/bonuses, etc. of employees working in or solely for the benefit of tier one/two. No similar requirement in S743.

7. Re: the study in Section 1.3 of the bill: S743 adds a new requirement that the study look to other states' compensation for P3-type employees for the purposes of determining the average and appropriate compensation that could be expected to be paid by our P3. No similar requirement in H1031.

8. Re: Part VI, the Senate added the Film Grant Program. No similar provision in H1031.

[As introduced, this bill was identical to S743, as introduced by Sen. Brown, which is currently in House Finance.]

BILL ANALYSIS:

Part I of the bill establishes the framework for the Department of Commerce to contract with a nonprofit corporation to assist the Department in fostering and retaining jobs and business development, international trade, marketing, and travel and tourism. The bill incorporates a number of requirements regarding contracting that can be broadly categorized as follows: limitations on scope, oversight requirements, contractual pre-requisites, mandatory contract terms, reporting requirements, applicability of laws provisions.

Limitations on Scope: The contract for performance is limited in scope by disallowing for the contracting of the following economic development functions of the Department:

- The obligation or commitment of funds under Article 10 (Commerce) of Chapter 143B of the General Statutes; however, recruitment, negotiation, and recommendations relating to economic development programs would fall within the purview of the nonprofit corporation.
- The Division of Employment Security, including the administration of unemployment insurance.
- The functions, powers, duties, and obligations vested in the State Board of Alcoholic Control, the North Carolina Utilities Commission, the North Carolina Industrial Commission, the State Banking Commission and the Commissioner of Banks, the Savings Institutions Division, the Credit Union Commission, the North Carolina Mutual Burial Association Commission, and the North Carolina Rural Electrification Authority.
- The administration of federal funds or grants.

Oversight: A nonprofit corporation contracted with by the Department would be overseen by an Economic Development Accountability & Standards Committee, consisting of the Secretaries of Commerce (Chair), Transportation, Environment and Natural Resources, and Revenue, one member appointed by the Speaker of the House, one member appointed by the President Pro Tempore of the Senate, and one member jointly appointed by the Speaker and President Pro Temp. No member may be a member of the General Assembly. The Committee would meet at least quarterly and would function to do the following:

- Monitor/oversee the performance of the contract by the nonprofit corporation.
- Receive, review, and refer complaints, as appropriate.
- Request enforcement of the contract by the Attorney General or the Department.
- Audit, via OSBM, the records of the nonprofit corporation to verify data affecting performance and reports.
- Coordinate economic development grant programs between the Departments of Commerce, Transportation, and Environment and Natural Resources.
- Perform other contractual duties.

Contractual Pre-requisites: The contractual authority granted in the bill and the permission to receive State funds by a nonprofit pursuant to a contract exist only if certain requirements are satisfied, as follows:

- At least 45 days prior to entering or substantively amending the contract, the Department submits the contract and a detailed explanation to GovOps and the Fiscal Research Division.
- The nonprofit corporation's governing board meets the following requirements:

- It is composed of 17 members (9 Governor appointees, including the chair, 4 Senate appointees, and 4 House appointees). The appointees should reflect the geographic diversity of the State, and the Governor's appointees should meet expertise requirements.
- No member of the board may take actions or use their position for self, business, or familial profit.
- No State officer or employee may serve on the board.
- The board must meet at least quarterly and report to the Economic Development Accountability & Standards Committee on economic development progress.
- The board must provide advice concerning economic and community development planning for the State, recommend economic development policy, recommend appropriations levels for economic development programs, and recommend how to coordinate economic development efforts amount involved agencies and entities.
- The nonprofit corporation must adhere to the prohibitions on lobbying set forth in Section 501(c)(3) of the Internal Revenue Code.

- The amount of State funds used for annual salaries for individual employees and officers of the corporation is capped at the greater of $120,000 per annum or the amount most recently set by the General Assembly in a budget act.
- The nonprofit corporation receives from sources other than the State funds totaling at least $250,000.

Mandatory Contract Terms: A contract authorized by the bill must contain the following terms:

- A provision requiring annual audited financial statements be submitted within 7 days of issuance to the Fiscal Research Division, the Joint Legislative Economic Development and Global Engagement Oversight Committee, and the Department.
- A provision requiring annual reporting to the Department on program activities, objectives, accomplishments, expenditures, and fund sources, as well as jobs anticipated to result from the nonprofit's activities (including project leads not submitted to the Department for possible discretionary incentives), itemized performance metrics, proposed amendments to areas of expertise for the governing board, and an explanation of how salaries are determined (base pay and bonus pay, including bonuses designed to aid rural/low-income area development). The report must also include any additional information requested by the Department.
- A provision requiring that, upon termination or repeal of the charter of the corporation or dissolution of the corporation, the corporation's assets and funds (including those of affiliated and subsidiary entities) must be returned to the Department within 30 days (during which no further encumbering may occur).
- A provision requiring the corporation to adopt and publish policies on ethics, conflicts of interest, and gifts.

  The ethics policy should provide, at a minimum, for the need to obey all applicable laws re: actions taken, the need to uphold the integrity/independence of the board and nonprofit, the need to avoid impropriety and faithfully perform their duties, and the need

to conduct the affairs of the board and nonprofit in an open and public manner and to avoid conflicts of interest.

The conflict of interest provision should provide, at a minimum, the need to avoid use of the official position to profit themselves, their immediate families or businesses in a way that is greater than similarly located and situated people or businesses. Otherwise, abstinence from voting on or discussing the matter is appropriate.

The gift policy should provide, at a minimum, that an employee, officer, or member of the board should not knowingly accept a gift from a person seeking to do business in the State or that has a financial interests that may be substantially and materially affected in a way different than the public due to the corporate personnel's job performance. Excepted from the gift prohibition are gifts of food, beverages, transportation, lodging, entertainment, or related expenses associated with recruitment, travel, tourism, and trade if unsolicited and not in trade for job performance and if reported within 30 days to the corporation, including value, description, and explanation of how the gift contributed to recruitment, travel, tourism, or trade. Also excepted are gifts less than $100 in value if customarily given in another country as protocol.

- A provision requiring the corporation to maintain a record of all contributors, including date and aggregate total of all contributions, which is included in the report to the Department.
- A provision requiring separate accounts and bookkeeping by the corporation for State and private funds and prohibiting commingling of funds.
- A provision providing the corporation will not engage in awarding public or private funds of the nonprofit corporation.
- A provision limiting the term and renewal provisions of the contract between the Department and the nonprofit corporation. The maximum initial term is 5 years. The maximum number of term extensions is 4. The maximum single term extension is 1 year. No extension may occur prior to 4/5 of the initial term passing.
- A provision limiting the severance pay of the chief officers to the lesser of $120,000 or (number of whole years in chief officer position/4) x ($120,000).
- An annual certification that the corporation is in compliance with the North Carolina Nonprofit Corporation Act and has complied with all mandatory contract terms (or an explanation of noncompliance).
- A provision requiring the nonprofit to comply with the travel and tourism policy act if the Department contracts with the nonprofit to promote and market tourism.
- A provision requiring fundraising results of at least $750k in the first year of the contract and at least $1.25M in each additional year of the contract.
- A provision that that financial obligations by State agencies are subject to the availability of appropriated funds or available funds that are not State funds as defined by Chapter 143C.

Reporting and Applicability of Laws: The Department must annually report to EDGE, GovOps, and the Fiscal Research Division on any performance for which the Department has contracted with a nonprofit corporation. The report must contain the report received by the Department from the nonprofit, an executive summary of that report, a listing of each entity for which the corporation has referred to the Department, an explanation of response by the Department for corporate noncompliance

with mandatory contract terms, and any soliciting of funds by the Secretary of Commerce on behalf of the corporation. A corporation contracted with must adhere to public records laws and open meetings laws. Regarding State funds, the bill provides (i) interest earned on State funds must be used for the same purposes as the principal, (ii) travel and personnel expenses reimbursed by State funds must adhere to reimbursement limitations in the North Carolina Budget manual used for State employees (deviations must be approved by the Secretary), and (iii) State funds may not be used for hiring a lobbyist.

The bill makes clear the Secretary can engage in solicitation of funds for the corporation, but other State employees cannot engage in solicitation of funds for the corporation. In addition, corporate personnel are not State employees, are not covered by the State Personnel Act, and are not entitled to State-funded employee benefits.

Although made subject to the open records law, the bill modifies the open records laws in the following ways:

- Under current law, once the State, a local government or specific business announce a committed to expand or located a project in the State (or a final, communicated decision not to), the provisions allowing the withholding of public records would no longer apply (i.e., it becomes public record).
- Under the bill, a final, communicated decision not to expand or locate no longer removes the provision allowing the withholding of public records (i.e. those would remain outside of the public record). Also, if a business requests discretionary incentives for a project but does not expand or locate in the State or does not receive the discretionary incentives, the only records subject to the open records law are the records submitted to the Department by the nonprofit. If a business expands/located in the State but the nonprofit submits no documentation to the Department regarding discretionary incentives (regardless of such were requested) and if the business does not receive discretionary incentives, the records regarding the project are not subject to the open records laws.

The remaining provisions of Part I include (i) a repeal of the Economic Development Board, (ii) an authorization to allow the Secretary to delegate the Secretary's responsibilities with respect to a comprehensive strategic economic development plan to the governance board of the nonprofit corporation with which the Department has contracted, (iii) a requirement that the governing board of the nonprofit corporation continue functions previously performed by the Economic Development Board, (iv) an exemption for Collaboration for Prosperity Zone liaisons and officers, board members, and employees of the nonprofit corporation from certain provisions of the State Personnel Act, and (v) a requirement that the Department study and develop:

- A plan for private fundraising efforts for the nonprofit corporation, including private fundraising potential, private fundraising in other states, creating a budget for the corporation without private fundraising and comparing the budget with amounts required by the Department for the same functions.
- A report on various performance metrics for the Department for the last year and annual averages for the last 5 years. The Department must report to OSBM, GovOps, EDGE, and FRD no later than 12/1/14, and the Department must require the nonprofit corporation to report on the same metrics for comparison purposes to Departmental performance.

Part I of the bill repeals the budgetary provision authorizing privatization of Departmental functions.

Part II of the bill renames the North Carolina Board of Science and Technology as the North Carolina Board of Science, Technology, and Innovation, which would gain the duty to advise and make

recommendations to the nonprofit corporation on the role of science, technology, and innovation. The composition of the Board would be changed, increasing from 17 to 23 members. New members include one member of the North Carolina Community Colleges System, one member representing K-12 public education, 2 additional private industry members, and 7 at-large members. Of the existing two members appointed by the Governor from components of The University of North Carolina system other than UNC-CH and NCSU, one member must be from a historically black college or university.[1] Eliminated members include one member from the Research Triangle Institute (nominated by its executive committee), one member from the Microelectronics Center of NC (nominated by its executive committee), one member from the Biotechnology Center (nominated by its executive committee), and two members from public agencies in the State. An additional elimination is the requirement that at least one member be a professional, registered engineer with a degree from an accredited college or university.

Part III of the bill divides the State into 8 geographic regions to facilitate collaborative and coordinated planning and resource use, improve cooperation, facilitate increased efficiencies, receive advice on economic development issues by local boards established by a nonprofit corporation, and establish one-stop assistance in each region for citizens and businesses. The bill would require that the Departments of Commerce, Environment and Natural Resources, and Transportation each provide one employee to each regional office to serve as that department's liaison with other departments and with local governments, schools and colleges, businesses, and other developmental planning bodies. The Community Colleges System Office and State Board of Education would also be required to designate one representative to serve as a liaison in each zone. Office location shall be jointly selected, and Commerce would be authorized to contract with the nonprofit corporation to fulfill the Department's liaison responsibilities. Part IV includes reporting requirements on the establishment and activities of liaisons by Commerce, the Community Colleges System Office, the State Board of Education, the Department of Transportation and DENR. Finally, Part IV modifies the existing educational districts to match the Prosperity Zone composition.

Part V of the bill provides for review of reports and intent to address certain topics by the General Assembly.

EFFECTIVE DATE: Other than the repeal of the budgetary privatization provision, which becomes effective when the act becomes law, Parts I, II, and III become effective 7/1/14. Part IV becomes effective 7/1/14 and expires 7/1/18. The remainder of the act is effective when it becomes law.

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[1] The appointments from UNC-Chapel Hill and NCSU are unchanged by the bill.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H 4

HOUSE BILL 1031*
Committee Substitute Favorable 6/4/14
Third Edition Engrossed 6/5/14
Fourth Edition Engrossed 6/10/14

Short Title: NC Econ. Dev. Partnership Modifications. (Public)

Sponsors:

Referred to:

May 15, 2014

A BILL TO BE ENTITLED

AN ACT TO FACILITATE ECONOMIC DEVELOPMENT WITHIN THE STATE.

The General Assembly of North Carolina enacts:

PART I. AUTHORIZE CONTRACTING OF ECONOMIC DEVELOPMENT FUNCTIONS BY THE DEPARTMENT OF COMMERCE

SECTION 1.1.(a) Part 1 of Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-431A. Department of Commerce – contracting of functions.**

(a) Purpose. – The purpose of this section is to establish a framework whereby the Department of Commerce may contract with a North Carolina nonprofit corporation to assist the Department in fostering and retaining jobs and business development, international trade, marketing, and travel and tourism. It is the intent of the General Assembly that the Department develop a plan to work cooperatively with a nonprofit corporation for these purposes while safeguarding programmatic transparency and accountability as well as the fiscal integrity of economic development programs of the State.

(b) Contract. – The Department of Commerce is authorized to contract with a North Carolina nonprofit corporation to perform one or more of the Department's functions, powers, duties, and obligations set forth in G.S. 143B-431, except as provided in this subsection. If the Department contracts with a North Carolina nonprofit corporation to promote and grow the travel and tourism industries, then all funds appropriated to the Department for tourism marketing purposes shall be used for a research-based, comprehensive marketing program directed toward consumers in key markets most likely to travel to North Carolina and not for ancillary activities, such as statewide branding and business development marketing. The Department may not contract with a North Carolina nonprofit corporation regarding any of the following:

(1) The obligation or commitment of funds under this Article, such as the One North Carolina Fund, the Job Development Investment Grant Program, the Industrial Development Fund, or the Job Maintenance and Capital Development Fund.

(2) The Division of Employment Security, including the administration of unemployment insurance.

(3) The functions set forth in G.S. 143B-431(a)(2).

(4) The administration of funds or grants received from the federal government or its agencies.

(c) Oversight. – There is established the Economic Development Accountability & Standards Committee, which is a Board as that term is defined in G.S. 138A-3 of the State Government Ethics Act. The Committee shall consist of seven members as follows: the Secretary of Commerce as Chair of the Committee, the Secretary of Transportation, the Secretary of Environment and Natural Resources, the Secretary of Revenue, one member appointed by the Speaker of the House of Representatives, one member appointed by the President Pro Tempore of the Senate, and one member jointly appointed by the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

The members of the Committee who are appointed by the Speaker of the House of Representatives or by the President Pro Tempore of the Senate may not be members of the General Assembly. The Committee shall meet at least quarterly upon the call of the Chair. The duties of the Committee shall include all of the following:

(1) Monitoring and oversight of the performance of a contract entered into pursuant to this section by the Department with a North Carolina nonprofit corporation.

(2) Receiving, reviewing, and referring complaints regarding the contract or the performance of the North Carolina nonprofit corporation, as appropriate.

(3) Requesting enforcement of the contract by the Attorney General or the Department.

(4) Auditing, at least biennially, by the Office of State Budget and Management, State Auditor, or internal auditors of the Department, the records of the North Carolina nonprofit corporation with which the Department has contracted pursuant to this section during and after the term of the contract to review financial documents of the corporation, performance of the corporation, and compliance of the corporation with applicable laws.

(5) Coordination of economic development grant programs of the State between the Department of Commerce, the Department of Transportation, and the Department of Environment and Natural Resources.

(6) Any other duties deemed necessary by the Committee.

(d) Limitations. – Prior to contracting with a North Carolina nonprofit corporation pursuant to this section and in order for the North Carolina nonprofit corporation to receive State funds, the following conditions shall be met:

(1) At least 45 days prior to entering into or amending in a nontechnical manner a contract authorized by this section, the Department shall submit the contract or amendment, along with a detailed explanation of the contract or amendment, to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

(2) The nonprofit corporation adheres to the following governance provisions related to its governing board:

a. The board shall be composed of 17 voting members as follows: eight members and the chair appointed by the Governor, four members appointed by the Speaker of the House of Representatives, and four members appointed by the President Pro Tempore of the Senate. The Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate shall each use best efforts to select members so as to reflect the diversity of the State's geography. The Speaker of the House and the President Pro Tempore shall each select their appointed members so that one-fourth come from a development tier one area, one-fourth come from a development tier

two area, and no two members come from the same Collaboration for Prosperity Zone. The Governor shall select appointed members so that two-ninths come from a development tier one area, two-ninths come from a development tier two area, and no more than two members come from the same Collaboration for Prosperity Zone. The Governor shall use best efforts to ensure that each member appointed by the Governor has expertise in one or more of the following areas:

1. Agribusiness, as recommended by the Commissioner of Agriculture.
2. Financial services.
3. Information technology.
4. Biotechnology or life sciences.
5. Energy.
6. Manufacturing.
7. Military or defense.
8. Tourism, as recommended by the North Carolina Travel and Tourism Coalition.
9. Tourism, as recommended by the North Carolina Travel Industry Association.

b. The nonprofit corporation shall comply with the limitations on lobbying set forth in section 501(c)(3) of the Internal Revenue Code.

c. No State officer or employee may serve on the board.

d. The board shall meet at least quarterly at the call of its chair. Each quarter and upon request, the board shall report to the Chair of the Economic Development Accountability and Standards Committee on the progress of the State's economic development.

e. The board is required to perform the following duties if the Department contracts pursuant to G.S. 143B-431A for the performance of the Secretary's responsibilities under G.S. 143B-434.01:

1. To provide advice concerning economic and community development planning for the State, including a strategic business facilities development analysis of existing, available buildings or shell or special-use buildings and sites.
2. To recommend economic development policy to the Secretary of Commerce, the General Assembly, and the Governor.
3. To recommend annually to the Governor biennial and annual appropriations for economic development programs.
4. To recommend how best to coordinate economic development efforts among the various agencies and entities, including those created by executive order of the Governor, that receive economic development appropriations, including the assignment of key responsibilities for different aspects of economic development and resource allocation and planning designed to encourage each agency to focus on its area of primary responsibility and not diffuse its resources by conducting activities assigned to other agencies.

(3) The amount of State funds that may be used for the annual salary of any one officer or employee of the nonprofit corporation with which the Department

contracts pursuant to this section shall not exceed the greater of (i) one hundred twenty thousand dollars ($120,000) or (ii) the amount most recently set by the General Assembly in a Current Operations Appropriations Act. Members of the governing board may receive only per diem and allowances pursuant to G.S. 138-5.

(4) The nonprofit corporation shall have received from fundraising efforts and sources, other than State funds, an amount totaling at least two hundred fifty thousand dollars ($250,000) to support operations and functions of the corporation.

(e) Mandatory Contract Terms. – Any contract entered into under this section must include all of the following:

(1) A provision requiring the North Carolina nonprofit corporation provide to the Joint Legislative Economic Development and Global Engagement Oversight Committee, the Department of Commerce, and the Fiscal Research Division a copy of the corporation's annual audited financial statement within seven days of issuance of the statement.

(2) A provision requiring the nonprofit corporation to provide by September 1 of each year, and more frequently as requested, a report to the Department on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources. The report shall also include all of the following:

a. Jobs anticipated to result from efforts of the nonprofit corporation. This includes project leads that were not submitted to the Department for possible discretionary incentives pursuant to Chapter 143B of the General Statutes.

b. Developed performance metrics of economic development functions itemized by county, by development tier area designation, as defined by G.S. 143B-437.08, and by Collaboration for Prosperity Zones created pursuant to G.S. 143B-28.1.

c. Any proposed amendments to the areas of expertise required to be represented on the governing board of the nonprofit corporation.

d. A detailed explanation of how annual salaries are determined, including base pay schedules and any additional salary amounts or bonuses that may be earned as a result of job performance. The explanation shall include the proportion of State and private funds for each position and shall include the means used by the nonprofit corporation to foster employee efforts for economic development in rural and low-income areas in the State. Any bonuses paid to employees shall be based upon overall job performance and not be based on a specific project lead.

e. Any other information requested by the Department.

(3) A provision providing that, upon termination of the contract, or upon dissolution of, or repeal by the General Assembly of, the charter of the nonprofit corporation with which the Department has contracted under this section, all assets and funds of the nonprofit corporation, including interest on funds, financial and operational records, and the right to receive future funds pursuant to the contract, will be surrendered to the Department within 30 days of the termination, dissolution, or repeal. During the 30-day period, the corporation may not further encumber any assets or funds. For purposes of this subdivision, assets and funds of the nonprofit corporation include assets and funds of any subsidiary or affiliate of the nonprofit corporation.

An affiliate of the nonprofit corporation exists when both are directly or indirectly controlled by the same parent corporation or by the same or associated financial interests by stock ownership, interlocking directors, or by any other means whatsoever, whether the control is direct or through one or more subsidiary, affiliated, or controlled corporations.

(4) A provision providing that the nonprofit corporation shall adopt and publish a resolution or policy containing a conflict of interest policy and gift policy to guide actions by the governing board members, officers, and employees of the nonprofit corporation in the performance of their duties.

(5) The conflict of interest policy required by subdivision (4) of this subsection shall contain at a minimum the information in this subdivision. No subject person of the nonprofit corporation may take any official action or use the subject person's official position to profit in any manner the subject person, the subject person's immediate family, a business with which the subject person or the subject person's immediate family has a business association, or a client of the subject person or the subject person's immediate family with whom the subject person, or the subject person's immediate family, has an existing business relationship. No subject person shall attempt to profit from a proposed project lead if the profit is greater than that which would be realized by other persons living in the area where the project lead is located. If the profit under this subdivision would be greater for the subject person than other persons living in the area where the project lead is located, not only shall the subject person abstain from voting on that issue, but once the conflict of interest is apparent, the subject person shall not discuss the project lead with any other subject person or representative of the Department except to state that a conflict of interest exists. Under this subdivision, a subject person is presumed to profit if the profit would be realized by the subject person, the subject person's immediate family, a business with which the subject person or the subject person's immediate family has a business association, or a client of the subject person or the subject person's immediate family with whom the subject person, or the subject person's immediate family, has an existing business relationship with a company that is the subject of a proposed project lead. No subject person, in contemplation of official action by the subject person, or in reliance on information that was made known to the subject person in the subject person's official capacity and that has not been made public, shall (i) acquire a pecuniary interest in any property, transaction, or enterprise or gain any pecuniary benefit that may be affected by such information or official action or (ii) intentionally aid another to do any of the above acts. As used in this subdivision, the following terms mean:

a. Board. – The governing board of the nonprofit corporation with which the Department contracts pursuant to this section.

b. Board member. – A member of the board.

c. Business association. – A director, employee, officer, or partner of a business entity, or owner of more than ten percent (10%) interest in any business entity.

d. Subject person. – A board member, officer, or employee of the nonprofit corporation.

e. Department. – The Department of Commerce.

f. Immediate family. – Spouse, children, parents, brothers, and sisters.

g. Official action. – Actions taken in connection with the subject person's duties, including, but not limited to, voting on matters before the board, proposing or objecting to proposals for economic development actions by the Department, discussing economic development matters with other subject persons or Department staff in an effort to further the matter after the conflict of interest has been discovered, or taking actions in the course and scope of the position as a subject person and actions leading to or resulting in profit.

h. Profit. – Receive monetary or economic gain or benefit, including an increase in value whether or not recognized by sale or trade.

(6) The gift policy required by subdivision (4) of this subsection shall at a minimum prohibit an employee, officer, or member of the board of the corporation from knowingly accepting a gift from a person whom the employee, officer, or member of the board knows or has reason to know (i) is seeking to do business of any kind in the State or (ii) has financial interests that may be substantially and materially affected, in a manner distinguishable from the public generally, by the performance or nonperformance of official duties of the employee, officer, or member of the board. This prohibition shall not apply to either of the following:

a. Gifts given to the employee, officer, or member of the board where the gift is food or beverages, transportation, lodging, entertainment or related expenses associated with industry recruitment, promotion of international trade, or the promotion of travel and tourism, and the employee, officer, or member of the board is responsible for conducting the business on behalf of the State, provided (i) the employee, officer, or member of the board did not solicit the gift and did not accept the gift in exchange for the performance or nonperformance of corporate duties, and (ii) the employee, officer, or member of the board reports electronically to the corporation within 30 days of receipt of the gift, including a description and value of the gift and a description of how the gift contributed to industry recruitment, promotion of international trade, or the promotion of travel and tourism.

b. Gifts of personal property valued at less than one hundred dollars ($100.00) given to the employee, officer, or member of the board in the commission of corporate duties if the gift is given as a personal gift in another country as part of an overseas trade mission and the giving and receiving of such personal gifts is considered a customary protocol in the other country.

(7) A provision providing that the nonprofit corporation maintain a record containing the name of all persons who have contributed to the nonprofit corporation, the date of each contribution, and the aggregate total of all contributions to the nonprofit corporation. The nonprofit corporation shall include the record in the report required to be filed with the Department pursuant to subdivision (2) of subsection (e) of this section.

(8) A provision requiring the nonprofit corporation to maintain separate accounting records for and separate accounts for State and private funds and prohibiting any commingling of State and private funds. Records and accounts must be maintained according to generally accepted accounting principles.

(9) A provision stating that the nonprofit corporation will not engage in the awarding of grants of the public or private funds of the nonprofit corporation.

(10) A provision limiting the term of the contract to no more than five years. The term of the contract may be extended in one-year increments up to four times after no less than four-fifths of the original contract term has passed. A contract extension may not extend the remaining term of the contract, including the term of the extension, to more than two years. Nothing in this subdivision shall be construed as a prohibition against entering into a new contract with the nonprofit corporation.

(11) A provision prohibiting the use of State funds for the severance pay of the chief executive officer and other officers of the nonprofit corporation and otherwise limiting the severance pay from funds other than State funds to no more than the lesser of the following:

a. The salary limitation contained in subdivision (3) of subsection (d) of this section.

b. The salary limitation contained in subdivision (3) of subsection (d) of this section multiplied by a fraction, the numerator of which is the number of whole years the chief officer has been chief officer of the corporation and the denominator of which is four.

(12) A provision requiring annual certification by the nonprofit corporation that it is in compliance with the following:

a. The requirements of Chapter 55A of the General Statutes.

b. The requirements of each of the provisions listed in subsection (e) of this section. For any provision in this subsection that the nonprofit corporation did not comply with, the corporation shall provide a detailed explanation of the circumstances and time of the noncompliance.

(13) A provision requiring the nonprofit corporation to comply with and perform the duties set out in G.S. 143B-434.2 in the event the Department contracts with the nonprofit corporation to promote and market tourism.

(14) A provision requiring the nonprofit corporation to receive from fund-raising efforts and sources other than State funds an amount totaling at least five million seven hundred fifty thousand dollars ($5,750,000) during the term of the contract to support operations and functions of the corporation. The corporation shall raise at least seven hundred fifty thousand dollars ($750,000) during the first year of the term of the contract and shall raise at least one million two hundred fifty thousand dollars ($1,250,000) during each subsequent year of the term of the contract. Amounts raised prior to entering the contract or during a year preceding the current year of the contract shall not apply to the amount required to be raised during the current year.

(15) A provision that the limitation of G.S. 143C-6-8 applies.

(16) For any entity reported pursuant to subdivision (6) of subsection (f) of this section for a gift, contribution, or item or service of value for which fair market value exceeds one thousand dollars ($1,000) and was not paid, a provision requiring the nonprofit corporation to publish within seven days of the award: (i) the entity, (ii) the fair market value and description of that which was received from the entity by the nonprofit corporation or the affiliate entity of the corporation, and (iii) the date and amount of the award to the entity. This publication requirement is satisfied if the Department

publishes the information required in this subdivision within seven days of the award either separately or as part of a press release concerning the award.

(f) Report. – By September 30 of each year, and more frequently as requested, the Department shall submit a report to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Economic Development and Global Engagement Oversight Committee, and the Fiscal Research Division on any performance for which the Department has contracted pursuant to this section. The report shall contain, at a minimum, each of the following:

(1) A copy of the most recent report required by the Department pursuant to subdivision (2) of subsection (e) of this section.

(2) An executive summary of the report required by subdivision (1) of this subsection.

(3) A listing of each entity referred to the Department by a North Carolina nonprofit corporation with which the Department contracts pursuant to this section and any other information the Secretary determines is necessary or that is specifically requested in writing.

(4) An explanation of the response by the Department to any notifications of noncompliance submitted to the Department by the nonprofit corporation, as required by G.S. 143B-431A(e), including actions taken by the Department to prevent repeat or similar instances of noncompliance.

(5) For each activity in which the Secretary of Commerce solicits funds for the corporation, as permitted by subsection (i) of this section, a listing of each activity, including the date and the name of each person or entity from whom funds were solicited.

(6) If the nonprofit corporation or any affiliated entity of the corporation has received, directly or indirectly, any gift, contribution, or item or service of value for which fair market value was not paid and if an entity making the gift or contribution receives an award, a list of the entity and the amount of the award.

(g) Public Funds. – A North Carolina nonprofit corporation with which the Department contracts pursuant to this section shall comply with the requirements provided in this subsection regarding the use of State funds.

(1) Interest earned on State funds after receipt of the funds by the nonprofit corporation shall be used for the same purposes for which the principal was to be used.

(2) The travel and personnel policies and regulations of the State of North Carolina Budget Manual limiting reimbursement for expenses of State employees apply to reimbursements for expenses of officers, employees, or members of a governing board of the nonprofit corporation. Deviations from the policies and regulations shall be approved by the Secretary.

(3) State funds shall not be used to hire a lobbyist.

(h) Applicable Laws. – A North Carolina nonprofit corporation with which the Department contracts pursuant to this section is subject to the requirements of (i) Chapter 132 of the General Statutes and (ii) Article 33C of Chapter 143 of the General Statutes. Officers, employees, and members of the governing board of the corporation are public servants, as defined in G.S. 138A-3, and are subject to the requirements of Chapter 138A of the General Statutes. Officers, members of the governing board, and employees of the corporation whose annual compensation is equal to or greater than sixty thousand dollars ($60,000) are subject to G.S. 138A-22.

(i) Prohibition. – A State officer or employee, other than the Secretary of Commerce, shall not solicit funds for a North Carolina nonprofit corporation with which the Department contracts pursuant to this section. The Secretary of Commerce may solicit funds for the nonprofit corporation pursuant to G.S. 138A-31(b)(5).

(j) Benefits. – An officer, employee, or member of a governing board of a North Carolina nonprofit corporation with which the Department contracts pursuant to this section is not a State employee, is not covered by Chapter 126 of the General Statutes, and is not entitled to State-funded employee benefits, including membership in the Teachers' and State Employees' Retirement System and the State Health Plan for Teachers and State Employees."

(k) Raised Funds. – For funds raised from sources other than State funds by the nonprofit corporation, at least twenty-five percent (25%) of the funds shall be used for the benefit of or for salaried positions located in or working solely on development in development tier one or two areas, as defined in G.S. 143B-437.08."

SECTION 1.1.(b) G.S. 143B-431A(i), as enacted by this act, does not apply to employees of the Department of Commerce, other than employees involved in the recommendation and administration of State economic development incentive programs, prior to the time the Department contracts with a North Carolina nonprofit corporation pursuant to this act.

SECTION 1.1.(c) G.S. 132-6(d) reads as rewritten:

"(d) Notwithstanding the provisions of subsections (a) and (b) of this section, public records relating to the proposed expansion or location of specific business or industrial projects may be withheld so long as their inspection, examination or copying would frustrate the purpose for which such public records were created; provided, however, that nothing herein shall be construed to permit the withholding of public records relating to general economic development policies or activities. Once the State, a local government, or the specific business has announced a commitment by the business to expand or locate a specific project in this State ~~or a final decision not to do so and the business has communicated that commitment or decision to the State or local government agency involved with the project,~~and that the business will receive a discretionary incentive for the project pursuant to Chapter 143B of the General Statutes, the provisions of this subsection allowing public records to be withheld by the agency no longer apply. If the specific business has requested discretionary incentives for the project pursuant to Chapter 143B of the General Statutes, but decides to not expand or locate the project in this State or does not receive such discretionary incentives, then the only records that are subject to disclosure pursuant to this Chapter are the records submitted to the Department of Commerce by the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431A. If a business decides to expand or locate a specific project in this State, but the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431A does not submit any documentation to the Department regarding a request for any discretionary incentives by the State pursuant to Chapter 143B of the General Statutes, and the business does not receive any such discretionary incentives, then any records regarding such project are not subject to disclosure pursuant to this Chapter. Once the provisions of this subsection no longer apply, the agency shall disclose as soon as practicable, and within 25 business days, public records requested for the announced project that are not otherwise made confidential by law. An announcement that a business or industrial project has committed to expand or locate in the State shall not require disclosure of local government records relating to the project if the business has not selected a specific location within the State for the project. Once a specific location for the project has been determined, local government records must be disclosed, upon request, in accordance with the provisions of this section. For purposes of this section, "local government records" include records maintained by the State that relate to a local government's efforts to attract the project."

SECTION 1.2.(a) G.S. 143B-434 is repealed.

SECTION 1.2.(b) G.S. 143B-434.01 reads as rewritten:

"**§ 143B-434.01. Comprehensive Strategic Economic Development Plan.**

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

~~(1) Board. – The Economic Development Board.~~

...

(6) Secretary. – The Secretary of Commerce or the governing board of a North Carolina nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431A for the performance of the Secretary's responsibilities under this section.

(b) ~~Board to Prepare~~ Plan. – The ~~Board~~ Secretary shall ~~prepare~~ review and update the existing Plan ~~by April 1, 1994~~.on or before April 1 of each year. ~~The Board shall review and update this Plan by April 1 of each year.~~ The ~~original~~ Plan shall cover a period of four years and each annual update shall extend the time frame by one year so that a four-year plan is always in effect. The ~~Board~~ Secretary shall provide copies of the Plan and each annual update to the Governor and the Joint Legislative Commission on Governmental Operations. The Plan shall encompass all of the components set out in this section.

(c) Purpose. – The purpose of this section is to require the ~~Board~~ Secretary to apply strategic planning principles to its economic development efforts. This requirement is expected to result in:

(1) The selection of a set of priority development objectives that recognizes the increasingly competitive economic environment and addresses the changing needs of the State in a more comprehensive manner.

(2) The effective utilization of available and limited resources.

(3) A commitment to achieve priority objectives and to sustain the process.

(d) (1) Public and Private Input. – At each stage as it develops and updates the Plan, the ~~Board~~ Secretary shall solicit input from all parties involved in economic development in North Carolina, including:

a. Each of the programs and organizations that, for State budget purposes, identifies economic development as one of its global goals.

b. Local economic development departments and regional economic development organizations.

c. The Board of Governors of The University of North Carolina.

(2) The ~~Board~~ Secretary shall also hold hearings in each of the Regions to solicit public input on economic development before the initial Plan is completed. The purposes of the public hearings are to:

a. Assess the strengths and weaknesses of recent regional economic performance.

b. Examine the status and competitive position of the regional resource base.

c. Identify and seek input on issues that are key to improving the economic well-being of the Region.

The ~~Board~~ Secretary shall hold additional hearings from time to time to solicit public input regarding economic development activities.

(3) Each component of the Plan shall be based on this broad input and, to the extent possible, upon a consensus among all affected parties. The ~~Board~~ Secretary shall coordinate its planning process with any State capital development planning efforts affecting State infrastructure such as roads and water and sewer facilities.

(e) Environmental Scan. – The first step in developing the Plan shall be to develop an environmental scan based on the input from economic development parties and the public and on information about the economic environment in North Carolina. To prepare the scan, the

~~Board~~ Secretary shall gather the ~~following~~ information required in this subsection and ensure that the information is updated periodically. The updated information may be provided in whatever format and through whatever means is most efficient. The information required to prepare the scan includes all of the following:

...

(f) Repealed by Session Laws 2012-142, s. 13.4(a), effective July 1, 2012.

(g) Vision and Mission Statements. – The ~~Board~~ Secretary shall develop a vision statement for economic development that would describe the preferred future for North Carolina and what North Carolina would be like if all economic development efforts were successful. The ~~Board~~ Secretary shall then develop a mission statement that outlines the basic purpose of each of North Carolina's economic development programs. Because special purpose nonprofit organizations are uniquely situated to conduct the entrepreneurial and high-risk activity of investing in and supporting new business creation in the State, they should be assigned a dominant role in this key component of economic development activity.

(h) Goals and Objectives. – The ~~Board~~ Secretary, using data from the public input and the environmental scan, shall formulate a list of goals and objectives. Goals shall be long-range, four years or more, and shall address both needs of economically distressed Regions and counties as well as opportunities for Regions and counties not distressed. The goals shall be developed with realism but should also be selected so as to encourage every Region and county within the State to develop to its maximum potential. Objectives shall be one year or less in scope and shall, if achieved, lead to the realization of the goals formulated by the ~~Board~~ Secretary as provided in this section.

Both goals and objectives should be stated largely in economic terms, that is, they should be related to specific population, employment, demographic targets, or economic sector targets. Both efficiency and equity considerations are to be addressed and balanced with special emphasis placed on the needs of disadvantaged or economically distressed populations and communities. The goals and objectives should not state how the economic targets are to be reached, but rather what the economic conditions will be if they are obtained. So that the progress of North Carolina's economic development efforts can be monitored, the ~~Board~~ Secretary shall set objectives for each goal that allow measurement of progress toward the goal. Objectives should be quantifiable and time-specific in order to serve as performance indicators.

...

(j) Implementation Plan. – Based upon all of the foregoing steps, the ~~Board~~ Secretary shall establish an implementation plan assigning to the appropriate parties specific responsibilities for meeting measurable objectives. The implementation plan shall contain all necessary elements so that it may be used as a means to monitor performance, guide appropriations, and evaluate the outcomes of the parties involved in economic development in the State.

(k) Annual Evaluation. – The ~~Board~~ Secretary shall annually evaluate the State's economic performance based upon the statistics listed in this subsection and upon the ~~Board's~~ Secretary's stated goals and objectives in its Plan. The statistics upon which the evaluation is made should be available to policymakers. The information may be provided in whatever format and through whatever means is most efficient.

...

(l) Accountability. – The ~~Board~~ Secretary shall make all data, plans, and reports available to the General Assembly, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Economic Development and Global Engagement Oversight Committee, the Senate Appropriations Committee on Natural and Economic Resources, and the House of Representatives Appropriations Subcommittee on Natural and Economic Resources at appropriate times and upon request. The ~~Board~~ Secretary shall prepare and make available on

an annual basis public reports on each of the major sections of the Plan and the Annual Report indicating the degree of success in attaining each development objective."

SECTION 1.2.(c) G.S. 143B-437.03 is repealed.

SECTION 1.3. The Department of Commerce shall study and develop a plan for contracting with a North Carolina nonprofit corporation pursuant to G.S. 143B-431A, as enacted by this act, for the performance of economic development activities and duties of the Department. The study shall include each of the following:

(1) The Department shall develop a plan for private fund-raising efforts for the nonprofit corporation for the performance of economic development functions. The study shall include the creation of a budget for the nonprofit corporation that provides for the performance of core functions of the corporation, including economic development functions, in the absence of private funds. The study shall compare the budget of the Department and the budget developed for the nonprofit corporation according to Department division and budget category, including personal services; purchased services; supplies; property, plant, and equipment; other expenses and adjustments; aid and public assistance; and other budget categories used by the Department. The study shall include a measurement and estimation of expected private fund-raising potential, and the Department shall examine the efforts of other states that have permitted public-private partnerships for economic development activities and report on the source or sources of funds for those partnerships, separately accounting for funds provided by the State and private funds.

(2) The Department shall report on each performance metric listed in this subdivision. The report shall analyze the Department's performance for each metric for (i) the last full year prior to contracting for performance of the metric and (ii) the annual average for the five-year period preceding contracting for performance of the metric. The performance metrics to be reported upon are as follows:

a. For business recruitment:
   1. Number of jobs announced by the Department in total.
   2. Number of jobs announced resulting from recruitment of new businesses.
   3. Number of jobs announced resulting from existing business expansions.
   4. Total U.S. dollar amount of investment resulting from new projects.
   5. Total U.S. dollar amount of investment resulting from recruitment of new businesses.
   6. Total U.S. dollar amount of investment resulting from existing business expansions.
   7. Total U.S. dollar amount of foreign direct investment.

b. For business services:
   1. Number of existing businesses receiving support.
   2. Number of Business Services Team leads that lead to an expansion of existing businesses.
   3. Number of businesses receiving export assistance.
   4. Total U.S. dollar amount of exports by assisted companies.

c. For tourism and marketing:
   1. Number of consumer inquiries about travel to North Carolina.

2. Total U.S. dollar amount of spending by visitors while in North Carolina.
3. Total U.S. dollar amount of State and local tax revenues resulting from visitors' spending while in North Carolina.
4. Number of business inquiries for business relocation, investment, and expansion.

d. Any other information or performance metrics allowing comparison between departmental and corporate performance for any other economic development division in the Department for which the Department contracts for performance with a North Carolina nonprofit corporation pursuant to this act.

e. Any other information or performance metrics deemed useful or necessary by the Department in the listed areas or other areas.

The Department shall make a report to the Office of State Budget Management, to the Joint Legislative Commission on Governmental Operations, to the Joint Legislative Economic Development and Global Engagement Oversight Committee, and to the Fiscal Research Division no later than December 1, 2014.

The Department shall require the nonprofit corporation to include in each report mandated by G.S. 143B-431A(e)(2) an analysis of the corporation's performance and a comparison to departmental performance using the same performance metrics studied and reported by the Department, as required by subdivision (2) of this section.

SECTION 1.4. G.S. 126-5 reads as rewritten:

"**§ 126-5. Employees subject to Chapter; exemptions.**

...

(c2) The provisions of this Chapter shall not apply to:

...

(5) Officers, employees, and members of the governing board of a North Carolina nonprofit corporation with which the Department of Commerce has contracted pursuant to the authority granted in G.S. 143B-431A.

...

(d) (1) Exempt Positions in Cabinet Department. – Subject to the provisions of this Chapter, which is known as the State Personnel Act, the Governor may designate a total of 1,000 exempt positions throughout the following departments:

...

(2b) Designation of Liaison Positions. – Liaisons to the Collaboration for Prosperity Zones set out in G.S. 143B-28.1 for the Departments of Commerce, Environment and Natural Resources, and Transportation are designated as exempt.

...."

SECTION 1.5. Section 15.7A of S.L. 2013-360 is repealed.

SECTION 1.6. Section 1.5 of this act is effective when it becomes law. The remainder of this Part becomes effective July 1, 2014.

PART II. MODIFY NORTH CAROLINA BOARD OF SCIENCE AND TECHNOLOGY

SECTION 2.1. Part 18 of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 18. North Carolina Board of ~~Science and Technology.~~Science, Technology, and Innovation.

"**§ 143B-472.80. North Carolina Board of ~~Science and Technology;~~ Science, Technology, and Innovation; creation; powers and duties.**

The North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation of the Department of Commerce is created. The Board has the following powers and duties:

...

(4) To advise and make recommendations to the Governor, the General Assembly, the Secretary of Commerce, and ~~the Economic Development Board~~ any North Carolina nonprofit corporation with which the Department of Commerce contracts pursuant to G.S. 143B-431A on the role of ~~science and technology~~ science, technology, and innovation in the economic growth and development of North Carolina.

...

"**§ 143B-472.81. North Carolina Board of ~~Science and Technology;~~ Science, Technology, and Innovation; membership; organization; compensation; staff services.**

(a) The North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation consists of the Governor, the Secretary of Commerce, and ~~17~~ 23 members appointed as follows: the Governor shall appoint one member from the University of North Carolina at Chapel Hill, one member from North Carolina State University at Raleigh, and two members from other components of the University of North Carolina, one of which shall be from a historically black college or university, all nominated by the President of the University of North Carolina; one member from Duke University, nominated by the President of Duke University; one member from a private college or university, other than Duke University, in North Carolina, nominated by the President of the Association of Private Colleges and Universities; one member of the North Carolina Community College System; one member representing K-12 public education; ~~one member from the Research Triangle Institute, nominated by the executive committee of the board of that institute; one member from the Microelectronics Center of North Carolina, nominated by the executive committee of the board of that center; one member from the North Carolina Biotechnology Center, nominated by the executive committee of the board of that center; four~~ six members from private industry in North ~~Carolina, at least one of whom shall be a professional engineer registered pursuant to Chapter 89C of the General Statutes or a person who holds at least a bachelors degree in engineering from an accredited college or university; and two members from public agencies in North Carolina.~~Carolina; and seven at-large members. Two members shall be appointed by the General Assembly, one shall be appointed upon the recommendation of the President Pro Tempore of the Senate, and one shall be appointed upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. The nominating authority for any vacancy on the Board among members appointed by the Governor shall submit to the Governor two nominations for each position to be filled, and the persons so nominated shall represent different disciplines.

...."

SECTION 2.2. G.S. 143B-437.80 reads as rewritten:

"**§ 143B-437.80. North Carolina SBIR/STTR Incentive Program.**

(a) Program. – There is established the North Carolina SBIR/STTR Incentive Program to be administered by the North Carolina Board of ~~Science and Technology.~~Science, Technology, and Innovation. In order to foster job creation and economic development in the State, the Board may provide grants to eligible businesses to offset costs associated with applying to the United States Small Business Administration for Small Business Innovative Research (SBIR) grants or Small Business Technology Transfer Research (STTR) grants. The grants shall be paid from the One North Carolina Small Business Account established in G.S. 143B-437.71.

...

(c) Grant. – The North Carolina Board of ~~Science and Technology~~Science, Technology, and Innovation may award grants to reimburse an eligible business for up to fifty percent (50%) of the costs of preparing and submitting a SBIR/STTR Phase I proposal, up to a maximum of three thousand dollars ($3,000). A business may receive only one grant under this section per year. A business may receive only one grant under this section with respect to each federal proposal submission. Costs that may be reimbursed include costs incurred directly related to preparation and submission of the grant such as word processing services, proposal consulting fees, project-related supplies, literature searches, rental of space or equipment related to the proposal preparation, and salaries of individuals involved with the preparation of the proposals. Costs that shall not be reimbursed include travel expenses, large equipment purchases, facility or leasehold improvements, and legal fees.

(d) Application. – A business shall apply, under oath, to the North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation for a grant under this section on a form prescribed by the Board that includes at least all of the following:

...."

SECTION 2.3. G.S. 143B-437.81 reads as rewritten:

"**§ 143B-437.81. North Carolina SBIR/STTR Matching Funds Program.**

(a) Program. – There is established the North Carolina SBIR/STTR Matching Funds Program to be administered by the North Carolina Board of ~~Science and Technology.~~ Science, Technology, and Innovation. In order to foster job creation and economic development in the State, the Board may provide grants to eligible businesses to match funds received by a business as a SBIR or STTR Phase I award and to encourage businesses to apply for Phase II awards.

...

(c) Grant. – The North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation may award grants to match the funds received by a business through a SBIR/STTR Phase I proposal up to a maximum of one hundred thousand dollars ($100,000). Seventy-five percent (75%) of the total grant shall be remitted to the business upon receipt of the SBIR/STTR Phase I award and application for funds under this section. Twenty-five percent (25%) of the total grant shall be remitted to the business upon submission by the business of the Phase II application to the funding agency and acceptance of the Phase I report by the funding agency. A business may receive only one grant under this section per year. A business may receive only one grant under this section with respect to each federal proposal submission. Over its lifetime, a business may receive a maximum of five awards under this section.

(d) Application. – A business shall apply, under oath, to the North Carolina Board of ~~Science and Technology~~ Science, Technology, and Innovation for a grant under this section on a form prescribed by the Board that includes at least all of the following:

...."

SECTION 2.4. This Part becomes effective July 1, 2014.

PART III. CREATION OF COLLABORATION FOR PROSPERITY ZONES

SECTION 3.1. Intent to create Collaboration for Prosperity Zones. – It is the intent of the General Assembly to establish geographically uniform zones in this State to facilitate collaborative and coordinated planning and use of resources, to improve cooperation with other governmental and nonprofit entities at the local and regional level, to facilitate administrative efficiencies within State government, to receive advice on economic development issues by local boards established by a North Carolina nonprofit corporation with which the Department of Commerce contracts, and, to the extent feasible, to establish one-stop sources in each region for citizens and businesses seeking State services at a regional level.

SECTION 3.2. Article 1 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-28.1. Create Collaboration for Prosperity Zones.**

For purposes of enhanced collaboration and cooperation between governmental agencies, planning, use of resources, and improved efficiency at a regional level, the State is hereby divided into eight permanent zones as follows:

(1) Western Region, consisting of Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, Polk, Rutherford, Swain, and Transylvania Counties.

(2) Northwest Region, consisting of Alleghany, Ashe, Alexander, Avery, Burke, Caldwell, Catawba, McDowell, Mitchell, Watauga, Wilkes, and Yancey Counties.

(3) Southwest Region, consisting of Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Stanly, and Union Counties.

(4) Piedmont-Triad (Central) Region, consisting of Alamance, Caswell, Davidson, Davie, Forsyth, Guilford, Randolph, Rockingham, Stokes, Surry, and Yadkin Counties.

(5) North Central Region, consisting of Chatham, Durham, Edgecombe, Franklin, Granville, Harnett, Johnston, Lee, Nash, Orange, Person, Vance, Wake, Warren, and Wilson Counties.

(6) Sandhills (South Central) Region, consisting of Bladen, Columbus, Cumberland, Hoke, Montgomery, Moore, Richmond, Robeson, Sampson, and Scotland Counties.

(7) Northeast Region, consisting of Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Halifax, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Pitt, Tyrrell, and Washington Counties.

(8) Southeast Region, consisting of Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, and Wayne Counties."

SECTION 3.3. The Departments of Commerce, Environment and Natural Resources, and Transportation, the Community Colleges System Office, and the State Board of Education shall, by January 1, 2015, report to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee on how they plan to establish Collaboration for Prosperity Zones as defined by this act.

SECTION 3.4. G.S. 115C-65 reads as rewritten:

"**§ 115C-65. State divided into districts.**

The State of North Carolina shall be divided into eight educational ~~districts~~ districts, which shall match the composition of the zones set forth in G.S. 143B-28.1.~~embracing the counties herein set forth:~~

~~**FIRST DISTRICT**~~

~~Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Hertford, Hyde, Martin, Pasquotank, Perquimans, Pitt, Tyrrell, Washington.~~

~~**SECOND DISTRICT**~~

~~Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Sampson, Wayne.~~

~~THIRD DISTRICT~~

~~Durham, Edgecombe, Franklin, Granville, Halifax, Johnston, Nash, Northampton, Vance, Wake, Warren, Wilson.~~

~~FOURTH DISTRICT~~

~~Bladen, Columbus, Cumberland, Harnett, Hoke, Lee, Montgomery, Moore, Richmond, Robeson, Scotland.~~

~~FIFTH DISTRICT~~

~~Alamance, Caswell, Chatham, Davidson, Forsyth, Guilford, Orange, Person, Randolph, Rockingham, Stokes.~~

~~SIXTH DISTRICT~~

~~Anson, Cabarrus, Cleveland, Gaston, Lincoln, Mecklenburg, Stanly, Union.~~

~~SEVENTH DISTRICT~~

~~Alexander, Alleghany, Ashe, Avery, Burke, Caldwell, Catawba, Davie, Iredell, Rowan, Surry, Watauga, Wilkes, Yadkin.~~

~~EIGHTH DISTRICT~~

~~Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Yancey.~~"

SECTION 3.5. Section 3.4 of this act becomes effective April 1, 2015. Members of the State Board of Education appointed by the Governor and confirmed by the General Assembly prior to 2015 with terms ending in 2017, 2019, and 2021 shall be designated as the appointees of the following districts for the remainder of the member's current term:

a. Western Region: Wayne McDevitt
b. Southwest Region: Gregory Alcorn
c. Piedmont Triad (Central) Region: A.L. Collins
d. Sandhills (South Central) Region: Olivia Oxendine
e. Northeast Region: Rebecca Taylor
f. Southeast Region: Reginald Kenan

The remainder of this Part becomes effective July 1, 2014.

PART IV. REQUIRE AT LEAST ONE LIAISON IN EACH COLLABORATION FOR PROSPERITY ZONE

SECTION 4.1. No later than January 1, 2015, the Departments of Commerce, Environment and Natural Resources, and Transportation shall have at least one employee physically located in the same office in each of the Collaboration for Prosperity Zones set out in G.S. 143B-28.1 to serve as that department's liaison with the other departments and with local governments, schools and colleges, planning and development bodies, and businesses in that zone. The departments shall jointly select the office. For purposes of this Part, the Department of Commerce may contract with a North Carolina nonprofit corporation pursuant to G.S. 143B-431A, as enacted by this act, to fulfill the departmental liaison requirements for each office in each of the Collaboration for Prosperity Zones.

No later than January 1, 2015, the Community Colleges System Office shall designate at least one representative from a community college or from the Community Colleges System Office to serve as a liaison in each Collaboration for Prosperity Zone for the community college system, the community colleges in the zone, and other educational agencies and schools within the zone. A liaison may be from a business center located in a community college. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

No later than January 1, 2015, the State Board of Education shall designate at least one representative from a local school administrative unit or from the Department of Public Instruction to serve as a liaison in each Collaboration for Prosperity Zone for the local school administrative units and other public schools within the zone. These liaisons are not required to be collocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

SECTION 4.2. In addition to other related tasks assigned by their respective agencies, liaisons in each Collaboration for Prosperity Zone shall work to enhance collaboration and cooperation between their departments and other State agencies, local governmental agencies, and other regional public and nonprofit entities. The liaisons from the Departments of Environment and Natural Resources and Transportation shall work to consolidate and simplify the process for citizens and businesses seeking permits from their respective agencies. The liaisons from the Department of Commerce shall be used to support local economic development efforts, to coordinate such efforts, and to coordinate the Department of Commerce's activities within each Collaboration for Prosperity Zone. The liaisons from the community college system and local school administrative units shall work closely with the Department of Commerce and other State and local governmental agencies and local businesses in the zone to promote job development through career technical education.

SECTION 4.3.(a) The Departments of Transportation and Environment and Natural Resources shall jointly report to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, the Environmental Review Commission, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee, as follows:

(1) No later than January 1, 2015, on the establishment of collocated liaisons within each Collaboration for Prosperity Zone and a description of the activities the liaisons have been assigned to perform.

(2) No later than April 1, 2015, on the activities of the liaisons, specifically any activities undertaken that resulted in enhanced collaboration and coordination with the other Department and with other governmental agencies, improved administrative efficiencies, and any steps taken to make services to citizens and businesses within each zone more efficient, economical, and user-friendly.

SECTION 4.3.(b) The Community Colleges System Office and the State Board of Education shall each report to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Education Oversight Committee, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee, as follows:

(1) No later than January 1, 2015, on the establishment of liaisons within each Collaboration for Prosperity Zone and a description of the activities the liaisons have been assigned to perform.

(2) No later than April 1, 2015, on the activities of the liaisons, specifically any activities undertaken that resulted in enhanced collaboration and coordination with other governmental agencies, improved planning on use of educational resources, and improved administrative efficiencies.

SECTION 4.3.(c) The Department of Commerce shall include in its first report under G.S. 143B-431A(f), as enacted by this act, a report on the establishment and activities of its liaisons in each Collaboration for Prosperity Zone. The Department of Commerce shall send a copy of this report to the Office of State Budget and Management, the Senate Appropriations/Base Budget Committee, and the House Appropriations Committee.

SECTION 4.4. The Departments of Commerce, Environment and Natural Resources, and Transportation, the Community Colleges System Office, and the State Board of Education shall use funds available to carry out the requirements of this section. Nothing in this act shall be construed as an authorization for payment of additional compensation for persons serving as liaisons.

SECTION 4.5. This Part becomes effective July 1, 2014, and expires July 1, 2018.

PART V. GENERAL ASSEMBLY REVIEW OF REPORTS

SECTION 5. It is the intent of the General Assembly to receive and review the reports required by Section 4.3 of this act concerning the creation of the Collaboration for Prosperity Zones and to use those reports to further address the following topics:

(1) Enhancing collaboration and cooperation between State and other governmental agencies in order to streamline and improve services to citizens and businesses, to make such services more user-friendly, and to implement collaborative and cooperative interagency measures to enhance access to services.

(2) Reducing barriers faced by citizens and businesses in accessing services that are unnecessarily caused by agency specialization, which may produce a "silo mentality."

(3) Additional recommendations regarding liaison personnel, including expanding the requirement to other State departments.

(4) Ways to integrate collaboration between educational institutions in each Collaboration for Prosperity Zone on the one hand and other governmental agencies and local businesses on the other.

(5) Requiring the establishment of interagency one-stop shops in each Collaboration for Prosperity Zone.

(6) Consolidating programs or services.

(7) Cross-training employees.

(8) Identifying offices, equipment, and support services that may be efficiently and economically shared between agencies in each Collaboration for Prosperity Zone.

(9) The grouping of counties within each Collaboration for Prosperity Zone to determine whether there is a better configuration while keeping the same overall number of zones.

PART VI. EFFECTIVE DATE AND CONSTRUCTION

SECTION 6.1. Nothing in this act shall be construed to obligate the General Assembly to appropriate funds to implement this act.

SECTION 6.2. Except as otherwise provided, this act is effective when it becomes law.

SENATE BILL 729: Coal Ash Management Act of 2014

2013-2014 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	June 18, 2014
Introduced by:	Sens. Apodaca, Berger	**Prepared by:**	Jennifer McGinnis, Jeff Hudson, and Heather Fennell, Staff Attorneys
Analysis of:	Second Edition		

BILL ANALYSIS:

PART I. PROHIBIT RECOVERY OF COSTS RELATED TO UNLAWFUL DISCHARGES FROM COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS; MORATORIUM ON RATE CASES

SECTION 1. of the PCS would prohibit the Utilities Commission from allowing an electric public utility to recover from the retail electric customers of the State costs resulting from an unlawful discharge to the surface waters of the State from a coal combustion residuals surface impoundment (impoundment), unless the Commission determines the discharge was due to an event of force majeure. The section would apply to discharges occurring on or after January 1, 2014.

SECTION 2. of the PCS would establish a moratorium on orders of the Utilities Commission to grant an increase in base rates of an electric public utility for costs related to impoundments prior to January 15, 2015, in order to allow the State to study the disposition of impoundments including any final rules adopted by the United States Environmental Protection Agency (USEPA) on the regulation of coal combustion residuals (CCR).

PART II. PROVISIONS FOR COMPREHENSIVE MANAGEMENT OF COAL COMBUSTION RESIDUALS

SECTION 3. of the PCS would create a new Part in the Article of the General Statutes governing management of solid and hazardous waste to address matters related to management of coal ash. Specifically the Part would include provisions as follows:

SUBPART 1. Short Title, Definitions, and General Provisions

- **Definitions**: Establish pertinent definitions. *Note that in a subsequent portion of the bill, the definition for "solid waste" is modified to include wet CCR, which has historically been excluded from the definition of solid waste (see Sec. 3(d)).*
- **Coal Ash Management Commission**: Establish a nine member Coal Ash Management Commission (Commission), which would, in recognition of the complexity and magnitude of the issues associated with the management of coal combustion residuals and the proper closure and remediation of coal combustion residuals surface impoundments, have the following powers and duties:
  - To review and approve the prioritization classification of impoundments.
  - To review and approve closure plans for impoundments.
  - To review and make recommendations on the provisions of this legislation and other statutes and rules related to the management of CCR.
  - To undertake any additional studies as requested by the General Assembly.

The Commission would be:

- Administratively located in the Division of Emergency Management of the Department of Public Safety, but exercise all of its powers and duties independently of the agency and would not be subject to the supervision, direction, or control of the agency.
- Required to submit quarterly written reports as to its operation, activities, programs, and progress to the Environmental Review Commission (ERC).

- **Expedited permit review**: Require expedited review by the Department of Environment and Natural Resources (DENR) of permits necessary to conduct activities required by the legislation. In particular, DENR would be required to issue a draft permit decision on an application for a permit within 60 days after DENR determines that the application is complete. After DENR issues a draft permit decision, it would be required to hold a public hearing and accept written comment on the draft permit decision. DENR would be required to issue a final permit decision on an application for a permit within 30 days after the comment period on the draft permit decision closes. If DENR finds, however, that compliance with the deadlines would result in insufficient review of a permit application that would pose a risk to public health, safety, and welfare, the environment, or natural resources, the applicable deadline would be waived for the application as necessary to allow for adequate review. If a deadline is waived, the Secretary would be required to issue a written declaration, including findings of fact, documenting the need for the waiver.
- **Reports:** Require a number of reports:
  - Quarterly written reports from DENR to the ERC on DENR's operations, activities, programs, and progress with respect to its obligations under the legislation concerning impoundments. At a minimum, the report shall include information concerning the status of assessment, corrective action, prioritization, and closure for each coal combustion residual surface impoundment, and information on costs connected therewith, as well as a summary of all surface and groundwater sampling, protection, and restoration activities related to the impoundment for the preceding year.
  - Annual reports from DENR to each member of the General Assembly who has an impoundment in the member's district, including the location, the amount of CCR known or believed to be located in the impoundment, the last action taken at the impoundment, and the date of that last action.
  - Annual reports from a public utility generating CCR and coal combustion products (CCP) summarizing the following:
    - The volume of CCR and CCP produced.
    - The volume of CCR disposed.
    - The volume of CCP used in structural fill projects.
    - The volume of CCP beneficially used, other than for structural fill.
- **Preemption of local regulation**: Invalidate local ordinances that prohibit or have the effect of regulating the management of coal combustion residuals and coal combustion products. The provision closely mirrors a statute preempting local government regulation of hazardous waste facilities (G.S. 130A-293). Specifically, the provision would invalidate ordinances that:
  - Regulate the management of coal combustion residuals and coal combustion products within any county, city, or other political subdivision.
  - Place any restriction or condition not placed by this legislation upon management of coal combustion residuals and coal combustion products within any county, city, or other political subdivision.
  - In any manner are in conflict or inconsistent with the provisions of this legislation.
- **Federal preemption**: Provide that if any phrase, clause, sentence, or provision of the legislation is declared to be unconstitutional or otherwise invalid or is preempted by federal law or regulation, that provision would be severable and the validity of the remainder of this Part would not be affected thereby.
- **Rulemaking**: Direct the Environmental Management Commission (EMC) to adopt rules as necessary to implement the provisions of the legislation, and exempt such rules from the requirements of

G.S. 150B-19.3 (a provision under the Administrative Procedure Act that places limitations on the adoption of certain environmental rules).

SUBPART 2. Management of Coal Ash Residuals; Closure of Coal Ash Impoundments

Restrictions on generation, disposal, and use of coal combustion residuals:

- Prohibit the construction of new and expansion of existing impoundments on or after July 1, 2014.
- Prohibit the disposal of CCR into an impoundment at an electric generating facility where the coal-fired generating units are no longer producing CCR on or after October 1, 2014.
- Prohibit the discharge of stormwater into an impoundment: (i) at an electric generating facility where the coal-fired generating units are no longer producing CCR on or after December 31, 2018; and (ii) at an electric generating facility where the coal-fired generating units are actively producing CCR on or after December 31, 2019.
- Require all electric generating facilities owned by a public utility to convert to disposal of "dry" fly ash, or retire the facility on or before December 31, 2018.
- Require all electric generating facilities owned by a public utility to convert to disposal of "dry" bottom ash, or retire the facility on or before December 31, 2019.

Groundwater assessment and corrective action; drinking water supply well survey and provision of alternate water supply; reporting:

- Require the owner of an impoundment to conduct groundwater monitoring and assessment on a specified timeline, including:
  - Submission of a Groundwater Assessment Plan to DENR for its review and approval, and implementation of the Plan, followed by submission of a Groundwater Assessment Report to DENR describing all exceedances of groundwater quality standards associated with the impoundment.
  - Submission of a Groundwater Corrective Action Plan to DENR for its review and approval, and implementation of corrective action for the restoration of groundwater in conformance with the requirements of Subchapter 2L of Title 15A of the North Carolina Administrative Code.
  - Conduct of a Drinking Water Supply Well Survey that identifies all drinking water supply wells within one-half mile from the established compliance boundary of the impoundment, and submission of the Survey to DENR. DENR would be directed to: (i) determine, based on the Survey, which drinking water supply wells the owner of the impoundment is required to sample and how frequently and for what period sampling is required; and (ii) require sampling for drinking water supply wells where data regarding groundwater quality and flow and depth in the area of any surveyed well provide a reasonable basis to predict that the quality of water from the surveyed well may be adversely impacted by constituents associated with the presence of the impoundment. The owner would be required to initiate sampling and water quality analysis of the drinking water supply wells (or pay the costs of third party sampling upon election of a property owner). If the sampling and water quality analysis indicated that water from a drinking water supply well exceeds groundwater quality standards for constituents associated with the presence of the impoundment, the owner would be required to replace the contaminated drinking water supply well with an alternate supply of potable drinking water within 30 days of the determination that there is an exceedance of groundwater quality standards.
  - Submission of an annual Groundwater Protection and Restoration Report from an impoundment owner to DENR and the Commission, to include a summary of all groundwater monitoring, protection, and restoration activities related to the impoundment for the preceding year, including the status of the Groundwater Assessment Plan, the Groundwater Assessment Report, the Groundwater Corrective Action Plan, the Drinking Water Supply Well Survey, and the replacement of any contaminated drinking water supply wells.

Identification, assessment, and correction of unpermitted discharges:

- Require an impoundment owner to identify, assess, and correct all unpermitted discharges from the impoundment to the surface waters of the State on a specified timeline, including:
  - Submission of topographic maps to DENR that identify: (i) the location of all outfalls from engineered channels designed or improved for the purpose of collecting water from the toe of the impoundment; and (ii) the location of all seeps discharging from the impoundment that are not captured by engineered channels designed or improved for the purpose of colleting water from the toe of the impoundment.
  - Conduct of an assessment of unpermitted discharges from the impoundment to surface waters of the State including submission of a proposed Unpermitted Discharge Assessment Plan to DENR with information sufficient to allow DENR to determine whether any unpermitted discharge, including a discharge from a toe drain outfall or seep, has reached the surface waters of the State and has caused a violation of surface water quality standards. Within 30 days after DENR approval of a Plan, the owner would be required to begin implementation of the Plan in accordance with the Plan's schedule.
  - Implementation of corrective action to prevent unpermitted discharges from the impoundment to the surface waters of the State. If DENR determines, based on surface water quality sampling information provided in an Unpermitted Discharge Assessment Plan that an unpermitted discharge from an impoundment, including a discharge from a toe drain outfall or seep, has violated State or federal surface water quality laws, DENR must notify the owner of the impoundment of its determination. Within 30 days from the notification of violation, the owner of an impoundment must submit a proposed Unpermitted Discharge Corrective Action Plan to DENR for its review and approval. Within 30 days after DENR approval of a Plan, the owner would be required to begin implementation of the Plan in accordance with the Plan's schedule.
  - Submission of a plan for the Identification of New Unpermitted Discharges for DENR's review and approval. Within 30 days after DENR approval of a Plan, the owner would be required to begin implementation of the Plan in accordance with the Plan's schedule.
  - Submission of an annual Surface Water Protection and Restoration Report to DENR and the Commission, including a summary of all surface water sampling, protection, and restoration activities related to the impoundment for the preceding year, including the status of the identification, assessment, and correction of unpermitted discharges from coal combustion residuals surface impoundments to the surface waters of the State.

Prioritization of coal combustion residuals surface impoundments: would require DENR to develop, no later than August 1, 2015, proposed classifications for all impoundments, including active and retired sites, for the purpose of closure and remediation based on these sites' risks to public health, safety, and welfare; the environment; and natural resources, and to determine a schedule for closure and required remediation that is based on the degree of risk to public health, safety, and welfare; the environment; and natural resources posed by the impoundments and that gives priority to the closure and required remediation of impoundments that pose the greatest risk. In assessing the risk, DENR would be required to evaluate information received pursuant to assessments conducted of the impoundments and impacts to groundwater and surface water, and any other information deemed relevant, and, at a minimum, consider all of the following:

- Any imminent hazards to public health, safety, or welfare resulting from the impoundment.
- Structural condition and hazard potential of the impoundment.
- The proximity of surface waters to the impoundment, and whether any surface waters are contaminated or imminently threatened by contamination as a result of the impoundment.
- Information concerning the horizontal and vertical extent of soil and groundwater contamination for all contaminants confirmed to be present in groundwater in exceedance of groundwater quality standards and all significant factors affecting contaminant transport.
- The location and nature of all receptors and significant exposure pathways.

- The geological and hydrogeological features influencing the movement, chemical, and physical character of the contaminants.
- The amount and characteristics of coal combustion residuals in the impoundment.
- Any other factor DENR deems relevant to establishment of risk.

DENR would be required to issue a proposed classification for each impoundment as low-risk, intermediate-risk, or high-risk. Within 30 days after issuance of a proposed classification DENR would be required to issue a written declaration, including findings of fact, documenting the proposed classification, provide public notice, and conduct public hearings on the proposed classification.

Within 30 days of the receipt of all written comment received through public notice and public hearings, DENR would be required to submit a proposed classification for an impoundment to the Coal Ash Management Commission. The Commission would be required to approve a proposed classification if it determines that the classification was developed in accordance with the relevant requirements of the legislation and that the classification accurately reflects the level of risk posed by the impoundment. The Commission would be required to issue its determination in writing, including findings in support of its determination. Parties aggrieved by a final decision of the Commission on classification could appeal the decision as provided under Article 4 of Chapter 150B of the General Statutes.

Closure of coal combustion residual surface impoundments: An owner of a coal combustion residuals surface impoundment would be required to submit a proposed Coal Combustion Residuals Surface Impoundment Closure Plan for DENR's approval subject to the following requirements:

- High-risk impoundments would be required to close as soon as practicable, but no later than December 31, 2019. A proposed closure plan for such impoundments would need to be submitted as soon as practicable, but no later than December 31, 2016. At a minimum, such impoundments would be required to be dewatered, and the owner of an impoundment could either:
  - Convert the impoundment to an industrial landfill, by removing all CCR from the impoundment temporarily, safely storing the CCR on-site, and complying with the siting and design requirements for sanitary landfills under the Administrative Code, except with respect to those requirements that pertain to buffers. In lieu of the buffer requirements under the Administrative Code, the owner of the impoundment would be required to establish and maintain a 300-foot buffer between streams and rivers and disposal areas. After the temporarily displaced CCR's are returned for disposal in the industrial landfill, the owner of the landfill would be required to comply with the closure and post-closure requirements for sanitary landfills established by the Administrative Code. Prior to closure, however, DENR could allow the disposal of CCR, in addition to those originally contained in the impoundment, to the landfill, if DENR determines that the site is suitable for additional capacity, and that disposal of additional CCR would not pose an unacceptable risk to public health, safety, welfare; the environment; and natural resources.
  - Remove all CCR from the impoundment, return the former impoundment to a non-erosive and stable condition, and: (i) transfer the CCR for disposal in a combustion products landfill or coal combustion residuals landfill, industrial landfill, or municipal solid waste landfill; or (ii) use the CCP in a structural fill, or other beneficial use as allowed by law. The use of CCP as structural fill would need to be conducted in accordance with the enhanced requirements for structural fill included in the legislation, and other beneficial uses would need to be conducted in accordance with the applicable requirements of the Administrative Code.

- Intermediate-risk impoundments would be required to close as soon as practicable, but no later than December 31, 2024. A proposed closure plan for such impoundments would need to be submitted as soon as practicable, but no later than December 31, 2017. At a minimum, such impoundments would

need to be dewatered, and the owner of such an impoundment would be required to close it in any manner allowed for high-risk impoundments.

- Low-risk impoundments would be required to close as soon as practicable, but no later than December 31, 2029. A proposed closure plan for such impoundments would need to be submitted as soon as practicable, but no later than December 31, 2018. At a minimum, such impoundments would need to be dewatered and would be required to comply with the closure and post-closure requirements applicable to sanitary landfills under the Administrative Code. The applicable rule requires installation of a cap system and conduct of post-closure care for a period of 30 years, including, among other things:
  - Maintaining the integrity and effectiveness of any cap system, including making repairs to the cover as necessary to correct the effects of settlement, subsidence, erosion, or other events, and preventing run-on and run-off from eroding or otherwise damaging the cap system.
  - Maintaining and operating a leachate collection system.
  - Monitoring the ground water and surface water and maintaining the groundwater monitoring system.

  In addition, DENR may require implementation of any other measure it deems necessary to protect public health, safety, and welfare; the environment; and natural resources, including imposition of institutional controls that are sufficient to protect public health, safety, and welfare; the environment; and natural resources.

DENR would be required to review a proposed Closure Plan for consistency with the minimum requirements for closure established by the legislation, and to determine whether the proposed Closure Plan otherwise complies with the legislation and is protective of public health, safety, and welfare; the environment; and natural resources. Prior to issuing a decision on a proposed Closure Plan, DENR would be required to provide public notice, and conduct public hearings on the proposed classification.

DENR would be required to provide specific findings to support its decision to approve or disapprove a proposed Closure Plan, and within 30 days of an approval of a Closure Plan, DENR would need to submit the Closure Plan to the Coal Ash Management Commission. The Commission could approve a Closure Plan only if it determines that the Closure Plan was developed in accordance with the legislation; that implementation of the Closure Plan according to the Closure Plan's schedule is technologically feasible; and that the benefits to public health, safety, and welfare; the environment; and natural resources outweigh the negative impacts on electricity costs and reliability. The Commission would be required to issue its determination in writing, including findings in support of its determination. Parties aggrieved by a final decision of the Commission on classification could appeal the decision as provided under Article 4 of Chapter 150B of the General Statutes.

An impoundment owner would be required to begin implementation of a Closure Plan within 60 days after Commission approval.

Notwithstanding the requirements for prioritization and closure methods described above, the following impoundments would be deemed high-priority (see Sec. 3(b)):

(1) Coal combustion residuals surface impoundment(s) located at the Dan River Steam Station, owned and operated by Duke Energy Progress, and located in Rockingham County.

(2) Coal combustion residuals surface impoundment(s) located at the Riverbend Steam Station, owned and operated by Duke Energy Carolinas, and located in Gaston County.

(3) Coal combustion residuals surface impoundment(s) located at the Asheville Steam Electric Generating Plant, owned and operated by Duke Energy Progress, and located in Buncombe County.

(4) Coal combustion residuals surface impoundment(s) located at the Sutton Plant, owned and operated by Duke Energy Progress, and located in New Hanover County.

Except as preempted by federal law, these impoundments would need to be closed as soon as practicable, but no later than August 1, 2019, as follows:

- *The impoundments would be required to be dewatered.*
- *All CCR would need to be removed from the impoundments and transferred for: (i) disposal in a combustion products landfill or coal combustion residuals landfill, industrial landfill, or municipal solid waste landfill; or (ii) use in a structural fill, or other beneficial use as allowed by law.*
- *Where groundwater quality is degraded as a result of the impoundment, corrective action would be required to restore groundwater quality.*

SUBPART 3. Use of Coal Combustion Products in Structural Fill

This portion of the legislation would codify requirements applicable to the use of CCP's in structural fill currently found under the Administrative Code, and would add a number of new requirements to large structural fill projects (those involving the placement of 10,000 or more tons of coal combustion products per acre or 100,000 or more tons of coal combustion products in total per project). In particular, the provisions would do the following:

- Require individual permits for large structural fill projects using CCP (smaller structural fill projects would be deemed permitted), and specify information to be provided to DENR for permitting purposes.
- Codify design and siting requirements for projects using CCP for structural fill currently in rule, and establish new provisions requiring large structural fill projects to have an encapsulation liner system constructed on and around the structural fill to efficiently contain, collect, and remove leachate generated by the CCP, as well as separate the CCP from any exposure to surrounding environs. At a minimum, the components of the liner system would need to include a base liner, a leachate collection system, and a cap liner.
- Require groundwater monitoring for large structural fill projects using CCP. Specifically, large structural fills would be required to install a groundwater monitoring system and conduct groundwater monitoring through construction and the post-closure care period. In addition, a constructor or operator of a large structural fill would be required to implement an assessment monitoring program and initiate corrective action measures if exceedances of groundwater standards are detected through monitoring.
- Require financial assurance for large structural fill projects using CCP for structural fill that will ensure that sufficient funds are available for facility closure, post-closure maintenance and monitoring, any corrective action that DENR may require, and to satisfy any potential liability for sudden and nonsudden accidental occurrences, and subsequent costs incurred by DENR in response to an incident at a structural fill project, even if the applicant or permit holder becomes insolvent or ceases to reside, be incorporated, do business, or maintain assets in the State.
- Codify closure requirements for projects using CCP for structural fill currently in rule, and establish new provisions requiring large structural fill projects to submit closure and post-closure plans and conduct post-closure care for 20 years, which period may be increased or decreased by DENR based on evaluations of impacts to public health, welfare, the environment, and natural resources, or decreased upon a determination that a shorter period is sufficient to protect public health, welfare, the environment, and natural resources.
- Codify recordation requirements for projects using CCP structural fill facilities currently in rule.
- Codify an exemption for Department of Transportation projects using CCP structural fill facilities currently in rule.
- Require DENR to prepare an inventory of all structural fill projects with a volume of 10,000 cubic yards or more, and update the inventory at least annually. In addition, DENR would be directed to inspect each

structural fill project with a volume of 10,000 cubic yards or more at least annually to determine if the project or facility has been constructed and operated in compliance with governing law.

- Direct the EMC to amend existing rules governing the use of CCP for structural fill as necessary to implement the provisions of the legislation, and exempt these rules from a limitation found in the Administrative Procedure Act on adoption of certain environmental rules.

PART III. MORATORIUMS AND STUDY ON: (1) USE OF COAL COMBUSTION PRODUCTS AS STRUCTURAL FILL AND (2) DISPOSAL OF COAL COMBUSTION RESIDUALS TO COMBUSTION PRODUCTS LANDFILLS

SECTION 4.(a) through (d) of the PCS would prohibit certain uses of CCP's as structural fill until August 1, 2015, in order to allow DENR, the EMC, and the General Assembly time to review and evaluate the use of coal combustion residuals as structural fill.

CCP's used as structural fill for any of the following types of projects would be exempt from the moratorium, provided, however, that they comply with requirements of the legislation:

- A project where the structural fill is used with a base liner, leachate collection system, cap liner, groundwater monitoring system, and with sufficient financial assurance.
- As the base or sub-base of a concrete or asphalt paved road constructed under the authority of a public entity.

During the pendency of the moratorium, DENR and the EMC would be required to jointly review the requirements for structural fills using CCP's included in the legislation, as well as rules for beneficial use under the Administrative Code. In particular DENR and EMC would be required to study all of the following:

- Review the uses of CCP: (i) as structural fill, and the regulation of this use as would be established by the legislation, to determine if the requirements are sufficient to protect public health, safety, and welfare; the environment; and natural resources; and (ii) for other beneficial uses and the regulation of these uses under the rules to determine if the rules are sufficient to protect public health, safety, and welfare; the environment; and natural resources.
- Evaluate additional opportunities for the use of CCP as structural fill and for other beneficial uses that would reduce the volume of CCR that are being disposed of in sanitary landfills while still being protective of public health, safety, and welfare; the environment; and natural resources.
- Monitor any actions of the USEPA regarding the use of CCP as structural fill or for other beneficial uses.
- Jointly report to the ERC no later than January 15, 2015, on their findings and recommendations regarding the use of CCP as structural fill and for other beneficial uses.

SECTION 4.(e) of the PCS would require all electric generating facilities owned by a public utility that produce CCR's and CCP's to issue a request for proposals (RFP) on or before December 31, 2014, for (i) the conduct of a market analysis for the concrete industry and other industries that might beneficially use CCR's and CCP's; (ii) the study of the feasibility and advisability of installation of technology to convert existing and newly generated CCR's to commercial-grade CCP's suitable for use in the concrete industry and other industries that might beneficially use coal combustion residuals; and (iii) an examination of all innovative technologies that might be applied to diminish, recycle or reuse, or mitigate the impact of existing and newly generated CCR's. The facilities would be required to present the materials and information received in response to an RFP and an assessment of the materials and information, including a forecast of specific actions to be taken in response to the materials and information received, to the Environmental Management Commission and the Coal Ash Management Commission on or before August 1, 2016.

SECTION 5. of the PCS would establish a moratorium on construction of new or expansion of existing combustion products landfills through August 1, 2015. During the pendency of the moratorium DENR would be required to evaluate each combustion products landfill currently operating in the State, and, in particular, assess the risks to public health, safety, welfare; the environment; and natural resources, of coal combustion residuals surface impoundments located beneath combustion products landfills to determine the advisability of continued operation of these landfills. DENR would be required to report to the ERC no later than January 15, 2015.

PART IV. STRENGTHEN THE REPORTING AND NOTIFICATION REQUIREMENTS APPLICABLE TO DISCHARGES OF WASTEWATER TO WATERS OF THE STATE; REQUIRE CERTAIN EMERGENCY CALLS TO BE RECORDED

SECTION 6.(a) and (b) of the PCS would amend existing requirements for reporting and notification applicable to discharges of wastewater to waters of the State, to: (i) require an owner or operator of any wastewater collection or treatment works to report a discharge of 1,000 gallons or more of untreated wastewater to the surface waters of the State to DENR within 24 hours after the owner or operator has determined that the discharge has reached the surface waters of the State; and (ii) reduce the time periods allowed for a publication of notice of discharge of untreated wastewater from a wastewater collection or treatment works from 48 to 24 hours.

SECTION 6.(c) of the PCS would require that the 24-hour Operations Center established to serve as a single point of contact for local governments to report the occurrence of emergency and disaster events and to coordinate local and State response assets record all telephone calls to the emergency hotline and maintain the recording of each telephone call for at least one year.

PART V. REQUIRE NOTIFICATION TO DENR OF EMERGENCY DAM REPAIRS; REQUIRE EMERGENCY ACTION PLANS FOR CERTAIN DAMS; REQUIRE INSPECTION OF DAMS AT COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS

SECTION 7. of the PCS would amend requirements applicable to dam safety to require that a dam owner notify DENR as soon as possible, but not later than 24 hours after first knowledge of the necessity for emergency repairs to a dam.

SECTION 8. of the PCS would amend requirements applicable to dam safety to require that the owner of a dam classified by DENR as a high hazard dam or an intermediate hazard dam develop an Emergency Action Plan for the dam, addressing specific criteria outlined in the legislation, which must be submitted to DENR and the of Public Safety for approval.

SECTION 9. of the PCS would amend legislation enacted in 2009 that brought certain dams used in connection with electric generating facilities, not including those associated with nuclear generating facilities, under the State Dam Safety Act. The 2009 legislation provided that those facilities would be deemed to have received all of the necessary approvals from DENR and the Commission for Dam Safety, and were not required to submit application, certificate, or other materials in connection with the continued normal operation and maintenance of those facilities. The PCS would eliminate the language exempting these facilities from submission applications, certificates, or other materials.

SECTION 10. of the PCS would amend dam safety requirements to establish specific inspection requirements for impoundments as follows:

- Require DENR to inspect each dam associated with an impoundment at least annually.

- Require the owner of an impoundment to inspect the impoundment weekly and after storms to detect evidence of any of the following conditions:
  - Deterioration, malfunction, or improper operation of spillway control systems.
  - Sudden drops in the level of the contents of the impoundment.
  - Severe erosion or other signs of deterioration in dikes or other containment devices or structures.
  - New or enlarged seeps along the downstream slope or toe of the dike or other containment devices or structures.
  - Any other abnormal conditions at the impoundment that could pose a risk to public health, safety, or welfare; the environment; or natural resources.
- Require the owner of an impoundment to have the impoundment inspected annually by an independent registered professional engineer to ensure that the structural integrity and the design, operation, and maintenance of the impoundment is in accordance with generally accepted engineering standards. Within 30 days of the inspection, the owner must provide DENR the inspection report and a certification by the engineer that the impoundment is structurally sound and that the design, operation, and maintenance of the impoundment is in accordance with generally accepted engineering standards.

PART VI. TRANSFER SOLID WASTE RULE-MAKING AUTHORITY FROM COMMISSION FOR PUBLIC HEALTH TO ENVIRONMENTAL MANAGEMENT COMMISSION

SECTION 11. of the PCS would transfer all rule-making authority for matters related to solid and hazardous waste management (Article 9 of Chapter 130A of the General Statutes), from the Commission for Public Health to the Environmental Management Commission, and makes conforming changes throughout the statutes.

PART VII. OTHER STUDIES

SECTION 12. of the PCS would require the Coal Ash Management Commission, to study whether and under what circumstances no further action or natural attenuation is appropriate for impoundments classified as low-risk. In conducting the study, the Commission must specifically consider whether there is any contact or interaction between CCR and groundwater and surface water, whether the area has reverted to a natural state as evidenced by the presence of wildlife and vegetation, and whether no further action or natural attenuation would be protective of public health, safety, and welfare; the environment; and natural resources. The Commission would be required to report the results of its study, including any recommendations, to the ERC no later than October 1, 2015.

SECTION 13. of the PCS would require the Department of Transportation to evaluate additional opportunities for the use of CCR in the construction and maintenance of roads and bridges within the State. The Department would be required to report the results of its study, including any recommendations, to the ERC no later than December 1, 2014.

PART VIII. PROVIDE RESOURCES FOR IMPLEMENTATION OF THIS ACT

SECTION 14. of the PCS would create a new regulatory fee to defray the costs to the State of CCR management and appropriates the funds. Currently, all public utilities operating in the State pay a regulatory fee that is a percentage of their jurisdictional revenues. This regulatory fee is used to pay the expenses incurred by the Utilities Commission and the Public Staff in regulating public utilities. Section 14(a) of the PCS would create a new regulatory fee that will only be used to pay the costs of the Coal Ash Management Commission and the costs of DENR in providing oversight for CCR and CCP. The fee is set at 0.03% of the jurisdictional revenues of public utilities with an impoundment. Section 14(c) appropriates $1.75 million of the fee to DENR to fund 25 positions to carry out the duties of CCR and CCP management. Section 14(d)

appropriates the funds generated by the new regulatory fee remaining after the appropriation to DENR to the Coal Ash Management Commission to fund 4 positions to support the Commission.

PART XI. SEVERABILITY CLAUSE AND EFFECTIVE DATE

SECTION 15. of the PCS would provide that if any provision of the act or its application were held invalid, the invalidity would not affect other provisions or applications of the act that can be given effect without the invalid provisions or application, and to this end the provisions of this act would be severable.

SECTION 16. Except as otherwise provided, the act would be effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

S 2

SENATE BILL 729

Agriculture/Environment/Natural Resources Committee Substitute Adopted 6/17/14

Short Title: Coal Ash Management Act of 2014. (Public)

Sponsors:

Referred to:

May 15, 2014

A BILL TO BE ENTITLED

AN ACT TO (1) PROHIBIT RECOVERY OF COSTS RELATED TO UNLAWFUL DISCHARGES FROM COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS; (2) ESTABLISH A MORATORIUM ON CERTAIN RATE CASES; (3) CREATE THE COAL ASH MANAGEMENT COMMISSION TO REVIEW AND APPROVE COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS CLASSIFICATIONS AND CLOSURE PLANS AND OTHERWISE STUDY AND MAKE RECOMMENDATIONS ON LAWS GOVERNING MANAGEMENT OF COAL COMBUSTION RESIDUALS; (4) REQUIRE EXPEDITED REVIEW BY THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES OF ANY PERMIT NECESSARY TO CONDUCT ACTIVITIES REQUIRED BY THIS ACT; (5) ESTABLISH VARIOUS REPORTING REQUIREMENTS TO THE GENERAL ASSEMBLY, INCLUDING A QUARTERLY REPORT FROM THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES ON ITS OPERATIONS, ACTIVITIES, PROGRAMS, AND PROGRESS WITH RESPECT TO ITS OBLIGATIONS UNDER THIS ACT FOR COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS; (6) PROHIBIT LOCAL GOVERNMENT REGULATION OF MANAGEMENT OF COAL COMBUSTION RESIDUALS OR COAL COMBUSTION PRODUCTS; (7) PROHIBIT CONSTRUCTION OF NEW OR EXPANSION OF EXISTING COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS EFFECTIVE JULY 1, 2014; (8) PROHIBIT THE DISPOSAL OF COAL COMBUSTION RESIDUALS INTO COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS AT COAL-FIRED GENERATING UNITS THAT ARE NO LONGER PRODUCING COAL COMBUSTION RESIDUALS EFFECTIVE OCTOBER 1, 2014; (9) PROHIBIT DISPOSAL OF STORMWATER TO COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS EFFECTIVE DECEMBER 31, 2018; (10) REQUIRE ALL ELECTRIC GENERATING FACILITIES TO CONVERT TO GENERATION OF DRY FLY ASH ON OR BEFORE DECEMBER 31, 2017, AND DRY BOTTOM ASH ON OR BEFORE DECEMBER 31, 2020, OR RETIRE; (11) REQUIRE THE ASSESSMENT OF GROUNDWATER AT COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS; (12) REQUIRE CORRECTIVE ACTION FOR THE RESTORATION OF GROUNDWATER QUALITY AT COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS; (13) REQUIRE A SURVEY OF DRINKING WATER SUPPLY WELLS AND REPLACEMENT OF CONTAMINATED WATER SUPPLIES; (14) REQUIRE THE IDENTIFICATION, ASSESSMENT, AND CORRECTION OF UNPERMITTED DISCHARGES FROM

COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS; (15) REQUIRE THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES TO, AS SOON AS PRACTICABLE BUT NO LATER THAN AUGUST 1, 2015, PRIORITIZE FOR THE PURPOSE OF CLOSURE AND REMEDIATION COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS, INCLUDING ACTIVE AND RETIRED SITES, BASED ON THESE SITES' RISKS TO PUBLIC HEALTH, SAFETY, WELFARE, THE ENVIRONMENT, AND NATURAL RESOURCES; (16) REQUIRE OWNERS OF COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS TO SUBMIT A PROPOSED PLAN FOR CLOSURE OF ALL IMPOUNDMENTS TO THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES; (17) REQUIRE CLOSURE AND REMEDIATION OF CERTAIN COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS AS SOON AS PRACTICABLE, BUT NO LATER THAN AUGUST 1, 2019; (18) REQUIRE THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES TO ESTABLISH A SCHEDULE AND PROCESS FOR CLOSURE AND REMEDIATION OF ALL COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS BASED UPON THE DEPARTMENT'S RISK ASSESSMENT OF THESE SITES, BASELINE REQUIREMENTS SET BY THE GENERAL ASSEMBLY, EVALUATION OF PROPOSED CLOSURE PLANS SUBMITTED BY IMPOUNDMENT OWNERS, AND INPUT FROM THE PUBLIC AND OTHER STAKEHOLDERS; (19) ESTABLISH MINIMUM STATUTORY REQUIREMENTS FOR STRUCTURAL FILL PROJECTS USING COAL COMBUSTION PRODUCTS AND REQUIRE THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES TO INVENTORY AND INSPECT CERTAIN STRUCTURAL FILL PROJECTS; (20) PLACE A MORATORIUM ON CERTAIN PROJECTS USING COAL COMBUSTION PRODUCTS AS STRUCTURAL FILL UNTIL AUGUST 1, 2015, AND DIRECT THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES AND THE ENVIRONMENTAL MANAGEMENT COMMISSION TO STUDY THE ADEQUACY OF CURRENT LAW GOVERNING USE OF COAL COMBUSTION PRODUCTS AS STRUCTURAL FILL AND FOR BENEFICIAL USE; (21) PLACE A MORATORIUM ON THE EXPANSION AND CONSTRUCTION OF COAL COMBUSTION RESIDUALS LANDFILLS UNTIL AUGUST 1, 2015, AND DIRECT THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES TO ASSESS THE RISKS TO PUBLIC HEALTH, SAFETY, WELFARE, THE ENVIRONMENT, AND NATURAL RESOURCES OF COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS LOCATED BENEATH THESE LANDFILLS TO DETERMINE THE ADVISABILITY OF CONTINUED OPERATION OF THESE LANDFILLS; (22) STRENGTHEN THE REPORTING AND NOTIFICATION REQUIREMENTS APPLICABLE TO DISCHARGES OF WASTEWATER TO WATERS OF THE STATE; (23) REQUIRE CERTAIN EMERGENCY CALLS TO BE RECORDED; (24) REQUIRE DEVELOPMENT OF EMERGENCY ACTION PLANS FOR HIGH AND INTERMEDIATE HAZARD DAMS AND AMEND OTHER DAM SAFETY LAW REQUIREMENTS APPLICABLE TO COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS; (25) TRANSFER SOLID WASTE RULE-MAKING AUTHORITY FROM COMMISSION FOR PUBLIC HEALTH TO ENVIRONMENTAL MANAGEMENT COMMISSION; (26) PROVIDE FOR VARIOUS STUDIES; AND (27) PROVIDE RESOURCES FOR IMPLEMENTATION OF THIS ACT.

The General Assembly of North Carolina enacts:

PART I. PROHIBIT RECOVERY OF COSTS RELATED TO UNLAWFUL DISCHARGES FROM COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS; MORATORIUM ON RATE CASES

SECTION 1.(a) Article 7 of Chapter 62 of the General Statutes is amended by adding a new section to read:

"**§ 62-133.13. Recovery of costs related to unlawful discharges from coal combustion residuals surface impoundments to the surface waters of the State.**

The Commission shall not allow an electric public utility to recover from the retail electric customers of the State costs resulting from an unlawful discharge to the surface waters of the State from a coal combustion residuals surface impoundment, unless the Commission determines the discharge was due to an event of force majeure. For the purposes of this section, "coal combustion residuals surface impoundments" has the same meaning as in G.S. 130A-309.201. For the purposes of this section, "unlawful discharge" shall mean a discharge that results in a violation of State or federal surface water quality standards."

SECTION 1.(b) Section 1(a) of this act is effective when it becomes law and applies to discharges occurring on or after January 1, 2014.

SECTION 2.(a) Moratorium on Cost Recovery. – The Utilities Commission shall not issue an order authorizing an electric public utility the recovery of any additional costs related to coal combustion residuals surface impoundments until the end of the moratorium provided in this section. For the purposes of this section, "coal combustion residuals surface impoundments" has the same meaning as in G.S. 130A-309.201. The Utilities Commission shall not enter a final order granting an increase in base rates of an electric public utility for costs related to coal combustion residuals surface impoundments under G.S. 62-133 or G.S. 62-134 prior to January 15, 2015.

SECTION 2.(b) Purpose of Moratorium. – The purpose of the moratorium is to allow the State to study the disposition of coal combustion residuals surface impoundments, including any final rules adopted by the United States Environmental Protection Agency on the regulation of coal combustion residuals.

PART II. PROVISIONS FOR COMPREHENSIVE MANAGEMENT OF COAL COMBUSTION RESIDUALS

SECTION 3.(a) Article 9 of Chapter 130A of the General Statutes is amended by adding a new Part to read:

"Part 2I. Coal Ash Management.

"Subpart 1. Short Title, Definitions, and General Provisions.

"**§ 130A-309.200. Title.**

This Part may be cited as the "Coal Ash Management Act of 2014."

"**§ 130A-309.201. Definitions.**

Unless a different meaning is required by the context, the definitions of G.S. 130A-290 and the following definitions shall apply throughout this Part:

(1) "Beneficial and beneficial use" means projects promoting public health and environmental protection, offering equivalent success relative to other alternatives, and preserving natural resources.

(2) "Boiler slag" means the molten bottom ash collected at the base of slag tap and cyclone type furnaces that is quenched with water. It is made up of hard, black, angular particles that have a smooth, glassy appearance.

(3) "Bottom ash" means the agglomerated, angular ash particles formed in pulverized coal furnaces that are too large to be carried in the flue gases and collect on the furnace walls or fall through open grates to an ash hopper at the bottom of the furnace.

(4) "Coal combustion products" means fly ash, bottom ash, boiler slag, or flue gas desulfurization materials, which are beneficially used, including use for structural fill.

(5) "Coal combustion residuals" has the same meaning as defined in G.S. 130A-290.

(6) "Coal combustion residuals surface impoundment" means a topographic depression, excavation, or diked area that is: (i) primarily formed from earthen materials; (ii) without a base liner approved for use by Article 9 of Chapter 130A of the General Statutes or rules adopted thereunder for a combustion products landfill or coal combustion residuals landfill, industrial landfill, or municipal solid waste landfill; and (iii) designed to hold accumulated coal combustion residuals in the form of liquid wastes, wastes containing free liquids, or sludges, and that is not backfilled or otherwise covered during periods of deposition. For purposes of this Part, "coal combustion residuals surface impoundment" shall only include impoundments owned by a public utility, as defined in G.S. 62-3. "Coal combustion residuals surface impoundment" includes all of the following:

a. An impoundment that is dry due to the deposited liquid having evaporated, volatilized, or leached.

b. An impoundment that is wet with exposed liquid.

c. Lagoons, ponds, aeration pits, settling ponds, tailings ponds, and sludge pits, when these structures are designed to hold accumulated coal combustion residuals.

d. A coal combustion residuals surface impoundment that has been covered with soil after the final deposition of coal combustion residuals at the impoundment.

(7) "Commission" means the Environmental Management Commission.

(8) "Fly ash" means the very fine, powdery material, composed mostly of silica with nearly all particles spherical in shape, which is a product of burning finely ground coal in a boiler to produce electricity and is removed from the plant exhaust gases by air emission control devices.

(9) "Flue gas desulfurization material" means the material produced through a process used to reduce sulfur dioxide emissions from the exhaust gas system of a coal-fired boiler. The physical nature of these materials varies from a wet sludge to a dry powdered material, depending on the process, and their composition comprises either sulfites, sulfates, or a mixture thereof.

(10) "Mine" means an area of land from which minerals, inorganic and organic, have been extracted from their natural deposits.

(11) "Minerals" means soil, clay, coal, phosphate, metallic ore, and any other solid material or substance of commercial value found in natural deposits on or in the earth.

(12) "Owner" or "owner of a coal combustion residuals surface impoundment" means a public utility, as defined in G.S. 62-3, that owns a coal combustion residuals surface impoundment.

(13) "Receptor" means any human, plant, animal, or structure which is, or has the potential to be, affected by the release or migration of contaminants. Any well constructed for the purpose of monitoring groundwater and contaminant concentrations shall not be considered a receptor.

(14) "Structural fill" means an engineered fill with a projected beneficial end use constructed using coal combustion products that are properly placed and compacted. For purposes of this Part, the term includes fill used to reclaim

abandoned mines and for embankments, greenscapes, foundations, construction foundations, and for bases/sub-bases under a structure or a footprint of a paved road, parking lot, sidewalk, walkway, or similar structure.

(15) "Use or reuse of coal combustion products" means the procedure whereby coal combustion products are directly used as either of the following:

a. As an ingredient in an industrial process to make a product, unless distinct components of the coal combustion products are recovered as separate end products.

b. In a function or application as an effective substitute for a commercial product or natural resource.

"**§ 130A-309.202. Coal Ash Management Commission.**

(a) Creation. – In recognition of the complexity and magnitude of the issues associated with the management of coal combustion residuals and the proper closure and remediation of coal combustion residuals surface impoundments, the Coal Ash Management Commission is hereby established.

(b) Membership. – The Commission shall consist of nine members as follows:

(1) One appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121 who shall at the time of appointment be a resident of the State.

(2) One appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121 who shall at the time of appointment have special training or scientific expertise in waste management, including solid waste disposal, hauling, or beneficial use.

(3) One appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121 who shall at the time of appointment be a licensed physician or a person with experience in public health.

(4) One appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121 who shall at the time of appointment be a member of a nongovernmental conservation interest.

(5) One appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121 who shall at the time of appointment be actively employed by, or recently retired from, an industrial manufacturing facility.

(6) One appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121 who shall at the time of appointment have experience in the use of coal combustion residuals as structural fill for construction or development projects.

(7) One appointed by the Governor who shall at the time of appointment have experience in economic development.

(8) One appointed by the Governor who shall at the time of appointment be a representative of an electric membership corporation organized under Article 2 of Chapter 117 of the General Statutes.

(9) One appointed by the Governor who shall at the time of appointment be a be a person with experience in science or engineering.

(c) Chair; Vice-Chair. – The Commission shall have a chair and a vice-chair. The Commission shall elect one of its members to serve as chair and one of its members to serve as vice-chair. The chair and vice-chair shall serve two-year terms.

(d) Vacancies. – Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death, or disability of a member shall be for the balance of the unexpired term. The Governor may reappoint a gubernatorial appointee of the Commission to an additional term if, at the time of the reappointment, the member qualifies for membership on the Commission under subdivisions (7) through (9) of subsection (b) of this section. Appointments by the General Assembly shall be made in accordance with G.S. 120-121, and vacancies in those appointments shall be filled in accordance with G.S. 120-122.

(e) Removal. – The Governor shall have the power to remove any member of the Commission from office for misfeasance, malfeasance, or nonfeasance in accordance with the provisions of G.S. 143B-13 of the Executive Organization Act of 1973.

(f) Powers and Duties. – The Commission shall have all of the following powers and duties:

(1) To review and approve the classification of coal combustion residuals surface impoundments required by G.S. 130A-309.211.

(2) To review and approve Coal Combustion Residuals Surface Impoundment Closure Plans as provided in G.S. 130A-309.212.

(3) To review and make recommendations on the provisions of this Part and other statutes and rules related to the management of coal combustion residuals.

(4) To undertake any additional studies as requested by the General Assembly.

(g) Reimbursement. – The members of the Commission shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5.

(h) Quorum. – Five members of the Commission shall constitute a quorum for the transaction of business.

(i) Staff. – The Commission is authorized and empowered to employ staff as the Commission may determine to be necessary for the proper discharge of the Commission's duties and responsibilities. The Chair of the Commission shall organize and direct the work of the Commission staff. The salaries and compensation of all such personnel shall be fixed in the manner provided by law for fixing and regulating salaries and compensation by other State agencies. The chair, within allowed budgetary limits and as allowed by law, shall authorize and approve travel, subsistence, and related expenses of such personnel incurred while traveling on official business. All State agencies, including the constituent institutions of The University of North Carolina, shall provide information and support to the Commission upon request.

(j) Conflicts of Interest; Disclosure. – The Governor shall require adequate disclosure of potential conflicts of interest by members. The Governor, by executive order, shall promulgate criteria regarding conflicts of interest and disclosure thereof for determining the eligibility of persons under this subsection, giving due regard to the requirements of federal legislation and, for this purpose, may promulgate rules, regulations, or guidelines in conformance with those established by any federal agency interpreting and applying provisions of federal law.

(k) Covered Persons. – All members of the Commission are covered persons for the purposes of Chapter 138A of the General Statutes, the State Government Ethics Act. As covered persons, members of the Commission shall comply with the applicable requirements of the State Government Ethics Act, including mandatory training, the public disclosure of economic interests, and ethical standards for covered persons. Members of the Commission shall comply with the provisions of the State Government Ethics Act to avoid conflicts of interest.

(l) Meetings. – The Commission shall meet at least once every two months and may hold special meetings at any time and place within the State at the call of the Chair or upon the written request of at least five members.

(m) Reports. – The Commission shall submit quarterly written reports as to its operation, activities, programs, and progress to the Environmental Review Commission. The Commission shall supplement the written reports required by this subsection with additional written and oral reports as may be requested by the Environmental Review Commission. The Commission shall submit the written reports required by this subsection whether or not the General Assembly is in session at the time the report is due.

(n) Administrative Location; Independence. – The Commission shall be administratively located in the Division of Emergency Management of the Department of Public Safety. The Commission shall exercise all of its powers and duties independently and shall not be subject to the supervision, direction, or control of the Division or Department.

"**§ 130A-309.203. Expedited permit review.**

(a) The Department shall act as expeditiously as practicable, but no later than the deadlines established under subsection (b) of this section, except in compliance with subsection (c) of this section, to issue all permits necessary to conduct activities required by this Part.

(b) Notwithstanding G.S. 130A-295.8(e), the Department shall determine whether an application for any permit necessary to conduct activities required by this Part is complete within 30 days after the Department receives the application for the permit. A determination of completeness means that the application includes all required components but does not mean that the required components provide all of the information that is required for the Department to make a decision on the application. If the Department determines that an application is not complete, the Department shall notify the applicant of the components needed to complete the application. An applicant may submit additional information to the Department to cure the deficiencies in the application. The Department shall make a final determination as to whether the application is complete within the later of (i) 30 days after the Department receives the application for the permit less the number of days that the applicant uses to provide the additional information or (ii) 10 days after the Department receives the additional information from the applicant. The Department shall issue a draft permit decision on an application for a permit within 60 days after the Department determines that the application is complete. The Department shall hold a public hearing and accept written comment on the draft permit decision for a period of not less than 30 or more than 60 days after the Department issues a draft permit decision. The Department shall issue a final permit decision on an application for a permit within 30 days after the comment period on the draft permit decision closes. If the Department fails to act within any time period set out in this subsection, the applicant may treat the failure to act as a denial of the permit and may challenge the denial as provided in Chapter 150B of the General Statutes.

(c) If the Department finds that compliance with the deadlines established under subsection (b) of this section would result in insufficient review of a permit application that would pose a risk to public health, safety, and welfare; the environment; or natural resources, the applicable deadline shall be waived for the application as necessary to allow for adequate review. If a deadline is waived pursuant to this subsection, the Secretary shall issue a written declaration, including findings of fact, documenting the need for the waiver.

"**§ 130A-309.204. Reports.**

(a) The Department shall submit quarterly written reports to the Environmental Review Commission and the Coal Ash Management Commission on its operations, activities, programs, and progress with respect to its obligations under this Part concerning all coal combustion residuals surface impoundments. At a minimum, the report shall include information concerning the status of assessment, corrective action, prioritization, and closure for each coal combustion residual surface impoundment and information on costs connected

therewith. The report shall include an executive summary of each annual Groundwater Protection and Restoration Report submitted to the Department by the operator of any coal combustion residuals surface impoundments pursuant to G.S. 130A-309.209(d) and a summary of all groundwater sampling, protection, and restoration activities related to the impoundment for the preceding year. The report shall also include an executive summary of each annual Surface Water Protection and Restoration Report submitted to the Department by the operator of any coal combustion residuals surface impoundments pursuant to G.S. 130A-309.210(e) and a summary of all surface water sampling, protection, and restoration activities related to the impoundment for the preceding year, including the status of the identification, assessment, and correction of unpermitted discharges from coal combustion residuals surface impoundments to the surface waters of the State. The Department shall supplement the written reports required by this subsection with additional written and oral reports as may be requested by the Environmental Review Commission. The Department shall submit the written reports required by this subsection whether or not the General Assembly is in session at the time the report is due.

(b) On or before October 1 of each year, the Department shall report to each member of the General Assembly who has a coal combustion residuals surface impoundment in the member's district. This report shall include the location of each impoundment in the member's district, the amount of coal combustion residuals known or believed to be located in the impoundment, the last action taken at the impoundment, and the date of that last action.

(c) On or before October 1 of each year, a public utility generating coal combustion residuals and coal combustion products shall submit an annual summary to the Department. The annual summary shall be for the period July 1 through June 30 and shall include all of the following:

(1) The volume of coal combustion residuals and products produced.

(2) The volume of coal combustion residuals disposed.

(3) The volume of coal combustion products used in structural fill projects.

(4) The volume of coal combustion products beneficially used, other than for structural fill.

"**§ 130A-309.205. Local ordinances regulating management of coal combustion residuals and coal combustion products invalid; petition to preempt local ordinance.**

(a) It is the intent of the General Assembly to maintain a uniform system for the management of coal combustion residuals and coal combustion products, including matters of disposal and beneficial use, and to place limitations upon the exercise by all units of local government in North Carolina of the power to regulate the management of coal combustion residuals and coal combustion products by means of ordinances, property restrictions, zoning regulations, or otherwise. Notwithstanding any authority granted to counties, municipalities, or other local authorities to adopt local ordinances, including those imposing taxes, fees, or charges or regulating health, environment, or land use, all provisions of local ordinances, including those regulating land use, adopted by counties, municipalities, or other local authorities that regulate or have the effect of regulating the management of coal combustion residuals and coal combustion products within the jurisdiction of a local government are invalidated, to the extent necessary to effectuate the purposes of this Part, that do the following:

(1) Place any restriction or condition not placed by this Part upon management of coal combustion residuals and coal combustion products within any county, city, or other political subdivision.

(2) Conflict or are in any manner inconsistent with the provisions of this Part.

(b) If a local zoning or land-use ordinance imposes requirements, restrictions, or conditions that are generally applicable to development, including, but not limited to, setback, buffer, and stormwater requirements, and coal combustion residuals and coal combustion products would be regulated under the ordinance of general applicability, the operator of the

proposed activities may petition the Environmental Management Commission to review the matter. After receipt of a petition, the Commission shall hold a hearing in accordance with the procedures in subsection (c) of this section and shall determine whether or to what extent to preempt the local ordinance to allow for the management of coal combustion residuals and coal combustion products.

(c) When a petition described in subsection (b) of this section has been filed with the Environmental Management Commission, the Commission shall hold a public hearing to consider the petition. The public hearing shall be held in the affected locality within 60 days after receipt of the petition by the Commission. The Commission shall give notice of the public hearing by both of the following means:

(1) Publication in a newspaper or newspapers having general circulation in the county or counties where the activities are to be conducted, once a week for three consecutive weeks, the first notice appearing at least 30 days prior to the scheduled date of the hearing.

(2) First-class mail to persons who have requested notice. The Commission shall maintain a mailing list of persons who request notice in advance of the hearing pursuant to this section. Notice by mail shall be complete upon deposit of a copy of the notice in a postage-paid wrapper addressed to the person to be notified at the address that appears on the mailing list maintained by the Commission in a post office or official depository under the exclusive care and custody of the United States Postal Service.

(d) Any interested person may appear before the Environmental Management Commission at the hearing to offer testimony. In addition to testimony before the Commission, any interested person may submit written evidence to the Commission for the Commission's consideration. At least 20 days shall be allowed for receipt of written comment following the hearing.

(e) A local zoning or land-use ordinance is presumed to be valid and enforceable to the extent the zoning or land-use ordinance imposes requirements, restrictions, or conditions that are generally applicable to development, including, but not limited to, setback, buffer, and stormwater requirements, unless the Environmental Management Commission makes a finding of fact to the contrary. The Commission shall determine whether or to what extent to preempt local ordinances so as to allow the project involving management of coal combustion residuals and coal combustion products no later than 60 days after conclusion of the hearing. The Commission shall preempt a local ordinance only if the Commission makes all of the following findings:

(1) That there is a local ordinance that would regulate the management of coal combustion residuals and coal combustion products.

(2) That all legally required State and federal permits or approvals have been issued by the appropriate State and federal agencies or that all State and federal permit requirements have been satisfied and that the permits or approvals have been denied or withheld only because of the local ordinance.

(3) That local citizens and elected officials have had adequate opportunity to participate in the permitting process.

(4) That the project involving management of coal combustion residuals and coal combustion products will not pose an unreasonable health or environmental risk to the surrounding locality and that the operator has taken or consented to take reasonable measures to avoid or manage foreseeable risks and to comply to the maximum feasible extent with applicable local ordinances.

(f) If the Environmental Management Commission does not make all of the findings under subsection (e) of this section, the Commission shall not preempt the challenged local

ordinance. The Commission's decision shall be in writing and shall identify the evidence submitted to the Commission plus any additional evidence used in arriving at the decision.

(g) The decision of the Environmental Management Commission shall be final, unless a party to the action files a written appeal under Article 4 of Chapter 150B of the General Statutes, as modified by this section, within 30 days of the date of the decision. The record on appeal shall consist of all materials and information submitted to or considered by the Commission, the Commission's written decision, a complete transcript of the hearing, the specific findings required by subsection (e) of this section, and any minority positions on the specific findings required by subsection (e) of this section. The scope of judicial review shall be as set forth in G.S. 150B-51, except as this subsection provides regarding the record on appeal.

(h) If the court reverses or modifies the decision of the Environmental Management Commission, the judge shall set out in writing, which writing shall become part of the record, the reasons for the reversal or modification.

(i) In computing any period of time prescribed or allowed by the procedure in this section, the provisions of Rule 6(a) of the Rules of Civil Procedure, G.S. 1A-1, shall apply.

"**§ 130A-309.206. Federal preemption; severability.**

The provisions of this Part shall be severable, and if any phrase, clause, sentence, or provision is declared to be unconstitutional or otherwise invalid or is preempted by federal law or regulation, the validity of the remainder of this Part shall not be affected thereby.

"**§ 130A-309.207. General rulemaking for Part.**

The Environmental Management Commission shall adopt rules as necessary to implement the provisions of the Part. Such rules shall be exempt from the requirements of G.S. 150B-19.3.

"Subpart 2. Management of Coal Ash Residuals; Closure of Coal Ash Impoundments.

"**§ 130A-309.208. Generation, disposal, and use of coal combustion residuals.**

(a) On or after July 1, 2014, the construction of new and expansion of existing coal combustion residuals surface impoundments is prohibited.

(b) On or after October 1, 2014, the disposal of coal combustion residuals into a coal combustion residuals surface impoundment at an electric generating facility where the coal-fired generating units are no longer producing coal combustion residuals is prohibited.

(c) On or after December 31, 2018, the discharge of stormwater into a coal combustion surface impoundment at an electric generating facility where the coal-fired generating units are no longer producing coal combustion residuals is prohibited.

(d) On or after December 31, 2019, the discharge of stormwater into a coal combustion surface impoundment at an electric generating facility where the coal-fired generating units are actively producing coal combustion residuals is prohibited.

(e) On or before December 31, 2018, all electric generating facilities owned by a public utility shall convert to the disposal of "dry" fly ash or the facility shall be retired. For purposes of this subsection, the term "dry" shall mean coal combustion residuals which are not in the form of liquid wastes, wastes containing free liquids, or sludges.

(f) On or before December 31, 2019, all electric generating facilities owned by a public utility shall convert to the disposal of "dry" bottom ash or the facility shall be retired. For purposes of this subsection, the term "dry" shall mean coal combustion residuals which are not in the form of liquid wastes, wastes containing free liquids, or sludges.

"**§ 130A-309.209. Groundwater assessment and corrective action; drinking water supply well survey and provision of alternate water supply; reporting.**

(a) Groundwater Assessment of Coal Combustion Residuals Surface Impoundments. – The owner of a coal combustion residuals surface impoundment shall conduct groundwater monitoring and assessment as provided in this subsection. The requirements for groundwater monitoring and assessment set out in this subsection are in addition to any other groundwater monitoring and assessment requirements applicable to the owners of coal combustion residuals surface impoundments.

(1) No later than December 31, 2014, the owner of a coal combustion residuals surface impoundment shall submit a proposed Groundwater Assessment Plan for the impoundment to the Department for its review and approval. The Groundwater Assessment Plan shall, at a minimum, provide for all of the following:

a. A description of all receptors and significant exposure pathways.

b. An assessment of the horizontal and vertical extent of soil and groundwater contamination for all contaminants confirmed to be present in groundwater in exceedance of groundwater quality standards.

c. A description of all significant factors affecting movement and transport of contaminants.

d. A description of the geological and hydrogeological features influencing the chemical and physical character of the contaminants.

e. A schedule for continued groundwater monitoring.

f. Any other information related to groundwater assessment required by the Department.

(2) The Department shall approve the Groundwater Assessment Plan if it determines that the Plan complies with the requirements of this subsection and will be sufficient to protect public health, safety, and welfare; the environment; and natural resources.

(3) No later than 10 days from approval of the Groundwater Assessment Plan, the owner shall begin implementation of the Plan.

(4) No later than 180 days from approval of the Groundwater Assessment Plan, the owner shall submit a Groundwater Assessment Report to the Department. The Report shall describe all exceedances of groundwater quality standards associated with the impoundment.

(b) Corrective Action for the Restoration of Groundwater Quality. – The owner of a coal combustion residuals surface impoundment shall implement corrective action for the restoration of groundwater quality as provided in this subsection. The requirements for corrective action for the restoration of groundwater quality set out in this subsection are in addition to any other corrective action for the restoration of groundwater quality requirements applicable to the owners of coal combustion residuals surface impoundments.

(1) No later than 90 days from submission of the Groundwater Assessment Report required by subsection (a) of this section, the owner of the coal combustion residuals surface impoundment shall submit a proposed Groundwater Corrective Action Plan to the Department for its review and approval. The Groundwater Corrective Action Plan shall provide for the restoration of groundwater in conformance with the requirements of Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code. The Groundwater Corrective Action Plan shall include, at a minimum, all of the following:

a. A description of all exceedances of the groundwater quality standards, including any exceedances that the owner asserts are the result of natural background conditions.

b. A description of the methods for restoring groundwater in conformance with the requirements of Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code and a detailed explanation of the reasons for selecting these methods.

c. Specific plans, including engineering details, for restoring groundwater quality.

d. A schedule for implementation of the Plan.
e. A monitoring plan for evaluating the effectiveness of the proposed corrective action and detecting movement of any contaminant plumes.
f. Any other information related to groundwater assessment required by the Department.

(2) The Department shall approve the Groundwater Corrective Action Plan if it determines that the Plan complies with the requirements of this subsection and will be sufficient to protect public health, safety, and welfare; the environment; and natural resources.

(3) No later than 30 days from the approval of the Groundwater Corrective Action Plan, the owner shall begin implementation of the Plan in accordance with the Plan's schedule.

(c) Drinking Water Supply Well Survey and Provision of Alternate Water Supply. – No later than October 1, 2014, the owner of a coal combustion residuals surface impoundment shall conduct a Drinking Water Supply Well Survey that identifies all drinking water supply wells within one-half mile down-gradient from the established compliance boundary of the impoundment and submit the Survey to the Department. The Survey shall include well locations, the nature of water uses, available well construction details, and information regarding ownership of the wells. No later than December 1, 2014, the Department shall determine, based on the Survey, which drinking water supply wells the owner is required to sample and how frequently and for what period sampling is required. The Department shall require sampling for drinking water supply wells where data regarding groundwater quality and flow and depth in the area of any surveyed well provide a reasonable basis to predict that the quality of water from the surveyed well may be adversely impacted by constituents associated with the presence of the impoundment. No later than January 1, 2015, the owner shall initiate sampling and water quality analysis of the drinking water supply wells. A property owner may elect to have an independent third party selected from a laboratory certified by the Department's Wastewater/Groundwater Laboratory Certification program sample wells located on their property in lieu of sampling conducted by the owner of the coal combustion residuals surface impoundment. The owner of the coal combustion residuals surface impoundment shall pay for the reasonable costs of such sampling. Nothing in this subsection shall be construed to preclude or impair the right of any property owner to refuse such sampling of wells on their property. If the sampling and water quality analysis indicates that water from a drinking water supply well exceeds groundwater quality standards for constituents associated with the presence of the impoundment, the owner shall replace the contaminated drinking water supply well with an alternate supply of potable drinking water. The alternate supply of potable drinking water shall be supplied within 30 days of the Department's determination that there is an exceedance of groundwater quality standards attributable to constituents associated with the presence of the impoundment. The requirement to replace a contaminated drinking water supply well with an alternate supply of potable drinking water set out in this subsection is in addition to any other requirements to replace a contaminated drinking water supply well with an alternate supply of potable drinking water applicable to the owners of coal combustion residuals surface impoundments.

(d) Reporting. – In addition to any other reporting required by the Department, the owner of a coal combustion residuals surface impoundment shall submit an annual Groundwater Protection and Restoration Report to the Department no later than January 31 of each year. The Report shall include a summary of all groundwater monitoring, protection, and restoration activities related to the impoundment for the preceding year, including the status of the Groundwater Assessment Plan, the Groundwater Assessment Report, the Groundwater Corrective Action Plan, the Drinking Water Supply Well Survey, and the replacement of any

contaminated drinking water supply wells. The owner of a coal combustion residuals surface impoundment shall also submit all information required to be submitted to the Department pursuant to this section to the Coal Ash Management Commission.

"**§ 130A-309.210. Identification, assessment, and correction of unpermitted discharges.**

(a) Identification of Unpermitted Discharges from Coal Combustion Residuals Surface Impoundments to the Surface Waters of the State. –

(1) The owner of a coal combustion residuals surface impoundment shall identify all unpermitted discharges from the impoundment to the surface waters of the State as provided in this subsection. The requirements for identifying all unpermitted discharges from an impoundment set out in this subsection are in addition to any other requirements for identifying unpermitted discharges applicable to the owners of coal combustion residuals surface impoundments.

(2) No later than December 31, 2014, the owner of a coal combustion residuals surface impoundment shall submit a topographic map that identifies the location of all: (i) outfalls from engineered channels designed or improved for the purpose of collecting water from the toe of the impoundment to the Department; and (ii) seeps discharging from the impoundment that are not captured by engineered channels designed or improved for the purpose of collecting water from the toe of the impoundment to the Department. The topographic map shall comply with all of the following:

a. Be at a scale as required by the Department.

b. Specify the latitude and longitude of each toe drain outfall and each seep.

c. Specify whether the discharge from each toe drain outfall and each seep is continuous or intermittent.

d. Provide an average flow measurement of the discharge from each toe drain outfall and each seep, including a description of the method used to measure average flow.

e. Specify whether the discharge from each toe drain outfall and seep identified reaches the surface waters of the State. If the discharge from a toe drain outfall or seep reaches the surface waters of the State, the map shall specify the latitude and longitude of where the discharge reaches the surface waters of the State.

f. Any other information related to the topographic map required by the Department.

(b) Assessment of Unpermitted Discharges from Coal Combustion Residuals Surface Impoundments to the Surface Waters of the State. – The owner of a coal combustion residuals surface impoundment shall conduct an assessment of unpermitted discharges from the coal combustion residuals surface impoundment to the surface waters of the State as provided in this subsection. The requirements for assessment of unpermitted discharges from the coal combustion residuals surface impoundment to the surface waters of the State set out in this subsection are in addition to any other requirements for the assessment of unpermitted discharges from coal combustion residuals surface impoundments to surface waters of the State applicable to the owners of coal combustion residuals surface impoundments.

(1) No later than December 31, 2014, the owner of a coal combustion residuals surface impoundment shall submit a proposed Unpermitted Discharge Assessment Plan to the Department. The Unpermitted Discharge Assessment Plan shall include information sufficient to allow the Department to determine whether any unpermitted discharge, including a discharge from a toe drain outfall or seep, has reached the surface waters of the State and has

caused a violation of surface water quality standards. The Unpermitted Discharge Assessment Plan shall include, at a minimum, all of the following:

a. Upstream and downstream sampling locations within all channels that could potentially carry a discharge.

b. A description of the surface water quality analyses that will be performed.

c. A sampling schedule, including the frequency and duration of sampling activities.

d. Reporting requirements.

e. Any other information related to the assessment of unpermitted discharges required by the Department.

(2) The Department shall approve the Unpermitted Discharge Assessment Plan if it determines that the Plan complies with the requirements of this subsection and will be sufficient to protect public health, safety, and welfare; the environment; and natural resources.

(3) No later than 30 days from the approval of the Unpermitted Discharge Assessment Plan, the owner shall begin implementation of the Plan in accordance with the Plan's schedule.

(c) Corrective Action to Prevent Unpermitted Discharges from Coal Combustion Residuals Surface Impoundments to the Surface Waters of the State. – The owner of a coal combustion residuals surface impoundment shall implement corrective action to prevent unpermitted discharges from the coal combustion residuals surface impoundment to the surface waters of the State as provided in this subsection. The requirements for corrective action to prevent unpermitted discharges from coal combustion residuals surface impoundments to the surface waters of the State set out in this subsection are in addition to any other requirements for corrective action to prevent unpermitted discharges from coal combustion residuals surface impoundments to the surface waters of the State applicable to the owners of coal combustion residuals surface impoundments.

(1) If the Department determines, based on surface water quality sampling information provided in an Unpermitted Discharge Assessment Plan submitted pursuant to subsection (b) of this section, that an unpermitted discharge from a coal combustion residuals surface impoundment, including a discharge from a toe drain outfall or seep, has violated State or federal surface water quality standards, the Department shall notify the owner of the impoundment of its determination.

(2) No later than 30 days from the notification of violation, the owner of the coal combustion residuals surface impoundment shall submit a proposed Unpermitted Discharge Corrective Action Plan to the Department for its review and approval. The proposed Unpermitted Discharge Corrective Action Plan shall include, at a minimum, all of the following:

a. One of the following methods of proposed corrective action:

1. Elimination of the unpermitted discharge.

2. Capture and rerouting of the unpermitted discharge through a permitted outfall.

3. Implementation of best management practices to prevent the unpermitted discharge.

4. Application for a National Pollutant Discharge Elimination System (NPDES) permit amendment to bring the unpermitted discharge under permit regulations.

b. A detailed explanation of the reasons for selecting the method of corrective action.
c. Specific plans, including engineering details, to prevent the unpermitted discharge.
d. A schedule for implementation of the Plan.
e. A monitoring plan for evaluating the effectiveness of the proposed corrective action.
f. Any other information related to the correction of unpermitted discharges required by the Department.

(3) The Department shall approve the Unpermitted Discharge Corrective Action Plan if it determines that the Plan complies with the requirements of this subsection and will be sufficient to protect public health, safety, and welfare; the environment; and natural resources.

(4) No later than 30 days from the approval of the Unpermitted Discharge Corrective Action Plan, the owner shall begin implementation of the Plan in accordance with the Plan's schedule.

(d) Identification of New Unpermitted Discharges. – No later than August 1, 2014, the owner of a coal combustion residuals surface impoundment shall submit a proposed Plan for the Identification of New Unpermitted Discharges to the Department for its review and approval as provided in this subsection.

(1) The proposed Plan for the Identification of New Unpermitted Discharges shall include, at a minimum, all of the following:
a. A procedure for routine inspection of the coal combustion residuals surface impoundment to identify indicators of potential new unpermitted discharges, including toe drain outfalls and seeps.
b. A procedure for determining whether a new unpermitted discharge is actually present.
c. A procedure for notifying the Department when a new unpermitted discharge is confirmed.
d. Any other information related to the identification of new unpermitted discharges required by the Department.

(2) The Department shall approve the Plan for the Identification of New Unpermitted Discharges if it determines that the Plan complies with the requirements of this subsection and will be sufficient to protect public health, safety, and welfare; the environment; and natural resources.

(3) No later than 30 days from the approval of the Plan for the Identification of New Unpermitted Discharges, the owner shall begin implementation of the Plan in accordance with the Plan.

(e) Reporting. – In addition to any other reporting required by the Department, the owner of a coal combustion residuals surface impoundment shall submit an annual Surface Water Protection and Restoration Report to the Department no later than January 31 of each year. The Report shall include a summary of all surface water sampling, protection, and restoration activities related to the impoundment for the preceding year, including the status of the identification, assessment, and correction of unpermitted discharges from coal combustion residuals surface impoundments to the surface waters of the State. The owner of a coal combustion residuals surface impoundment shall also submit all information required to be submitted to the Department pursuant to this section to the Coal Ash Management Commission.

"**§ 130A-309.211. Prioritization of coal combustion residuals surface impoundments.**

(a) As soon as practicable, but no later than August 1, 2015, the Department shall develop proposed classifications for all coal combustion residuals surface impoundments,

including active and retired sites, for the purpose of closure and remediation based on these sites' risks to public health, safety, and welfare; the environment; and natural resources and shall determine a schedule for closure and required remediation that is based on the degree of risk to public health, safety, and welfare; the environment; and natural resources posed by the impoundments and that gives priority to the closure and required remediation of impoundments that pose the greatest risk. In assessing the risk, the Department shall evaluate information received pursuant to G.S. 130A-309.209 and G.S. 130A-309.210 and any other information deemed relevant and, at a minimum, consider all of the following:

(1) Any imminent hazards to public health, safety, or welfare resulting from the impoundment.

(2) Structural condition and hazard potential of the impoundment.

(3) The proximity of surface waters to the impoundment and whether any surface waters are contaminated or imminently threatened by contamination as a result of the impoundment.

(4) Information concerning the horizontal and vertical extent of soil and groundwater contamination for all contaminants confirmed to be present in groundwater in exceedance of groundwater quality standards and all significant factors affecting contaminant transport.

(5) The location and nature of all receptors and significant exposure pathways.

(6) The geological and hydrogeological features influencing the movement and chemical and physical character of the contaminants.

(7) Amount and characteristics of coal combustion residuals in the impoundment.

(8) Any other factor the Department deems relevant to establishment of risk.

(b) The Department shall issue a proposed classification for each coal combustion residuals surface impoundment based upon the assessment conducted pursuant to subsection (a) of this section as high-risk, intermediate-risk, or low-risk. Within 30 days after a proposed classification has been issued, the Department shall issue a written declaration, including findings of fact, documenting the proposed classification. The Department shall provide for public participation on the proposed risk classification as follows:

(1) The Department shall make copies of the written declaration issued pursuant to this subsection available for inspection as follows:

a. A copy of the declaration shall be provided to the local health director.

b. A copy of the declaration shall be provided to the public library located in closest proximity to the site in the county or counties in which the site is located.

c. The Department shall post a copy of the declaration on the Department's Web site.

d. The Department may place copies of the declaration in other locations so as to assure the availability thereof to the public.

(2) Before issuing a proposed classification of an impoundment as high-risk, intermediate-risk, or low-risk, the Department shall give notice of the written declaration issued pursuant to this subsection as follows:

a. A notice and summary of the declaration shall be published weekly for a period of three consecutive weeks in a newspaper having general circulation in the county or counties where the site is located.

b. Notice of the written declaration shall be given by first-class mail to persons who have requested such notice. Such notice shall include a summary of the written declaration and state the locations where a copy of the written declaration is available for inspection. The

Department shall maintain a mailing list of persons who request notice pursuant to this section.

c. Notice of the written declaration shall be given by electronic mail to persons who have requested such notice. Such notice shall include a summary of the written declaration and state the locations where a copy of the written declaration is available for inspection. The Department shall maintain a mailing list of persons who request notice pursuant to this section.

(3) No later than 60 days after issuance of the written declaration, the Department shall conduct a public meeting in the county or counties in which the site is located to explain the written declaration to the public. The Department shall give notice of the hearing at least 15 days prior to the date thereof by all of the following methods:

a. Publication as provided in subdivision (1) of this subsection, with first publication to occur not less than 30 days prior to the scheduled date of the hearing.

b. First-class mail to persons who have requested notice as provided in subdivision (2) of this subsection.

c. Electronic mail to persons who have requested notice as provided in subdivision (2) of this subsection.

(4) At least 30 days from the latest date on which notice is provided pursuant to subdivision (2) of this subsection shall be allowed for the receipt of written comment on the written declaration prior to issuance of a final risk classification. At least 20 days will be allowed for receipt of written comment following a hearing conducted pursuant to subdivision (3) of this subsection prior to issuance of a final risk classification.

(c) Within 30 days of the receipt of all written comment as required by subdivision (4) of subsection (b) of this section, the Department shall submit a proposed classification for a coal combustion residuals surface impoundment to the Coal Ash Management Commission established pursuant to G.S. 130A-309.202. The Commission shall evaluate all information submitted in accordance with this Part related to the proposed classification and any other information the Commission deems relevant. The Commission shall only approve the proposed classification if it determines that the classification was developed in accordance with this section and that the classification accurately reflects the level of risk posed by the coal combustion residuals surface impoundment. The Commission shall issue its determination in writing, including findings in support of its determination. If the Commission fails to act on a proposed classification within 60 days of receipt of the proposed classification, the proposed classification shall be deemed approved. Parties aggrieved by a final decision of the Commission pursuant to this subsection may appeal the decision as provided under Article 4 of Chapter 150B of the General Statutes.

"**§ 130A-309.212. Closure of coal combustion residuals surface impoundments.**

(a) An owner of a coal combustion residuals surface impoundment shall submit a proposed Coal Combustion Residuals Surface Impoundment Closure Plan for the Department's approval. If corrective action to restore groundwater has not been completed pursuant to the requirements of G.S. 130A-309.209(b), the proposed closure plan shall include provisions for completion of activities to restore groundwater in conformance with the requirements of Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code. In addition, the following requirements, at a minimum, shall apply to such plans:

(1) High-risk impoundments shall be closed as soon as practicable, but no later than December 31, 2019. A proposed closure plan for such impoundments must be submitted as soon as practicable, but no later than December 31,

2016. At a minimum, such impoundments shall be dewatered, and the owner of an impoundment shall either:

a. Convert the coal combustion residuals impoundment to an industrial landfill, as that term is defined by this Article, by removing all coal combustion residuals from the impoundment temporarily, safely storing the residuals on-site, and complying with the siting and design requirements for disposal sites established by Section .0503 of Subchapter B of Chapter 13 of Title 15A of the North Carolina Administrative Code, except with respect to those requirements that pertain to buffers. In lieu of the buffer requirement established by Section .0503(f)(2)(iii) of Subchapter B of Chapter 13 of Title 15A of the North Carolina Administrative Code, the owner of the impoundment shall establish and maintain a 300-foot buffer between streams and rivers and disposal areas. After the temporarily displaced coal combustion residuals have been returned for disposal in the industrial landfill constructed pursuant to the requirements of this sub-subdivision, the owner of the landfill shall comply with the closure and post-closure requirements established by Section .1627 of Subchapter B of Chapter 13 of Title 15A of the North Carolina Administrative Code. A landfill constructed pursuant to this sub-subdivision shall otherwise be subject to all applicable requirements of this Chapter and rules adopted thereunder. Prior to closure, the Department may allow the disposal of coal combustion residuals, in addition to those originally contained in the impoundment, to the landfill constructed pursuant to this sub-subdivision, if the Department determines that the site is suitable for additional capacity and that disposal of additional coal combustion residuals will not pose an unacceptable risk to public health, safety, welfare; the environment; and natural resources.

b. Remove all coal combustion residuals from the impoundment, return the former impoundment to a nonerosive and stable condition, and (i) transfer the coal combustion residuals for disposal in a coal combustion residuals landfill, industrial landfill, or municipal solid waste landfill or (ii) use the coal combustion products in a structural fill or other beneficial use as allowed by law. The use of coal combustion products (i) as structural fill shall be conducted in accordance with the requirements Subpart 3 of this Part and (ii) for other beneficial uses shall be conducted in accordance with the requirements of 15A NCAC 13B .1701, et seq., (Requirements for Beneficial Use of Coal Combustion By-Products).

(2) Intermediate-risk impoundments shall be closed as soon as practicable, but no later than December 31, 2024. A proposed closure plan for such impoundments must be submitted as soon as practicable, but no later than December 31, 2017. At a minimum, such impoundments shall be dewatered, and the owner of an impoundment shall close the impoundment in any manner allowed pursuant to subdivision (1) of this subsection.

(3) Low-risk impoundments shall be closed as soon as practicable, but no later than December 31, 2029. A proposed closure plan for such impoundments must be submitted as soon as practicable, but no later than December 31, 2018. Such impoundments shall be dewatered. The Department shall require such sites to comply with the closure and post-closure requirements

established by Section .1627 of Subchapter B of Chapter 13 of Title 15A of the North Carolina Administrative Code. The Department may require implementation of any other measure it deems necessary to protect public health, safety, and welfare; the environment; and natural resources, including imposition of institutional controls that are sufficient to protect public health, safety, and welfare; the environment; and natural resources.

(4) Closure Plans for all impoundments shall include all of the following:

a. Facility and coal combustion residuals surface impoundment description. – A description of the operation of the site that shall include, at a minimum, all of the following:

1. Site history and history of site operations, including details on the manner in which coal combustion residuals have been stored and disposed of historically.
2. Estimated volume of material contained in the impoundment.
3. Analysis of the structural integrity of dikes or dams associated with impoundment.
4. All sources of discharge into the impoundment, including volume and characteristics of each discharge.
5. Whether the impoundment is lined, and, if so, the composition thereof.
6. A summary of all information available concerning the impoundment as a result of inspections and monitoring conducted pursuant to this Part and otherwise available.

b. Site maps, which, at a minimum, illustrate all of the following:

1. All structures associated with the operation of any coal combustion residuals surface impoundment located on the site. For purposes of this sub-subdivision, the term "site" shall mean the land or waters within the property boundary of the applicable electric generating station.
2. All current and former coal combustion residuals disposal and storage areas on the site, including details concerning coal combustion residuals produced historically by the electric generating station and disposed of through transfer to structural fills.
3. The property boundary for the applicable site, including established compliance boundaries within the site.
4. All potential receptors within 2,640 feet from established compliance boundaries.
5. Topographic contour intervals of the site shall be selected to enable an accurate representation of site features and terrain and in most cases should be less than 20-foot intervals.
6. Locations of all sanitary landfills permitted pursuant to this Article on the site, which are actively receiving waste or are closed, as well as the established compliance boundaries and components of associated groundwater and surface water monitoring systems.
7. All existing and proposed groundwater monitoring wells associated with any coal combustion residuals surface impoundment on the site.

8. All existing and proposed surface water sample collection locations associated with any coal combustion residuals surface impoundment on the site.

c. The results of a hydrogeologic, geologic, and geotechnical investigation of the site, including, at a minimum, all of the following:

1. A description of the hydrogeology and geology of the site.
2. A description of the stratigraphy of the geologic units underlying each coal combustion residuals surface impoundment located on the site.
3. The saturated hydraulic conductivity for (i) the coal combustion residuals within any coal combustion residuals surface impoundment located on the site and (ii) the saturated hydraulic conductivity of any existing liner installed at an impoundment, if any.
4. The geotechnical properties for (i) the coal combustion residuals within any coal combustion residuals surface impoundment located on the site, (ii) the geotechnical properties of any existing liner installed at an impoundment, if any, and (iii) the uppermost identified stratigraphic unit underlying the impoundment, including the soil classification based upon the Unified Soil Classification System, in-place moisture content, particle size distribution, Atterberg limits, specific gravity, effective friction angle, maximum dry density, optimum moisture content, and permeability.
5. A chemical analysis of the coal combustion residuals surface impoundment, including water, coal combustion residuals, and coal combustion residuals-affected soil.
6. Identification of all substances with concentrations determined to be in excess of the groundwater quality standards for the substance established by Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code, including all laboratory results for these analyses.
7. Summary tables of historical records of groundwater sampling results.
8. A map that illustrates the potentiometric contours and flow directions for all identified aquifers underlying impoundments (shallow, intermediate, and deep) and the horizontal extent of areas where groundwater quality standards established by Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code for a substance are exceeded.
9. Cross-sections that illustrate the following: the vertical and horizontal extent of the coal combustion residuals within an impoundment; stratigraphy of the geologic units underlying a impoundment; and the vertical extent of areas where groundwater quality standards established by Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code for a substance are exceeded.

d. The results of groundwater modeling of the site that shall include, at a minimum, all of the following:

1. An account of the design of the proposed Closure Plan that is based on the site hydrogeologic conceptual model developed and includes (i) predictions on post-closure groundwater elevations and groundwater flow directions and velocities, including the effects on and from the potential receptors, and (ii) predictions at the compliance boundary for substances with concentrations determined to be in excess of the groundwater quality standards for the substance established Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code.
2. Predictions that include the effects on the groundwater chemistry and should describe migration, concentration, mobilization, and fate for substances with concentrations determined to be in excess of the groundwater quality standards for the substance established by Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code pre- and post-closure, including the effects on and from potential receptors.
3. A description of the groundwater trend analysis methods used to demonstrate compliance with groundwater quality standards for the substance established by Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code and requirements for corrective action of groundwater contamination established by Subchapter L of Chapter 2 of Title 15A of the North Carolina Administrative Code.

e. A description of any plans for beneficial use of the coal combustion residuals in compliance with the requirements of Section .1200 of Subchapter T of Chapter 2 of Title 15A of the North Carolina Administrative Code and Section .1700 of Subchapter B of Chapter 13 of Title 15A of the North Carolina Administrative Code.

f. All engineering drawings, schematics, and specifications for the proposed Closure Plan. If required by Chapter 89C of the General Statutes, engineering design documents should be prepared, signed, and sealed by a professional engineer.

g. A description of the construction quality assurance and quality control program to be implemented in conjunction with the Closure Plan, including the responsibilities and authorities for monitoring and testing activities, sampling strategies, and reporting requirements.

h. A description of the provisions for disposal of wastewater and management of stormwater and the plan for obtaining all required permits.

i. A description of the provisions for the final disposition of the coal combustion residuals. If the coal combustion residuals are to be removed, the owner must (i) identify the location and permit number for the coal combustion residuals landfills, industrial landfills, or municipal solid waste landfills in which the coal combustion residuals will be disposed and (ii) in the case where the coal combustion residuals are planned for beneficial use, the location and manner in which the residuals will be temporarily stored. If the coal combustion residuals are to be left in the impoundment, the owner must (i) in the case of closure pursuant to sub-subdivision (a)(1)a. of

this section, provide a description of how the ash will be stabilized prior to completion of closure in accordance with closure and post-closure requirements established by Section .1627 of Subchapter B of Chapter 13 of Title 15A of the North Carolina Administrative Code and (ii) in the case of closure pursuant to sub-subdivision (a)(1)b. of this section, provide a description of how the ash will be stabilized pre- and post-closure. If the coal combustion residuals are to be left in the impoundment, the owner must provide an estimate of the volume of coal combustion residuals remaining.

j. A list of all permits that will need to be acquired or modified to complete closure activities.

k. A description of the plan for post-closure monitoring and care for an impoundment for a minimum of 30 years. The length of the post-closure care period may be (i) proposed to be decreased or the frequency and parameter list modified if the owner demonstrates that the reduced period or modifications are sufficient to protect public health, safety, and welfare; the environment; and natural resources and (ii) increased by the Department at the end of the post-closure monitoring and care period if there are statistically significant increasing groundwater quality trends or if contaminant concentrations have not decreased to a level protective of public health, safety, and welfare; the environment; and natural resources. If the owner determines that the post-closure care monitoring and care period is no longer needed and the Department agrees, the owner shall provide a certification, signed and sealed by a professional engineer, verifying that post-closure monitoring and care has been completed in accordance with the post-closure plan. If required by Chapter 89C of the General Statutes, the proposed plan for post-closure monitoring and care should be signed and sealed by a professional engineer. The plan shall include, at a minimum, all of the following:

1. A demonstration of the long-term control of all leachate, affected groundwater, and stormwater.
2. A description of a groundwater monitoring program that includes (i) post-closure groundwater monitoring, including parameters to be sampled and sampling schedules; (ii) any additional monitoring well installations, including a map with the proposed locations and well construction details; and (iii) the actions proposed to mitigate statistically significant increasing groundwater quality trends.

l. An estimate of the milestone dates for all activities related to closure and post-closure.

m. A description of the anticipated future use of the site and the necessity for the implementation of institutional controls following closure, including property use restrictions, and requirements for recordation of notices documenting the presence of contamination, if applicable, or historical site use.

(b) The Department shall review a proposed Coal Combustion Residuals Surface Impoundment Closure Plan for consistency with the minimum requirements set forth in subsection (a) of this section and whether the proposed Closure Plan is protective of public health, safety, and welfare; the environment; and natural resources and otherwise complies with

the requirements of this Part. Prior to issuing a decision on a proposed Closure Plan, the Department shall provide for public participation on the proposed Closure Plan as follows:

(1) The Department shall make copies of the proposed Closure Plan available for inspection as follows:

a. A copy of the proposed Closure Plan shall be provided to the local health director.

b. A copy of the proposed Closure Plan shall be provided to the public library located in closest proximity to the site in the county or counties in which the site is located.

c. The Department shall post a copy of the proposed Closure Plan on the Department's Web site.

d. The Department may place copies of the proposed Closure Plan in other locations so as to assure the availability thereof to the public.

(2) Before approving a proposed Closure Plan, the Department shall give notice as follows:

a. A notice and summary of the proposed Closure Plan shall be published weekly for a period of three consecutive weeks in a newspaper having general circulation in the county or counties where the site is located.

b. Notice that a proposed Closure Plan has been developed shall be given by first-class mail to persons who have requested such notice. Such notice shall include a summary of the proposed Closure Plan and state the locations where a copy of the proposed Closure Plan is available for inspection. The Department shall maintain a mailing list of persons who request notice pursuant to this section.

c. Notice that a proposed Closure Plan has been developed shall be given by electronic mail to persons who have requested such notice. Such notice shall include a summary of the proposed Closure Plan and state the locations where a copy of the proposed Closure Plan is available for inspection. The Department shall maintain a mailing list of persons who request notice pursuant to this section.

(3) No later than 60 days after receipt of a proposed Closure Plan, the Department shall conduct a public meeting in the county or counties in which the site is located to explain the proposed Closure Plan and alternatives to the public. The Department shall give notice of the hearing at least 30 days prior to the date thereof by all of the following methods:

a. Publication as provided in subdivision (1) of this subsection, with first publication to occur not less than 30 days prior to the scheduled date of the hearing.

b. First-class mail to persons who have requested notice as provided in subdivision (2) of this subsection.

c. Electronic mail to persons who have requested notice as provided in subdivision (2) of this subsection.

(4) At least 30 days from the latest date on which notice is provided pursuant to subdivision (2) of this subsection shall be allowed for the receipt of written comment on the proposed Closure Plan prior to its approval. At least 20 days will be allowed for receipt of written comment following a hearing conducted pursuant to subdivision (3) of this subsection prior to the approval of the proposed Closure Plan.

(c) The Department shall disapprove a proposed Coal Combustion Residuals Surface Impoundment Closure Plan unless the Department finds that the Closure Plan is protective of

public health, safety, and welfare; the environment; and natural resources and otherwise complies with the requirements of this Part. The Department shall provide specific findings to support its decision to approve or disapprove a proposed Closure Plan. If the Department disapproves a proposed Closure Plan, the person who submitted the Closure Plan may seek review as provided in Article 3 of Chapter 150B of the General Statutes. If the Department fails to approve or disapprove a proposed Closure Plan within 120 days after a complete Closure Plan has been submitted, the person who submitted the proposed Closure Plan may treat the Closure Plan as having been disapproved at the end of that time period. The Department may require a person who proposes a Closure Plan to supply any additional information necessary for the Department to approve or disapprove the Closure Plan.

(d) Within 30 days of its approval of a Coal Combustion Residuals Surface Impoundment Closure Plan, the Department shall submit the Closure Plan to the Coal Ash Management Commission. The Commission shall evaluate all information submitted in accordance with this Part related to the Closure Plan and any other information the Commission deems relevant. The Commission shall only approve the Closure Plan if it determines that the Closure Plan was developed in accordance with this section; that implementation of the Closure Plan according to the Closure Plan's schedule is technologically feasible; and that the benefits to public health, safety, and welfare; the environment; and natural resources outweigh the negative impacts on electricity costs and reliability. The Commission shall issue its determination in writing, including findings in support of its determination. If the Commission fails to act on a Closure Plan within 60 days of receipt of the Closure Plan, the Closure Plan shall be deemed approved. Parties aggrieved by a final decision of the Commission pursuant to this subsection may appeal the decision as provided under Article 4 of Chapter 150B of the General Statutes.

(e) As soon as practicable, but no later than 60 days after a Coal Combustion Residuals Surface Impoundment Closure Plan has been approved by the Coal Ash Management Commission, the owner of the coal combustion residuals impoundment shall begin implementation of the approved plan. Modifications to an approved closure plan may only be allowed in conformance with the requirements of this Part, upon written request of an owner of an impoundment, with the written approval of the Department, and after public notice of the change in accordance with the requirements of subdivision (2) of subsection (b) of this section.

(f) Nothing in this section shall be construed to obviate the need for sampling, remediation, and monitoring activities at the site as required by G.S. 130A-309.209 and G.S. 130A-309.310.

"Subpart 3. Use of Coal Combustion Products in Structural Fill.

"**§ 130A-309.213. Applicability.**

The provisions of this Subpart shall apply to the siting, design, construction, operation, and closure of projects that utilize coal combustion products for structural fill.

"**§ 130A-309.214. Permit requirements for projects using coal combustion products for structural fill.**

(a) Permit Requirements. –

(1) Projects using coal combustion products as structural fill involving the placement of less than 10,000 tons of coal combustion products per acre or less than 100,000 tons of coal combustion products in total per project, which proceed in compliance with the requirements of this section and rules adopted thereunder, are deemed permitted. Any person proposing such a project shall submit an application for a permit to the Department upon such form as the Department may prescribe including, at a minimum, the information set forth in subdivision (1) of subsection (b) of this section.

(2) No person shall commence or operate a project using coal combustion residuals as structural fill involving the placement of 10,000 or more tons of

coal combustion products per acre or 100,000 or more tons of coal combustion products in total per project without first receiving an individual permit from the Department. Any person proposing such a project shall submit an application for a permit to the Department upon such form as the Department may prescribe including, at a minimum, the information set forth in subdivisions (1) and (2) of subsection (b) of this section.

(b) Information to Be Provided to the Department. – At least 60 days before initiation of a proposed project using coal combustion products as structural fill, the person proposing the project shall submit all of the following information to the Department on a form as prescribed by the Department:

(1) For projects involving placement of less than 10,000 tons of coal combustion products per acre or less than 100,000 tons of coal combustion products in total per project, the person shall provide, at a minimum, the following information:

a. The description of the nature, purpose, and location of the project.

b. The estimated start and completion dates for the project.

c. An estimate of the volume of coal combustion products to be used in the project.

d. A Toxicity Characteristic Leaching Procedure analysis from a representative sample of each different coal combustion product's source to be used in the project for, at a minimum, all of the following constituents: arsenic, barium, cadmium, lead, chromium, mercury, selenium, and silver.

e. A signed and dated statement by the owner of the land on which the structural fill is to be placed, acknowledging and consenting to the use of coal combustion products as structural fill on the property and agreeing to record the fill in accordance with the requirements of G.S. 130A-390.218.

f. The name, address, and contact information for the generator of the coal combustion products.

g. Physical location of the project at which the coal combustion products were generated.

(2) For projects involving placement of 10,000 or more tons of coal combustion products per acre or 100,000 or more tons of coal combustion products in total per project, the person shall provide all information required pursuant to subdivision (1) of this subsection and shall provide construction plans for the project, including a stability analysis as the Department may require. If required by the Department, a stability analysis shall be prepared, signed, and sealed by a professional engineer in accordance with sound engineering practices. A construction plan shall, at a minimum, include a groundwater monitoring system and an encapsulation liner system in compliance with the requirements of G.S. 130A-309.215.

"**§ 130A-309.215. Design requirements for projects using coal combustion products for structural fill.**

(a) Design, Construction, and Operation of Structural Fill Sites. –

(1) A structural fill site must be designed, constructed, operated, closed, and maintained in such a manner as to minimize the potential for harmful release of constituents of coal combustion residuals to the environment or create a nuisance to the public.

(2) Coal combustion products shall be collected and transported in a manner that will prevent nuisances and hazards to public health and safety. Coal

combustion products shall be moisture conditioned, as necessary, and transported in covered trucks to prevent dusting.

(3) Coal combustion products shall be placed uniformly and compacted in lifts not exceeding one foot in thickness and shall be compacted to standards, including in-situ density, compaction effort, and relative density, specified by a registered professional engineer for a specific end-use purpose.

(4) Equipment shall be provided which is capable of placing and compacting the coal combustion products and handling the earthwork required during the periods that coal combustion products are received at the fill project.

(5) The coal combustion product structural fill project shall be effectively maintained and operated as a nondischarge system to prevent discharge to surface water resulting from the project.

(6) The coal combustion product structural fill project shall be effectively maintained and operated to ensure no violations of groundwater standards adopted by the Commission pursuant to Article 21 of Chapter 143 of the General Statutes due to the project.

(7) Surface waters resulting from precipitation shall be diverted away from the active coal combustion product placement area during filling and construction activity.

(8) Site development shall comply with the North Carolina Sedimentation Pollution Control Act of 1973, as amended.

(9) The structural fill project shall be operated with sufficient dust control measures to minimize airborne emissions and to prevent dust from creating a nuisance or safety hazard and shall not violate applicable air quality regulations.

(10) Coal combustion products utilized on an exterior slope of a structural fill shall not be placed with a slope greater than 3.0 horizontal to 1.0 vertical.

(11) Compliance with this subsection shall not insulate any of the owners or operators of a structural fill project from claims for damages to surface waters, groundwater, or air resulting from the operation of the structural fill project. If the project fails to comply with the requirements of this section, the constructor, generator, owner, or operator shall notify the Department and shall take any immediate corrective action as may be required by the Department.

(b) Liners, Leachate Collection System, Cap, and Groundwater Monitoring System Required for Large Structural Fills. – For projects involving placement of 10,000 or more tons of coal combustion products per acre or 100,000 or more tons of coal combustion products in total per project shall have an encapsulation liner system. The encapsulation liner system shall be constructed on and around the structural fill and shall be designed to efficiently contain, collect, and remove leachate generated by the coal combustion products, as well as separate the coal combustion products from any exposure to surrounding environs. At a minimum, the components of the liner system shall consist of the following:

(1) A base liner. The base liner shall consist of one of the following designs:

a. A composite liner utilizing a compacted clay liner. This composite liner is one liner that consists of two components: a geomembrane liner installed above and in direct and uniform contact with a compacted clay liner with a minimum thickness of 24 inches (0.61 m) and a permeability of no more than 1.0×10^{-7} centimeters per second.

b. A composite liner utilizing a geosynthetic clay liner. This composite liner is one liner that consists of three components: a geomembrane

liner installed above and in uniform contact with a geosynthetic clay liner overlying a compacted clay liner with a minimum thickness of 18 inches (0.46 m) and a permeability of no more than 1.0 X 10^{-5} centimeters per second.

(2) A leachate collection system, which is constructed directly above the base liner and shall be designed to effectively collect and remove leachate from the project.

(3) A cap liner, which shall consist of two components: a geomembrane liner installed across the limits of the coal combustion products covered with a minimum thickness of 24 inches (0.61 m) compacted earth, and a permeability of no more than 1.0 X 10^{-7} centimeters per second, and an additional surface six inches of soil capable of supporting native plant growth.

(4) A groundwater monitoring system, which shall be approved by the Department and, at a minimum, consist of all of the following:

a. A sufficient number of wells, installed at appropriate locations and depths, to yield groundwater samples from the uppermost aquifer that represent the quality of groundwater passing the relevant point of compliance as approved by the Department. A downgradient monitoring system shall be installed at the relevant point of compliance so as to ensure detection of groundwater contamination in the uppermost aquifer.

b. A proposed monitoring plan, which shall be certified by a licensed geologist or professional engineer to be effective in providing early detection of any release of hazardous constituents from any point in a structural fill or leachate surface impoundment to the uppermost aquifer, so as to be protective of public health, safety, and welfare; the environment; and natural resources.

c. A groundwater monitoring program, which shall include consistent sampling and analysis procedures that are designed to ensure monitoring results that provide an accurate representation of groundwater quality at the background and downgradient wells. Monitoring shall be conducted through construction and the post-closure care period. The sampling procedures and frequency shall be protective of public health, safety, and welfare; the environment; and natural resources.

d. A detection monitoring program for all Appendix I constituents. For purposes of this subdivision, the term "Appendix I" means Appendix I to 40 C.F.R. Part 258, "Appendix I Constituents for Detection Monitoring," including subsequent amendments and editions.

e. An assessment monitoring program and corrective action plan if one or more of the constituents listed in Appendix I is detected in exceedance of a groundwater protection standard.

"**§ 130A-309.216. Financial assurance requirements for large projects using coal combustion products for structural fill.**

(a) For projects involving placement of 10,000 or more tons of coal combustion products per acre or 100,000 or more tons of coal combustion products in total per project, the applicant for a permit or a permit holder to construct or operate a structural fill shall establish financial assurance that will ensure that sufficient funds are available for facility closure, post-closure maintenance and monitoring, any corrective action that the Department may require, and to satisfy any potential liability for sudden and nonsudden accidental occurrences,

and subsequent costs incurred by the Department in response to an incident at a structural fill project, even if the applicant or permit holder becomes insolvent or ceases to reside, be incorporated, do business, or maintain assets in the State.

(b) To establish sufficient availability of funds under this section, the applicant for a permit or a permit holder may use insurance, financial tests, third-party guarantees by persons who can pass the financial test, guarantees by corporate parents who can pass the financial test, irrevocable letters of credit, trusts, surety bonds, or any other financial device, or any combination of the foregoing shown to provide protection equivalent to the financial protection that would be provided by insurance if insurance were the only mechanism used.

(c) The applicant for a permit or a permit holder, and any parent, subsidiary, or other affiliate of the applicant, permit holder, or parent, including any joint venturer with a direct or indirect interest in the applicant, permit holder, or parent shall be a guarantor of payment for closure, post-closure maintenance and monitoring, any corrective action that the Department may require, and to satisfy any potential liability for sudden and nonsudden accidental occurrences arising from the operation of the hazardous waste facility.

(d) Assets used to meet the financial assurance requirements of this section shall be in a form that will allow the Department to readily access funds for the purposes set out in this section. Assets used to meet financial assurance requirements of this section shall not be accessible to the permit holder except as approved by the Department.

(e) The Department may provide a copy of any filing that an applicant for a permit or a permit holder submits to the Department to meet the financial responsibility requirements under this section to the State Treasurer. The State Treasurer shall review the filing and provide the Department with a written opinion as to the adequacy of the filing to meet the purposes of this section, including any recommended changes.

(f) In order to continue to hold a permit for a structural fill, a permit holder must maintain financial responsibility as required by this Part and must provide any information requested by the Department to establish that the permit holder continues to maintain financial responsibility.

(g) An applicant for a permit or a permit holder shall satisfy the Department that the applicant or permit holder has met the financial responsibility requirements of this Part before the Department is required to otherwise review the application.

"**§ 130A-309.217. Closure of projects using coal combustion products for structural fill.**

(a) Closure of Structural Fill Projects. –

(1) No later than 30 working days or 60 calendar days, whichever is less, after coal combustion product placement has ceased, the final cover shall be applied over the coal combustion product placement area.

(2) The final surface of the structural fill shall be graded and provided with drainage systems that do all of the following:

a. Minimize erosion of cover materials.

b. Promote drainage of area precipitation, minimize infiltration, and prevent ponding of surface water on the structural fill.

(3) Other erosion control measures, such as temporary mulching, seeding, or silt barriers shall be installed to ensure no visible coal combustion product migration to adjacent properties until the beneficial end use of the project is realized.

(4) The constructor or operator shall submit a certification to the Department signed and sealed by a registered professional engineer or signed by the Secretary of the Department of Transportation or his designee certifying that all requirements of this Subpart have been met. The report shall be submitted within 30 days of application of the final cover.

(b) Additional Closure and Post-Closure Requirements for Large Structural Fill Projects. – For projects involving placement of 10,000 or more tons of coal combustion products per acre or 100,000 or more tons of coal combustion products in total per project, a constructor or operator shall conduct post-closure care. Post-closure care shall be conducted for 20 years, which period may be increased by the Department upon a determination that a longer period is necessary to protect public health, safety, welfare; the environment; and natural resources, or decreased upon a determination that a shorter period is sufficient to protect public health, safety, welfare; the environment; and natural resources. Additional closure and post-closure requirements include, at a minimum, all of the following:

(1) Submit a written closure plan, which includes all of the following:

a. A description of the cap liner system and the methods and procedures used to install the cap that conforms to the requirement in G.S. 130A-309.215(b).

b. An estimate of the largest area of the structural fill project ever requiring the cap liner system at any time during the overall construction period that is consistent with the drawings prepared for the structural fill.

c. An estimate of the maximum inventory of coal combustion products ever on-site over the construction duration of the structural fill.

d. A schedule for completing all activities necessary to satisfy the closure criteria set forth in this section.

(2) Submit a written post-closure plan, which includes all of the following:

a. A description of the monitoring and maintenance activities required for the project and the frequency at which these activities must be performed.

b. The name, address, and telephone number of the person or office responsible for the project during the post-closure period.

c. A description of the planned uses of the property during the post-closure period. Post-closure use of the property must not disturb the integrity of the cap system, base liner system, or any other components of the containment system, or the function of the monitoring systems unless necessary to comply with the requirements of this subsection. The Department may approve disturbance if the constructor or operator demonstrates that disturbance of the cap system, base liner system, or other component of the containment system will not increase the potential threat to public health, safety, and welfare; the environment; and natural resources.

d. The cost estimate for post-closure activities required under this section.

(3) Maintain the integrity and effectiveness of any cap system, including repairing the system as necessary to correct the defects of settlement, subsidence, erosion, or other events and preventing run-on and runoff from eroding or otherwise damaging the cap system.

(4) Maintain and operate the leachate collection system as necessary to allow the coal combustion products to reach terminal moisture condition. Upon a satisfactory showing to the Department by the constructor or operator that the encapsulating liner system has eliminated any recharge sources, and contact water and leachate generation has ceased and no longer poses a threat to public health, safety, and welfare; the environment; and natural resources, the leachate collection system may be closed.

(5) Monitor and maintain the groundwater monitoring system in accordance with G.S. 130A-309.215 and monitor the surface water in accordance with 15A NCAC 13B .0602.

(c) Completion of Post-Closure Care. – Following completion of the post-closure care period, the constructor or operator shall submit a certification, signed by a registered professional engineer, to the Department, verifying that post-closure care has been completed in accordance with the post-closure plan, and include the certification in the operating record.

"**§ 130A-309.218. Recordation of projects using coal combustion products for structural fill.**

(a) The owner of land where coal combustion products have been used in volumes of more than 1,000 cubic yards shall file a statement of the volume and locations of the coal combustion residuals with the Register of Deeds in the county or counties where the property is located. The statement shall identify the parcel of land according to the complete legal description on the recorded deed, either by metes and bounds, or by reference to a recorded plat map. The statement shall be signed and acknowledged by the landowners in the form prescribed by G.S. 47-38 through G.S. 47-43.

(b) Recordation shall be required within 90 days after completion of a structural fill project using coal combustion residuals.

(c) The Register of Deeds, in accordance with G.S. 161-14, shall record the notarized statement and index it in the Grantor Index under the name of the owner of the land. The original notarized statement with the Register's seal and the date, book, and page number of recording shall be returned to the Department after recording.

(d) When property with more than 1,000 cubic yards of coal combustion products is sold, leased, conveyed, or transferred in any manner, the deed or other instrument of transfer shall contain in the description section in no smaller type than used in the body of the deed or instrument a statement that coal combustion products have been used as structural fill material on the property.

"**§ 130A-309.219. Department of Transportation projects.**

The Department and the Department of Transportation may agree on specific design, construction, siting, operation, and closure criteria that may apply to the Department of Transportation structural fill projects.

"**§ 130A-309.220. Inventory and inspection of certain structural fill projects.**

No later than July 1, 2015, the Department shall prepare an inventory of all structural fill projects with a volume of 10,000 cubic yards or more. The Department shall update the structural fill project inventory at least annually. The Department shall inspect each structural fill project with a volume of 10,000 cubic yards or more at least annually to determine if the project or facility has been constructed and operated in compliance with 15A NCAC 13B .1701, et seq., (Requirements for Beneficial Use of Coal Combustion By-Products) and all other applicable laws.

"**§ 130A-309.221. Amendments required to rules.**

Requirements under existing rules governing the use of coal combustion products for structural fill that do not conflict with the provisions of this Subpart shall continue to apply to such projects. The Environmental Management Commission shall amend existing rules governing the use of coal combustion products for structural fill as necessary to implement the provisions of this Subpart. Such rules shall be exempt from the requirements of G.S. 150B-19.3."

SECTION 3.(b) Notwithstanding G.S. 130A-309.211 or G.S. 130A-309.212, as enacted by Section 3(a) of this act, and except as otherwise preempted by the requirements of federal law, the following coal combustion residuals surface impoundments shall be deemed high-priority, and, as soon as practicable, but no later than August 1, 2019, shall be closed in conformance with Section 3(c) of this act:

(1) Coal combustion residuals surface impoundments located at the Dan River Steam Station, owned and operated by Duke Energy Progress, and located in Rockingham County.

(2) Coal combustion residuals surface impoundments located at the Riverbend Steam Station, owned and operated by Duke Energy Carolinas, and located in Gaston County.

(3) Coal combustion residuals surface impoundments located at the Asheville Steam Electric Generating Plant, owned and operated by Duke Energy Progress, and located in Buncombe County.

(4) Coal combustion residuals surface impoundments located at the Sutton Plant, owned and operated by Duke Energy Progress, and located in New Hanover County.

SECTION 3.(c) The impoundments identified in subsection (b) of this section shall be closed as follows:

(1) The impoundments shall be dewatered.

(2) All coal combustion residuals shall be removed from the impoundments and transferred for (i) disposal in a coal combustion residuals landfill, industrial landfill, or municipal solid waste landfill or (ii) use in a structural fill or other beneficial use as allowed by law. Any disposal or use of coal combustion products pursuant to this section shall comply with the moratoriums enacted under Section 4(a) and Section 5(a) of this act and any extensions thereof. The use of coal combustion products (i) as structural fill, as authorized by Section 4(b) of this act, shall be conducted in accordance with the requirements of Subpart 3 of Part 2I of Article 9 of the General Statutes, as enacted by Section 3(a) of this act, and (ii) for other beneficial uses shall be conducted in accordance with the requirements of 15A NCAC 13B .1701, et seq., (Requirements for Beneficial Use of Coal Combustion By-Products).

(3) Where groundwater quality is degraded as a result of the impoundment, corrective action to restore groundwater quality shall be implemented by the owner or operator as provided in G.S. 130A-309.204.

SECTION 3.(d) G.S. 130A-290(a) reads as rewritten:

"**§ 130A-290. Definitions.**

(a) Unless a different meaning is required by the context, the following definitions shall apply throughout this Article:

...

(2b) ~~"Combustion products"~~"Coal combustion residuals" means residuals, including fly ash, bottom ash, boiler slag, mill rejects, and flue gas desulfurization residue produced by a coal-fired generating ~~unit.~~unit destined for disposal. The term does not include coal combustion products as defined in G.S. 130A-309.201(4).

(2c) ~~"Combustion products landfill"~~"Coal combustion residuals landfill" means a facility or unit for the disposal of combustion products, where the landfill is located at the same facility with the coal-fired generating unit or units producing the combustion products, and where the landfill is located wholly or partly on top of a facility that is, or was, being used for the disposal or storage of such combustion products, including, but not limited to, landfills, wet and dry ash ponds, and structural fill facilities.

...

(3a) "Commission" means the Environmental Management Commission.

...

(20) "Open dump" means any facility or site where solid waste is disposed of that is not a sanitary landfill and that is not a coal combustion residuals surface impoundment or a facility for the disposal of hazardous waste.

...

(35) "Solid waste" means any hazardous or nonhazardous garbage, refuse or sludge from a waste treatment plant, water supply treatment plant or air pollution control facility, domestic sewage and sludges generated by the treatment thereof in sanitary sewage collection, treatment and disposal systems, and other material that is either discarded or is being accumulated, stored or treated prior to being discarded, or has served its original intended use and is generally discarded, including solid, liquid, semisolid or contained gaseous material resulting from industrial, institutional, commercial and agricultural operations, and from community activities. Notwithstanding sub-sub-subdivision b.3. of this subdivision, the term includes coal combustion residuals. The term does not include:

a. Fecal waste from fowls and animals other than humans.

b. Solid or dissolved material in:

1. Domestic sewage and sludges generated by treatment thereof in sanitary sewage collection, treatment and disposal systems which are designed to discharge effluents to the surface waters.

2. Irrigation return flows.

3. Wastewater discharges and the sludges incidental to and generated by treatment which are point sources subject to permits granted under Section 402 of the Water Pollution Control Act, as amended (P.L. 92-500), and permits granted under G.S. 143-215.1 by the ~~Environmental Management Commission.~~ Commission, including coal combustion products. However, any sludges that meet the criteria for hazardous waste under RCRA shall also be a solid waste for the purposes of this Article.

...."

SECTION 3.(e) This section is effective when it becomes law. Subpart 3 of Part 2I of Article 9 of the General Statutes, as enacted by Section 3(a) of this act, applies to the use of coal combustion products as structural fill contracted for on or after that date. The first report due under G.S. 130A-309.210, as enacted by Section 3(a) of this act, is due October 1, 2014. Members to be appointed pursuant to G.S. 130A-309.202(b), as enacted by Section 3(a) of this act, shall be appointed no later than September 1, 2014.

PART III. MORATORIUMS AND STUDY ON (1) USE OF COAL COMBUSTION PRODUCTS AS STRUCTURAL FILL AND (2) CONSTRUCTION OR EXPANSION OF COMBUSTION PRODUCTS LANDFILLS

SECTION 4.(a) Notwithstanding 15A NCAC 13B .1701, et seq., and except as provided in Section 4(b) of this act, the use of coal combustion products, as defined in G.S. 130A-290, as structural fill is prohibited until August 1, 2015, in order to allow the Department of Environment and Natural Resources, the Environmental Management Commission, and the General Assembly time to review and evaluate the use of coal combustion residuals as structural fill.

SECTION 4.(b) Coal combustion products may be used as structural fill for any of the following types of projects:

(1) A project where the structural fill is used with a base liner, leachate collection system, cap liner, groundwater monitoring system and where the constructor or operator establishes financial assurance, as required by G.S. 130A–309.216.

(2) As the base or sub-base of a concrete or asphalt paved road constructed under the authority of a public entity.

SECTION 4.(c) The use of coal combustion products (i) as structural fill as authorized by Section 4(b) of this act shall be conducted in accordance with the requirements of Subpart 3 of Part 2I of Article 9 of the General Statutes, as enacted by Section 3(a) of this act, and (ii) for other beneficial uses shall be conducted in accordance with the requirements of 15A NCAC 13B .1701, et seq., (Requirements for Beneficial Use of Coal Combustion By-Products).

SECTION 4.(d) The Department of Environment and Natural Resources and the Environmental Management Commission shall jointly review Subpart 3 of Part 2I of Article 9 of the General Statutes, as enacted by Section 3(a) of this act, and 15A NCAC 13B .1701, et seq. In conducting this review, the Department and Commission shall do all of the following:

(1) Review the uses of coal combustion products as structural fill and the regulation of this use under Subpart 3 of Part 2I of Article 9 of the General Statutes, as enacted by Section 3(a) of this act, to protect public health, safety, and welfare; the environment; and natural resources.

(2) Review the uses of coal combustion products for other beneficial uses and the regulation of these uses under 15A NCAC 13B .1701, et seq., and other applicable rules, to determine if the rules are sufficient to protect public health, safety, and welfare; the environment; and natural resources.

(3) Evaluate additional opportunities for the use of coal combustion products as structural fill and for other beneficial uses that would reduce the volume of coal combustion residuals that are being disposed of in coal combustion residuals landfills, industrial landfills, or municipal solid waste landfills while still being protective of public health, safety, and welfare; the environment; and natural resources.

(4) Monitor any actions of the United States Environmental Protection Agency regarding the use of coal combustion products as structural fill or for other beneficial uses.

(5) Jointly report to the Environmental Review Commission no later than January 15, 2015, on their findings and recommendations regarding the use of coal combustion products as structural fill and for other beneficial uses.

SECTION 4.(e) All electric generating facilities owned by a public utility that produce coal combustion residuals and coal combustion products shall issue a request for proposals on or before December 31, 2014, for (i) the conduct of a market analysis for the concrete industry and other industries that might beneficially use coal combustion residuals and coal combustion products; (ii) the study of the feasibility and advisability of installation of technology to convert existing and newly generated coal combustion residuals to commercial-grade coal combustion products suitable for use in the concrete industry and other industries that might beneficially use coal combustion residuals; and (iii) an examination of all innovative technologies that might be applied to diminish, recycle or reuse, or mitigate the impact of existing and newly generated coal combustion residuals. All electric generating facilities shall present the materials and information received in response to a request for proposals issued pursuant to this section and an assessment of the materials and information, including a forecast of specific actions to be taken in response to the materials and information received, to the Environmental Management Commission and the Coal Ash Management Commission on or before August 1, 2016.

SECTION 4.(f) This section is effective when it becomes law and applies to the use of coal combustion residuals as structural fill contracted for on or after that date.

SECTION 5.(a) There is hereby established a moratorium on construction of new or expansion of existing coal combustion residuals landfills, as defined by G.S. 130A-290(2c) and amended by Section 3(d) of this act. The purpose of this moratorium is to allow the State to assess the risks to public health, safety, welfare; the environment; and natural resources of coal combustion residuals impoundments located beneath coal combustion residuals landfills to determine the advisability of continued operation of these landfills.

SECTION 5.(b) The Department of Environment and Natural Resources shall evaluate each coal combustion residuals landfills currently operating in the State, and, in particular, assess the risks to public health, safety, welfare; the environment; and natural resources, of coal combustion residuals surface impoundments located beneath coal combustion residuals landfills to determine the advisability of continued operation of these landfills. The Department shall report to the Environmental Review Commission no later than January 15, 2015, on its findings and recommendations concerning the risk assessment of each of these sites and the advisability of continued operation of coal combustion residuals landfills.

SECTION 5.(c) This section is effective when it becomes law and expires August 1, 2015.

PART IV. STRENGTHEN THE REPORTING AND NOTIFICATION REQUIREMENTS APPLICABLE TO DISCHARGES OF WASTEWATER TO WATERS OF THE STATE; REQUIRE CERTAIN EMERGENCY CALLS TO BE RECORDED

SECTION 6.(a) G.S. 143-215.1C reads as rewritten:

"**§ 143-215.1C. Report to wastewater system customers on system performance; report discharge of untreated wastewater to the Department; publication of notice of discharge of untreated wastewater and waste.**

(a) Report to Wastewater System Customers. – The owner or operator of any wastewater collection or treatment works, the operation of which is primarily to collect or treat municipal or domestic wastewater and for which a permit is issued under this Part and having an average annual flow greater than 200,000 gallons per day, shall provide to the users or customers of the collection system or treatment works and to the Department an annual report that summarizes the performance of the collection system or treatment works and the extent to which the collection system or treatment works has violated the permit or federal or State laws, regulations, or rules related to the protection of water quality. The report shall be prepared on either a calendar or fiscal year basis and shall be provided no later than 60 days after the end of the calendar or fiscal year.

(a1) Report Discharge of Untreated Wastewater to the Department. – The owner or operator of any wastewater collection or treatment works for which a permit is issued under this Part shall report a discharge of 1,000 gallons or more of untreated wastewater to the surface waters of the State to the Department within 24 hours after the owner or operator has determined that the discharge has reached the surface waters of the State. This reporting requirement shall be in addition to any other reporting requirements applicable to the owner or operator of the wastewater collection or treatment works.

(b) Publication of Notice of Discharge of Untreated Wastewater. – The owner or operator of any wastewater collection or treatment works, the operation of which is primarily to collect or treat municipal or domestic wastewater and for which a permit is issued under this Part shall:

(1) In the event of a discharge of 1,000 gallons or more of untreated wastewater to the surface waters of the State, issue a press release to all print and electronic news media that provide general coverage in the county where the

discharge occurred setting out the details of the discharge. The owner or operator shall issue the press release within ~~48~~ 24 hours after the owner or operator has determined that the discharge has reached the surface waters of the State. The owner or operator shall retain a copy of the press release and a list of the news media to which it was distributed for at least one year after the discharge and shall provide a copy of the press release and the list of the news media to which it was distributed to any person upon request.

(2) In the event of a discharge of 15,000 gallons or more of untreated wastewater to the surface waters of the State, publish a notice of the discharge in a newspaper having general circulation in the county in which the discharge occurs and in each county downstream from the point of discharge that is significantly affected by the discharge. The Secretary shall determine, at the Secretary's sole discretion, which counties are significantly affected by the discharge and shall approve the form and content of the notice and the newspapers in which the notice is to be published. The notice shall be captioned "NOTICE OF DISCHARGE OF UNTREATED SEWAGE". The owner or operator shall publish the notice within 10 days after the Secretary has determined the counties that are significantly affected by the discharge and approved the form and content of the notice and the newspapers in which the notice is to be published. The owner or operator shall file a copy of the notice and proof of publication with the Department within 30 days after the notice is published. Publication of a notice of discharge under this subdivision is in addition to the requirement to issue a press release under subdivision (1) of this subsection.

(c) Publication of Notice of Discharge of Untreated Waste. – The owner or operator of any wastewater collection or treatment works, other than a wastewater collection or treatment works the operation of which is primarily to collect or treat municipal or domestic wastewater, for which a permit is issued under this Part shall:

(1) In the event of a discharge of 1,000 gallons or more of untreated waste to the surface waters of the State, issue a press release to all print and electronic news media that provide general coverage in the county where the discharge occurred setting out the details of the discharge. The owner or operator shall issue the press release within ~~48~~ 24 hours after the owner or operator has determined that the discharge has reached the surface waters of the State. The owner or operator shall retain a copy of the press release and a list of the news media to which it was distributed for at least one year after the discharge and shall provide a copy of the press release and the list of the news media to which it was distributed to any person upon request.

(2) In the event of a discharge of 15,000 gallons or more of untreated waste to the surface waters of the State, publish a notice of the discharge in a newspaper having general circulation in the county in which the discharge occurs and in each county downstream from the point of discharge that is significantly affected by the discharge. The Secretary shall determine, at the Secretary's sole discretion, which counties are significantly affected by the discharge and shall approve the form and content of the notice and the newspapers in which the notice is to be published. The notice shall be captioned "NOTICE OF DISCHARGE OF UNTREATED WASTE". The owner or operator shall publish the notice within 10 days after the Secretary has determined the counties that are significantly affected by the discharge and approved the form and content of the notice and the newspapers in which the notice is to be published. The owner or operator shall file a copy

of the notice and proof of publication with the Department within 30 days after the notice is published. Publication of a notice of discharge under this subdivision is in addition to the requirement to issue a press release under subdivision (1) of this subsection."

SECTION 6.(b) Section 6(a) of this act becomes effective September 1, 2014.

SECTION 6.(c) G.S. 166A-19.12(16) reads as rewritten:

"(16) Establishing and operating a 24-hour Operations Center to serve as a single point of contact for local governments to report the occurrence of emergency and disaster events and to coordinate local and State response assets. The Division shall record all telephone calls to the 24-hour Operations Center emergency hotline and shall maintain the recording of each telephone call for at least one year."

PART V. REQUIRE NOTIFICATION OF THE DEPARTMENT OF EMERGENCY DAM REPAIRS; REQUIRE EMERGENCY ACTION PLANS FOR CERTAIN DAMS; REQUIRE INSPECTION OF DAMS AT COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS

SECTION 7. G.S. 143-215.27 reads as rewritten:

"**§ 143-215.27. Repair, alteration, or removal of dam.**

(a) Before commencing the repair, alteration or removal of a dam, application shall be made for written approval by the Department, except as otherwise provided by this Part. The application shall state the name and address of the applicant, shall adequately detail the changes it proposes to effect and shall be accompanied by maps, plans and specifications setting forth such details and dimensions as the Department requires. The Department may waive any such requirements. The application shall give such other information concerning the dam and reservoir required by the Department, such information concerning the safety of any change as it may require, and shall state the proposed time of commencement and completion of the work. When an application has been completed it may be referred by the Department for agency review and report, as provided by subsection (b) of G.S. 143-215.26 in the case of original construction.

(b) When emergency repairs are necessary to safeguard life and property they may be started immediately but the Department shall be notified ~~forthwith~~ of the proposed repairs and of the work ~~under way, and they~~underway as soon as possible, but not later than 24 hours after first knowledge of the necessity for the emergency repairs, and the emergency repairs shall be made to conform to ~~its~~ the Department's orders."

SECTION 8.(a) G.S. 143-215.31 reads as rewritten:

"**§ 143-215.31. Supervision over maintenance and operation of dams.**

(a) The Commission shall have jurisdiction and supervision over the maintenance and operation of dams to safeguard life and property and to satisfy minimum streamflow requirements. The Commission may adopt standards for the maintenance and operation of dams as may be necessary for the purposes of this Part. The Commission may vary the standards applicable to various dams, giving due consideration to the minimum flow requirements of the stream, the type and location of the structure, the hazards to which it may be exposed, and the peril of life and property in the event of failure of a dam to perform its function.

(a1) The owner of a dam classified by the Department as a high hazard dam or an intermediate hazard dam shall develop an Emergency Action Plan for the dam as provided in this subsection.

(1) The owner of the dam shall submit a proposed Emergency Action Plan for the dam within 90 days after the dam is classified as a high hazard dam or an intermediate hazard dam to the Department and the Department of Public

Safety for their review and approval. The Department and the Department of Public Safety shall approve the Emergency Action Plan if they determine that it complies with the requirements of this subsection and will protect public health, safety, and welfare; the environment; and natural resources.

(2) The Emergency Action Plan shall include, at a minimum, all of the following:

a. A description of potential emergency conditions that could occur at the dam.

b. A description of actions to be taken in response to an emergency condition at the dam.

c. Emergency notification procedures to aid in warning and evacuations during an emergency condition at the dam.

d. A downstream inundation map depicting areas affected by a dam failure and sudden release of the impoundment.

(3) The owner of the dam shall update the Emergency Action Plan annually and shall submit it to the Department and the Department of Public Safety for their review and approval within one year of the prior approval.

(4) The Department shall provide a copy of the Emergency Action Plan to the regional offices of the Department that might respond to an emergency condition at the dam.

(5) The Department of Public Safety shall provide a copy of the Emergency Action Plan to all local emergency management agencies that might respond to an emergency condition at the dam.

(6) Information included in an Emergency Action Plan that constitutes sensitive public security information, as provided in G.S. 132-1.7, shall be maintained as confidential information and shall not be subject to disclosure under the Public Records Act. For purposes of this section, "sensitive public security information" shall include Critical Energy Infrastructure Information protected from disclosure under rules adopted by the Federal Energy Regulatory Commission in 18 C.F.R. § 333.112.

...."

SECTION 8.(b) Notwithstanding G.S. 143-215.31, as amended by Section 8(a) of this act, the owners of all high hazard dams and intermediate hazard dams in operation on the effective date of this act shall submit their proposed Emergency Action Plans to the Department of Environment and Natural Resources and the Department of Public Safety no later than October 1, 2015.

SECTION 9. Section 3(b) of S.L. 2009-390 reads as rewritten:

"**SECTION 3.(b)** Any impoundments or other facilities that were in use ~~on the effective date of this section~~January 1, 2010, in connection with nonnuclear electric generating facilities under the jurisdiction of the North Carolina Utilities Commission, and that had been exempted under the provisions of G.S. 143-215.25A(4), prior to ~~amendment by Section 3(a) of this act,~~ January 1, 2010, shall be deemed to have received all of the necessary approvals from the Department of Environment and Natural Resources and the Commission for Safety.~~Dam Safety, and shall not be required to submit application, certificate, or other materials in connection with the continued normal operation and maintenance of those facilities.~~"

SECTION 10. G.S. 143-215.32 reads as rewritten:

"**§ 143-215.32. Inspection of dams.**

(a) The Department may at any time inspect any dam, including a dam that is otherwise exempt from this Part, upon receipt of a written request of any affected person or agency, or upon a motion of the Environmental Management Commission. Within the limits of available

funds the Department shall endeavor to provide for inspection of all dams at intervals of approximately five years.

(a1) Coal combustion residuals surface impoundments, as defined by G.S. 130A-309.201, shall be inspected as provided in this subsection.

(1) The Department shall inspect each dam associated with a coal combustion residuals surface impoundment at least annually.

(2) The owner of a coal combustion residuals surface impoundment shall inspect the impoundment weekly and after storms to detect evidence of any of the following conditions:

a. Deterioration, malfunction, or improper operation of spillway control systems.

b. Sudden drops in the level of the contents of the impoundment.

c. Severe erosion or other signs of deterioration in dikes or other containment devices or structures.

d. New or enlarged seeps along the downstream slope or toe of the dike or other containment devices or structures.

e. Any other abnormal conditions at the impoundment that could pose a risk to public health, safety, or welfare; the environment; or natural resources.

(3) If any of the conditions described in subdivision (2) of this subsection are observed, the owner shall provide documentation of the conditions to the Department and a registered professional engineer. The registered professional engineer shall investigate the conditions and, if necessary, develop a plan of corrective action to be implemented by the owner of the impoundment. The owner of the impoundment shall provide documentation of the completed corrective action to the Department.

(4) The owner of a coal combustion residuals surface impoundment shall provide for the annual inspection of the impoundment by an independent registered professional engineer to ensure that the structural integrity and the design, operation, and maintenance of the impoundment is in accordance with generally accepted engineering standards. Within 30 days of the inspection, the owner shall provide to the Department the inspection report and a certification by the engineer that the impoundment is structurally sound and that the design, operation, and maintenance of the impoundment is in accordance with generally accepted engineering standards. The owner and the Department shall each place the inspection report and certification on a publicly accessible Internet site.

(b) If the Department upon inspection finds that any dam is not sufficiently strong, is not maintained in good repair or operating condition, is dangerous to life or property, or does not satisfy minimum streamflow requirements, the Department shall present its findings to the Commission and the Commission may issue an order directing the owner or owners of the dam to make at his or her expense maintenance, alterations, repairs, reconstruction, change in construction or location, or removal as may be deemed necessary by the Commission within a time limited by the order, not less than 90 days from the date of issuance of each order, except in the case of extreme danger to the safety of life or property, as provided by subsection (c) of this section.

(c) If at any time the condition of any dam becomes so dangerous to the safety of life or property, in the opinion of the Environmental Management Commission, as not to permit sufficient time for issuance of an order in the manner provided by subsection (b) of this section, the Environmental Management Commission may immediately take such measures as may be essential to provide emergency protection to life and property, including the lowering of the

level of a reservoir by releasing water impounded or the destruction in whole or in part of the dam or reservoir. The Environmental Management Commission may recover the costs of such measures from the owner or owners by appropriate legal action.

(d) An order issued under this Part shall be served on the owner of the dam as provided in G.S. 1A-1, Rule 4."

PART VI. TRANSFER SOLID WASTE RULE-MAKING AUTHORITY FROM COMMISSION FOR PUBLIC HEALTH TO ENVIRONMENTAL MANAGEMENT COMMISSION

SECTION 11.(a) G.S. 130A-29 reads as rewritten:

"§ 130A-29. Commission for Public Health – Creation, powers and duties.

...

(c) The Commission shall adopt rules:

(1) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1022, s. 5.

(2) Establishing standards for approving sewage-treatment devices and holding tanks for marine toilets as provided in G.S. 75A-6(o).

(3) Establishing specifications for sanitary privies for schools where water-carried sewage facilities are unavailable as provided in G.S. 115C-522.

(4) Establishing requirements for the sanitation of local confinement facilities as provided in Part 2 of Article 10 of Chapter 153A of the General Statutes.

(5) Repealed by Session Laws 1989 (Regular Session, 1990), c. 1075, s. 1.

(5a) Establishing eligibility standards for participation in Department reimbursement programs.

~~(6) Requiring proper treatment and disposal of sewage and other waste from chemical and portable toilets.~~

(7) Establishing statewide health outcome objectives and delivery standards.

(8) Establishing permit requirements for the sanitation of premises, utensils, equipment, and procedures to be used by a person engaged in tattooing, as provided in Part 11 of Article 8 of this Chapter.

(9) Implementing immunization requirements for adult care homes as provided in G.S. 131D-9 and for nursing homes as provided in G.S. 131E-113.

(10) Pertaining to the biological agents registry in accordance with G.S. 130A-479.

(11) For matters within its jurisdiction that allow for and regulate horizontal drilling and hydraulic fracturing for the purpose of oil and gas exploration and development.

...."

SECTION 11.(b) G.S. 130A-291.1 reads as rewritten:

"§ 130A-291.1. Septage management program; permit fees.

...

(d) Septage shall be treated and disposed only at a wastewater system that has been approved by the Department under rules adopted by the Commission ~~or by the Environmental Management Commission~~ or at a site that is permitted by the Department under this section. A permit shall be issued only if the site satisfies all of the requirements of the rules adopted by the Commission.

...."

SECTION 11.(c) G.S. 130A-294(a)(4) reads as rewritten:

"§ 130A-294. Solid waste management program.

(a) The Department is authorized and directed to engage in research, conduct investigations and surveys, make inspections and establish a statewide solid waste management program. In establishing a program, the Department shall have authority to:

...

(4) a. Develop a permit system governing the establishment and operation of solid waste management facilities. A landfill with a disposal area of 1/2 acre or less for the on-site disposal of land clearing and inert debris is exempt from the permit requirement of this section and shall be governed by G.S. 130A-301.1. Demolition debris from the decommissioning of manufacturing buildings, including electric generating stations, that is disposed of on the same site as the decommissioned buildings, is exempt from the permit requirement of this section and rules adopted pursuant to this section and shall be governed by G.S. 130A-301.3. The Department shall not approve an application for a new permit, the renewal of a permit, or a substantial amendment to a permit for a sanitary landfill, excluding demolition landfills as defined in the rules of the Commission, except as provided in subdivisions (3) and (4) of subsection (b1) of this section. No permit shall be granted for a solid waste management facility having discharges that are point sources until the Department has referred the complete plans and specifications to the ~~Environmental Management~~ Commission and has received advice in writing that the plans and specifications are approved in accordance with the provisions of G.S. 143-215.1. In any case where the Department denies a permit for a solid waste management facility, it shall state in writing the reason for denial and shall also state its estimate of the changes in the applicant's proposed activities or plans that will be required for the applicant to obtain a permit.

b. Repealed by Session Laws 2007-550, s. 1(a), effective August 1, 2007.

c. The Department shall deny an application for a permit for a solid waste management facility if the Department finds that:

1. Construction or operation of the proposed facility would be inconsistent with or violate rules adopted by the Commission.

2. Construction or operation of the proposed facility would result in a violation of water quality standards adopted by the ~~Environmental Management~~ Commission pursuant to G.S. 143-214.1 for waters, as defined in G.S. 143-213.

3. Construction or operation of the facility would result in significant damage to ecological systems, natural resources, cultural sites, recreation areas, or historic sites of more than local significance. These areas include, but are not limited to, national or State parks or forests; wilderness areas; historic sites; recreation areas; segments of the natural and scenic rivers system; wildlife refuges, preserves, and management areas; areas that provide habitat for threatened or endangered species; primary nursery areas and critical fisheries habitat designated by the Marine Fisheries Commission; and Outstanding Resource Waters designated by the ~~Environmental Management~~ Commission.

...."

SECTION 11.(d) G.S. 130A-300 reads as rewritten:

"**§ 130A-300. Effect on laws applicable to water pollution control.**

This Article shall not be considered as amending, repealing or in any manner abridging or interfering with those sections of the General Statutes of North Carolina relative to the control of water pollution as now administered by the ~~Environmental Management~~ Commission nor shall the provisions of this Article be construed as being applicable to or in any way affecting the authority of the ~~Environmental Management~~ Commission to control the discharges of wastes to the waters of the State as provided in Articles 21 and 21A, Chapter 143 of the General Statutes."

SECTION 11.(e) G.S. 130A-302 reads as rewritten:

"**§ 130A-302. Sludge deposits at sanitary landfills.**

Sludges generated by the treatment of wastewater discharges which are point sources subject to permits granted under Section 402 of the Federal Water Pollution Act, as amended (P.L. 92-500), or permits generated under G. S. 143-215.1 by the ~~Environmental Management~~ Commission shall not be deposited in or on a sanitary landfill permitted under this Article unless in a compliance with the rules concerning solid waste adopted under this Article."

SECTION 11.(f) G.S. 130A-310.3 reads as rewritten:

"**§ 130A-310.3. Remedial action programs for inactive hazardous substance or waste disposal sites.**

...

(b) Where possible, the Secretary shall work cooperatively with any owner, operator, responsible party, or any appropriate agency of the State or federal government to develop and implement the inactive hazardous substance or waste disposal site remedial action program. The Secretary shall not take action under this section to the extent that the ~~Environmental Management~~ Commission, the Commissioner of Agriculture, or the Pesticide Board has assumed jurisdiction pursuant to Articles 21 or 21A of Chapter 143 of the General Statutes.

...

(d) In any inactive hazardous substance or waste disposal site remedial action program implemented hereunder, the Secretary shall ascertain the most nearly applicable cleanup standard as would be applied under CERCLA/SARA, and may seek federal approval of any such program to insure concurrent compliance with federal standards. State standards may exceed and be more comprehensive than such federal standards. The Secretary shall assure concurrent compliance with applicable standards set by the ~~Environmental Management~~ Commission.

...."

SECTION 11.(g) G.S. 130A-310.4(g) reads as rewritten:

"(g) The Commission ~~on Health Services [Commission for Public Health]~~ shall adopt rules prescribing the form and content of the notices required by this section. The proposed remedial action plan shall include a summary of all alternatives considered in the development of the plan. A record shall be maintained of all comment received by the Department regarding the remedial action plan."

SECTION 11.(h) G.S. 130A-310.31(b)(5) reads as rewritten:

"(5) "Unrestricted use standards" when used in connection with "cleanup", "remediated", or "remediation" means contaminant concentrations for each environmental medium that are considered acceptable for all uses and that comply with generally applicable standards, guidance, or established methods governing the contaminants that are established by statute or adopted, published, or implemented by the ~~Environmental Management Commission, the~~ Commission, or the Department instead of the site-specific contaminant levels established pursuant to this Part."

SECTION 11.(i) G.S. 130A-310.65 reads as rewritten:

"**§ 130A-310.65. Definitions.**

As used in this Part:

(1) "Background standard" means the naturally occurring concentration of a substance in the absence of the release of a contaminant.

~~(2) "Commission" means the Environmental Management Commission created pursuant to G.S. 143B-282.~~

...

(12) "Unrestricted use standards" means contaminant concentrations for each environmental medium that are acceptable for all uses; that are protective of public health, safety, and welfare and the environment; and that comply with generally applicable standards, guidance, or methods established by statute or adopted, published, or implemented by the ~~Commission, the Commission for Public Health,~~Commission or the Department."

SECTION 11.(j) G.S. 113-391(a)(5)f. reads as rewritten:

"f. Management of wastes produced in connection with oil and gas exploration and development and use of horizontal drilling and hydraulic fracturing treatments for that purpose. Such rules shall address storage, transportation, and disposal of wastes that may contain radioactive materials or wastes that may be toxic or have other hazardous wastes' characteristics that are not otherwise regulated as a hazardous waste by the federal Resource Conservation and Recovery Act (RCRA), such as top-hole water, brines, drilling fluids, additives, drilling muds, stimulation fluids, well servicing fluids, oil, production fluids, and drill cuttings from the drilling, alteration, production, plugging, or other activity associated with oil and gas wells. Wastes generated in connection with oil and gas exploration and development and use of horizontal drilling and hydraulic fracturing treatments for that purpose that constitute hazardous waste under RCRA shall be subject to rules adopted by the Environmental Management Commission ~~for Public Health~~ to implement RCRA requirements in the State."

SECTION 11.(k) G.S. 113-415 reads as rewritten:

"**§ 113-415. Conflicting laws.**

No provision of this Article shall be construed to repeal, amend, abridge or otherwise ~~affect: (i)~~ affect the authority and ~~responsibility~~responsibility (i) vested in the Environmental Management Commission by Article 7 of Chapter 87 of the General Statutes, pertaining to the location, construction, repair, operation and abandonment of ~~wells, or the authority and responsibility~~ wells; (ii) vested in the Environmental Management Commission related to the control of water and air pollution as provided in Articles 21 and 21A of Chapter 143 of the General Statutes; ~~or (ii) the authority or responsibility~~(iii) vested in the Department and the Environmental Management Commission ~~for Public Health~~ by Article 10 of Chapter 130A of the General Statutes pertaining to public water-supply ~~requirements,~~requirements; or ~~the authority and responsibility~~(iv) vested in the Environmental Management Commission ~~for Public Health~~ related to the management of solid and hazardous waste as provided in Article 9 of Chapter 130A of the General Statutes."

SECTION 11.(l) The Revisor of Statutes shall make any conforming statutory changes necessary to reflect the transfer of rule-making authority under Article 9 of Chapter 130A of the General Statutes from the Commission for Public Health to the Environmental Management Commission.

SECTION 11.(m) The Codifier of Rules shall make any conforming rule changes necessary to reflect the transfer of rule-making authority under Article 9 of Chapter 130A of

the General Statutes from the Commission for Public Health to the Environmental Management Commission.

PART VII. OTHER STUDIES

SECTION 12. The Coal Ash Management Commission, established pursuant to G.S. 130A-309.202, as enacted by Section 3(a) of this act, shall study whether and under what circumstances no further action or natural attenuation is appropriate for a coal combustion residuals surface impoundment that is classified as low-priority pursuant to G.S. 130A-309.211, as enacted by Section 3(a) of this act. In conducting this study, the Commission shall specifically consider whether there is any contact or interaction between coal combustion residuals and groundwater and surface water, whether the area has reverted to a natural state as evidenced by the presence of wildlife and vegetation, and whether no further action or natural attenuation would be protective of public health, safety, and welfare; the environment; and natural resources. The Commission shall report the results of its study, including any recommendations, to the Environmental Review Commission no later than October 1, 2015.

SECTION 13. The Department of Transportation shall evaluate additional opportunities for the use of coal combustion residuals in the construction and maintenance of roads and bridges within the State. The Department shall report the results of its study, including any recommendations, to the Environmental Review Commission no later than December 1, 2014.

PART VIII. PROVIDE RESOURCES FOR IMPLEMENTATION OF THIS ACT

SECTION 14.(a) Article 14 of Chapter 62 of the General Statutes is amended by adding a new section to read:

"**§ 62-302.1. Regulatory fee for combustion residual surface impoundments.**

(a) Fee Imposed. – Each public utility with a coal combustion residuals surface impoundment shall pay a regulatory fee for the purpose of defraying the costs of oversight of coal combustion residuals. The fee is in addition to the fee imposed under G.S. 62-302. The fees collected under this section shall only be used to pay the expenses of the Coal Ash Management Commission and the Department of Environment and Natural Resources in providing oversight of coal combustion residuals.

(b) Rate. – The combustion residuals surface impoundment fee shall be three-hundredths of one percent (0.03%) of the North Carolina jurisdictional revenues of each public utility with a coal combustion residuals surface impoundment. For the purposes of this section, the term "North Carolina jurisdictional revenues" has the same meaning as in G.S. 62-302.

(c) When Due. – The fee shall be paid in quarterly installments. The fee is payable to the Coal Ash Management Commission on or before the 15th of the second month following the end of each quarter. Each public utility subject to this fee shall, on or before the date the fee is due for each quarter, prepare and render a report on a form prescribed by the Commission. The report shall state the public utility's total North Carolina jurisdictional revenues for the preceding quarter and shall be accompanied by any supporting documentation that the Coal Ash Management Commission may by rule require. Receipts shall be reported on an accrual basis.

(d) Use of Proceeds. – A special fund in the Office of State Treasurer and the Coal Ash Management Commission is created. The fees collected pursuant to this section and all other funds received by the Coal Ash Management Commission shall be deposited in the Coal Combustion Residuals Management Fund. The Fund shall be placed in an interest-bearing account, and any interest or other income derived from the Fund shall be credited to the Fund. Moneys in the Fund shall only be spent pursuant to appropriation by the General Assembly.

The Commission shall be subject to the provisions of the State Budget Act, except that no unexpended surplus of the Coal Combustion Residuals Management Fund shall revert to the General Fund. All funds credited to the Commission Fund shall be used only to pay the expenses of the Coal Ash Management Commission and the Department of Environment and Natural Resources in providing oversight of coal combustion residuals.

(e) Recovery of Fee. – The North Carolina Utilities Commission shall not allow an electric public utility to recover this fee from the retail electric customers of the State."

SECTION 14.(b) Notwithstanding G.S. 62-302.1, as enacted by this section, for the first two quarters of fiscal year 2014-2015, each public utility shall pay the fee in G.S. 62-302.1 on a monthly basis. The fee shall be paid by the fifteenth of the following month.

SECTION 14.(c) Twenty-five receipt-supported positions are created in the Department of Environment and Natural Resources to carry out the duties in Part 2I of Article 9 of Chapter 130A of the General Statutes. There is appropriated from the Coal Combustion Residuals Management Fund the sum of one million seven hundred fifty thousand dollars ($1,750,000) to the Department of Environment and Natural Resources to support the positions for the 2014-2015 fiscal year.

SECTION 14.(d) Four receipt supported positions are created in the Division of Emergency Management of the Department of Public Safety to carry out the duties in G.S. 130A-309.202. The funds remaining in the Coal Combustion Residuals Management Fund after the appropriation to the Department of Environment and Natural Resources are appropriated to the Department of Public Safety for the 2014-2015 fiscal year. These positions shall be used to provide assistance to the Coal Ash Commission. The positions shall be assigned in the following manner: one of the positions shall be the executive director of the staff, two positions shall be assigned as analysts, and one position shall be assigned as administrative. The Division of Emergency Management in the Department of Public Safety shall consult with the Chair of the Commission in hiring the staff for the Coal Ash Commission. The Division of Emergency Management in the Department of Public Safety shall provide support to the Commission until the staff of the Commission is hired, including the designation of an individual to serve as an interim executive director of the staff.

SECTION 14.(e) This section becomes effective July 1, 2014.

PART IX. SEVERABILITY CLAUSE AND EFFECTIVE DATE

SECTION 15. If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provisions or application, and to this end the provisions of this act are severable.

SECTION 16. Except as otherwise provided, this act is effective when it becomes law.

North Carolina Education Lottery
Revenue Projection - Fiscal Year 2014 - 2015
@ June 17, 2014

	2% advertising Fiscal 2015	0.5% Advertising Fiscal 2015	June 3, 2014 Fiscal 2015 Commission	April 23, 2014 Fiscal 2015 Original	March, 2013 Fiscal 2015 Budget
Sales:					
Instant	$ 1,394,300,000.00	$ 1,017,289,000.00	$ 1,131,500,000.00	$ 1,131,500,000.00	$ 1,018,824,500.00
Draw Games	880,776,000.00	644,327,600.00	716,665,600.00	714,840,600.00	663,205,000.00
Total Sales	2,275,076,000.00	1,661,616,600.00	1,848,165,600.00	1,846,340,600.00	1,682,029,500.00
Sales/Service Bad Debt	(150,000.00)	(150,000.00)	(150,000.00)	(150,000.00)	(150,000.00)
Fees & Licenses	5,200,000.00	5,200,000.00	5,200,000.00	5,200,000.00	5,200,000.00
Operating Revenue	2,280,126,000.00	1,666,666,600.00	1,853,215,600.00	1,851,390,600.00	1,687,079,500.00
Non Operating Revenue					
Investment Earnings	450,000.00	450,000.00	450,000.00	450,000.00	450,000.00
Total Projected Revenue	2,280,576,000.00	1,667,116,600.00	1,853,665,600.00	1,851,840,600.00	1,687,529,500.00
Operating Expenses:					
Gaming Expenses					
Prizes	1,415,839,624.00	1,032,946,900.00	1,148,915,500.00	1,147,759,271.00	1,021,534,932.00
Retailer Commissions	159,188,728.00	116,246,570.00	129,305,000.00	129,141,642.00	117,327,000.00
Retailer Incentives	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Game Licensing Fees	2,004,610.00	1,737,850.00	1,821,349.00	1,821,349.00	1,085,000.00
Gaming System Services	37,921,000.00	28,106,000.00	31,091,000.00	31,061,381.00	28,114,000.00
Total Gaming Expenses	1,615,953,962.00	1,180,037,320.00	1,312,132,849.00	1,310,783,643.00	1,169,060,932.00
Administrative Expenses					
Salaries, wages, and benefits	18,915,000.00	18,915,000.00	18,915,000.00	19,222,000.00	18,510,000.00
Advertising	35,000,000.00	8,400,000.00	17,500,000.00	17,500,000.00	16,000,000.00
Other general and administrative expenses	14,298,000.00	14,298,000.00	14,298,000.00	14,371,000.00	13,525,475.00
Total Administrative Expenses	68,213,000.00	41,613,000.00	50,713,000.00	51,093,000.00	48,035,475.00
Total Operating Expenses	1,684,166,962.00	1,221,650,320.00	1,362,845,849.00	1,361,876,643.00	1,217,096,407.00
Non Operating (Revenues) Expenses:					
DHHS Compulsive Gambling	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
ALE	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Other Non Operating (Revenue) Expenses	-	-	-	-	-
Total Non Operating Expenses	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00
Total Projected Expenses	1,686,166,962.00	1,223,650,320.00	1,364,845,849.00	1,363,876,643.00	1,219,096,407.00
Net Available to State	594,409,038.00	443,466,280.00	488,819,751.00	487,963,957.00	468,433,093.00
Distribution of Net Income					
50% unclaimed Prizes to ELF	14,000,000.00	14,000,000.00	14,000,000.00	14,000,000.00	10,000,000.00
Net Income to ELF	580,409,038.00	429,466,280.00	474,819,751.00	473,963,957.00	458,433,093.00
Net Available To ELF	594,409,038.00	443,466,280.00	488,819,751.00	487,963,957.00	468,433,093.00
Change in Net Position	$ -	$ -	$ -	$ -	$ -
Increase (Decrease) 4/23/14 report	$105,589,287.00	($45,353,471.00)	$855,794.00		
Effect HB-156	($46,803,182.00)	($42,739,944.00)	($43,989,441.00)		
Net Increase (Decrease) 4/23/14 report	$58,786,105.00	($88,093,415.00)	($43,133,647.00)		

2013-15 NC Education Lottery House and Senate Budgets

FY 2013-14

	Enacted Bud.	Proposed Senate Budget		Proposed House Budget	
	$	$	Diff. from Enacted	$	Diff. from Enacted
Classroom Teachers	220,643,188	220,643,188	-	220,643,188	-
Pre-K	75,535,709	75,535,709	-	75,535,709	-
School Capital	100,000,000	100,000,000	-	100,000,000	-
Scholarships for Needy Students	30,450,000	30,450,000	-	30,450,000	-
UNC Need-Based Aid	10,744,733	10,744,733	-	10,744,733	-
UNC Fin. Aid Forward Funding	32,530,359	51,661,087	19,130,728	32,530,359	-
Digital Learning	11,928,735	11,928,735	-	11,928,735	-
Total, Lottery	**481,832,724**	**500,963,452**	**19,130,728**	**481,832,724**	**-**

FY 2014-15

	Enacted Bud.	Proposed Senate Budget		Proposed House Budget	
	$	$	Diff. from Enacted	$	Diff. from Enacted
Classroom Teachers	220,643,188	276,941,530	56,298,342	381,547,574	160,904,386
Pre-K	75,535,709	75,535,709	-	124,704,077	49,168,368
School Capital	100,000,000	100,000,000	-	100,000,000	-
Scholarships for Needy Students	30,450,000	30,450,000	-	30,450,000	-
UNC Need-Based Aid	10,744,733	10,744,733	-	10,744,733	-
Textbooks	-	-	-	10,983,161	10,983,161
UNC Fin. Aid Forward Funding	19,130,728	11,928,735	(7,201,993)	-	(19,130,728)
Digital Learning	11,928,735	-	(11,928,735)	-	(11,928,735)
Total, Lottery	**468,433,093**	**505,600,707**	**37,167,614**	**658,429,545**	**189,996,452**

Total, Additional Budgeted Net Lottery Revenues			
Senate	**56,298,342**	**House**	**189,996,452**

ATTACHMENT 8

ATTACHMENT 9

Summary of Proposed Compensation Plans

Total General Fund Cost shown in Millions

Employee Group	Governor's Description	Governor's Cost in Millions	Senate Description	Senate Cost in Millions	House Description	House Cost in Millions
1 Educator Raises*	- Increases starting pay to $33,000 per year and changes the salary of most steps on the salary schedule - Provide ~2% salary increases to all others through modifications to the salary schedule and an experience-based step increase - Includes $266k for nonrecurring bonuses for school psychologists on steps 0-4	$ 102.43	- Creates a new 21-step Professional Status Teacher Salary schedule - For those moving to the new schedule: - Increases starting pay to $33,000 per year and increase the salary of all steps - Requires educators to relinquish rights to career status, longevity, current supplement computation method - Provides, on average, an 11.45% increase in salaries for teachers moving to the new schedule (for step and schedule change) - Holds harmless educators making more than the new top salary of their lane, gives these educators a 1% bonus - The Career Status schedule, for educators who do not relinquish these rights, remains unchanged	$ 468.73	- Increases starting pay to $33,000 per year and changes the salary of all steps on the salary schedule - Provides an average increase for all teachers of 5% (for step and schedule change) - Provides a 2% bonus to educators at the top of the salary schedule	$ 178.34
2 School-based Administrators*	- Provides a experience-based step increase (~2%) - Includes $133k for nonrecurring bonuses for those on steps 0-8	$ 5.95	- Identical to Governor's Proposal	$ 5.95	- Provides one step - Updates salary schedule to reflect changes to teacher schedule	$ 10.16
3 Noncertified & Central Office Personnel	- Provides a $809 salaries increase	$ 52.95	- Provides a $500 salary increase	$ 32.64	- Provides a $1,000 salary increase	$ 65.27
4 State Employees & NCCCS	- Provides a $809 salaries increase - Excludes step-eligible employees	$ 93.65	- Provides a $809 salaries increase - Excludes step-eligible employees - Excludes UNC EPA	$ 75.45	- Provides a $1,000 salary increase - Excludes step-eligible employees - Compensates State Agency and NCSSM teachers per teacher salary schedule	$ 117.91

Summary of Proposed Compensation Plans

Total General Fund Cost shown in Millions

Employee Group	Governor's Description	Governor's Cost in Millions	Senate Description	Senate Cost in Millions	House Description	House Cost in Millions
5 Asst. & Dept. Clerks	- Provides an experience-based step increase to all eligible employees - Employees who receive a step increase do not also receive the $809 salary increase - The cost of the $809 for non-step-eligible employees is included here.	$ 6.48	- Provides an experience-based step increase to all eligible employees - Employees who receive a step increase do not also receive the $809 salary increase.	$ 3.62	- Provides an experience-based step increase to all eligible employees - Employees who receive a step increase do not also receive the $1,000 salary increase.	$ 3.62
6 Magistrates			- Provides an experience-based step increase to all eligible employees - Employees who receive a step increase do not also receive the $809 salary increase.	$ 2.57	- Provides an experience-based step increase to all eligible employees. - Increases the step schedule as follows to address recruitment concerns: - Step 0 - $2,250 increase - Step 1 - $1,999 increase - Step 2 - $1,700 increase - Step 3 - $1,250 increase - Step 4-6 - $999 increase	$ 3.73
7 State Hwy Patrol	- Funds less than a step increase (5%): - 5% for troopers sworn since 2012 - 4.5% for troopers sworn 2008 - 2011 - 4% for troopers sworn 2005 - 2007 - A flat $809 increase for all non-step-eligible Troopers (included in State Employee estimate)	$ 1.49	- Provides one step to all step-eligible State Highway Patrol Troopers - Provides a $809 salary increase to non-step eligible Troopers (included in State Employee estimate)	$ 1.71	- Funds more than a step increase (5%): - 6% for troopers sworn since 2012 - 5.5% for troopers sworn 2008 - 2011 - 5% for troopers sworn 2005 - 2007 - A $1,000 salary increase for all non-step-eligible Troopers (included in State Employee estimate)	$ 1.83
8 Cost for Active Employees		$ 262.95		$ 590.67		$ 380.86
9 Retirees	- Provides a 1.9% COLA	$ 70.00	- Provides a 0.8% COLA	$ 30.00	- Provides a 1.44% COLA	$ 53.41
10 Total Cost		$ 332.95		$ 620.67		$ 434.27

* Includes recurring and nonrecurring funds; Nonrecurring funds are for bonuses for educators in all plans and for school-based administrators in the Governor's and Senate budgets.

Educator Salary Proposals: "A" Salary Schedule Comparison
FY 2013-14 Actual vs. FY 2014-15 Proposed

Step	FY 2013-14 Annual Salary	Governor Proposed FY 2014-15	Senate Proposed FY 2014-15	House Proposed FY 2014-15
0	$ 30,800	$ 33,000	$ 33,000	$ 33,000
1	$ 30,800	$ 33,000	$ 33,000	$ 33,000
2	$ 30,800	$ 33,000	$ 33,000	$ 33,000
3	$ 30,800	$ 33,000	$ 33,000	$ 33,000
4	$ 30,800	$ 33,000	$ 34,000	$ 33,000
5	$ 30,800	$ 33,000	$ 35,000	$ 33,000
6	$ 31,220	$ 33,000	$ 36,000	$ 33,180
7	$ 31,670	$ 33,000	$ 37,000	$ 33,830
8	$ 33,030	$ 33,030	$ 38,000	$ 34,900
9	$ 34,450	$ 34,450	$ 39,000	$ 36,010
10	$ 35,800	$ 35,800	$ 40,000	$ 37,080
11	$ 37,110	$ 37,110	$ 41,000	$ 38,120
12	$ 38,160	$ 38,160	$ 42,000	$ 38,990
13	$ 38,650	$ 38,910	$ 43,000	$ 39,490
14	$ 39,140	$ 39,400	$ 44,000	$ 40,000
15	$ 39,650	$ 39,910	$ 45,000	$ 40,520
16	$ 40,150	$ 40,410	$ 46,000	$ 41,040
17	$ 40,660	$ 40,930	$ 47,000	$ 41,560
18	$ 41,180	$ 41,450	$ 48,000	$ 42,110
19	$ 41,710	$ 41,990	$ 49,000	$ 42,660
20	$ 42,260	$ 42,540	$ 50,000	$ 43,220
21	$ 42,820	$ 43,100	$ 50,000	$ 43,800
22	$ 43,370	$ 43,660	$ 50,000	$ 44,380
23	$ 43,970	$ 44,260	$ 50,000	$ 45,000
24	$ 44,560	$ 44,850	$ 50,000	$ 45,610
25	$ 45,150	$ 45,450	$ 50,000	$ 46,220
26	$ 45,770	$ 46,070	$ 50,000	$ 46,860
27	$ 46,390	$ 46,700	$ 50,000	$ 47,500
28	$ 47,060	$ 47,370	$ 50,000	$ 48,190
29	$ 47,710	$ 48,020	$ 50,000	$ 48,860
30	$ 48,360	$ 48,680	$ 50,000	$ 49,620
31	$ 49,030	$ 49,350	$ 50,000	$ 50,410
32	$ 49,720	$ 50,050	$ 50,000	$ 50,870
33	$ 50,440	$ 50,770	$ 50,000	$ 51,350
34	$ 51,160	$ 51,500	$ 50,000	$ 51,830
35	$ 52,150	$ 52,150	$ 50,000	$ 52,490
36+	$ 53,180	$ 53,180	$ 50,000	$ 53,180

House/Senate Comparison Report

ɔital

(Items in Controversy are Shaded)

		House FY 14-15		Senate FY 14-15	
A. Department of Agriculture and Consumer Services					
1	**McGough Arena Roof Repair** Provides funding to repair the roof of the McGough Arena located at the Western North Carolina Agricultural Center. Any unexpended funds from this project may be used for other repair and renovation projects located on the State Fair Grounds.			$2,000,000	NR
A. Department of Cultural Resources					
2	**Museum of History Expansion** Appropriates $1.8 million to the Department of Cultural Resources for advance planning for the expansion and renovation of the Museum of History in Raleigh in accordance the Museum's strategic plan. The total estimated cost of the expansion and renovation is $45.2 million.	$1,800,000	NR		
Department of Cultural Resources					
3	**U.S.S. North Carolina Battleship** Appropriates funds to repair the U.S.S. North Carolina Battleship's hull. The funds will match non-State funds. The total estimated cost of the project is $13 million.			$3,000,000	NR
B. Department of Environment and Natural Resources					
4	**Water Resource Development Projects** Provides funds for the State's share of Water Resource Development Projects. State funds will match $9.65 million in federal funds and $1.47 million in local funds. The projects are specified in a special provision.	$5,810,000	NR	$5,810,000	NR

Capital

(Items in Controversy are Shaded)

		House FY 14-15	Senate FY 14-15
B. Office of State Budget and Management			
5	**Museum of History Expansion** Appropriates funds to the Museum of History to plan an expansion, renovation, and exhibit development for the Museum of History in Raleigh. Funds are to match non-State funds. The total amount appropriated is $2 million, of which $1 million is from the General Fund. There is an accompanying special provision detailing the requirements of the State General Fund appropriation. The estimated total cost of the project is $45.2 million.		$1,000,000 NR
C. Office of State Budget and Management			
6	**USS North Carolina Battleship Hull Repair** Provides a $3 million dollar challenge grant to the Department of Cultural Resources to repair the USS North Carolina Battleship. The total project is expected to cost $13 million. The requirements of the grant are outlined in a special provision.	$3,000,000 NR	
D. Office of State Budget and Management			
7	**Outer Banks Land Management Reserve** Creates a reserve to be used for Oregon Inlet land purchases. Funds shall remain in the reserve and shall not be released until the federal government enters into an agreement to sell land on, or near Oregon Inlet.		$3,000,000 NR
D. University of North Carolina			
8	**Appalachian State University Health Sciences Building Planning** Appropriates $4 million in General Funds and an additional $1,202,883 in non-State funds to Appalachian State University to fully plan the Health Sciences Building. The total cost of construction is estimated to be $73.4 million and the total square footage is 203,000 gross square feet.	$4,000,000 NR	
E. Two-Thirds Bonds			
9	**Department of Administration - Albemarle Building Renovation** Authorizes the issuance of Two-Thirds Bonds to fully renovate the Albemarle Building in Raleigh, NC. The total amount of debt of authorized is $42.23 million.	House	

		House FY 14-15		Senate FY 14-15	
	Bond Reauthorization				
	Reauthorizes $206 million of authorized but unissued special indebtedness with Two-Thirds Bonds.				
11	**Department of Justice - Western Crime Lab**				
	Authorizes the issuance of Two-Thirds Bonds for the purpose of constructing the Western Crime Lab in Edneyville, NC, as planned in S.L. 2012-142 and S.L. 2013-360. The total amount of debt authorized is $15.4 million.				
	Department Totals	$14,610,000	NR	$14,810,000	NR

	General Fund Availability Senate/House Comparison		
		FY 2014-15 Senate	FY 2014-15 House
1	Unappropriated Balance Remaining from FY 2013-14	323,693,704	323,693,704
2	Undercollections	(445,400,000)	(429,400,000)
3	Projected Reversions	371,600,000	407,201,425
4	Less Statutory Earmarkings of Year End Fund Balance:		
5	Savings Reserve	(32,989,870)	(89,098,836)
6	Repairs and Renovations	(32,989,870)	(89,098,837)
7	**Beginning Unreserved Fund Balance**	**183,913,964**	**123,297,456**
8	**Revenues Based on Existing Tax Structure**	**19,972,100,000**	**19,972,100,000**
9	**Non-tax Revenues**	**990,700,000**	**990,700,000**
10	Adjustments to Availability in 2013 Session		
11	Transfer Cash Balances from Agriculture (DACS) Special Funds	1,449,680	1,210,690
12	Transfer Cash Balances from ABC Enterprise Fund	3,500,000	
13	Diversion of Funds from DENR Inspection and Maintenance Control Special Fund	3,000,000	3,000,000
14	Transfer Interest from DENR Special Funds	938,670	430,385
15	Diversion of Funds from DENR Water and Air Account Special Fund	1,000,000	750,000
16	Transfer of Federal Insurance Contribution Act (FICA) Fund Cash Balance	5,255,000	5,255,000
17	Adjustment of Transfer from Insurance Regulatory Fund	(399,128)	(256,486)
18	Adjustment of Transfer from Treasurer's Office	1,959,528	1,523,783
19	Transfer from E-Commerce Fund		2,130,000
20	Transfer from Blount Street Properties Fund		2,400,000
21	Increase from ABC Permit Fees	9,600,000	9,600,000
22	Four-year Phaseout of Provision of Medicaid Hold Harmless Law Guaranteeing Counties $500,000 Benefit	5,990,000	5,990,000
23	Redirect Funds from Gross Premiums Tax on Property Coverage Contracts	1,600,000	1,600,000
24	Sales Tax on Manufactured and Modular Homes		(6,100,000)
25	Piped Natural Gas Sales Tax Phase-in		(2,150,000)
26	**Revised General Fund Availability**	**21,180,607,714**	**21,111,480,828**
27	**Subcommittee Budgets**		
28	**Education**		
29	*Public Schools Enacted*	*8,046,101,622*	*8,046,101,622*
30	Teacher Assistants	(233,182,240)	
31	Education Lottery Receipts	(56,298,342)	(160,904,386)
32	Teacher Pay Plans	468,727,000	178,343,279
33	Other Adjustments	(112,704,617)	(998,535)
34	*Public Schools Total*	*8,112,643,423*	*8,062,541,980*
35	University Compensation & Retirement Adjustments	18,691,824	48,766,022
36	*University System Total*	*2,617,553,768*	*2,630,045,501*
37	Comm Colleges Compensation & Retirement Adjustments	22,150,669	28,796,519
38	*Community Colleges Total*	*1,038,638,136*	*1,042,250,461*
39	**Education Total**	**11,768,835,327**	**11,734,837,942**
40	Health and Human Services Enacted	5,137,674,575	5,137,674,575
41	Compensation & Retirement Adjustments	7,146,968	9,372,046
42	PreK Lottery Funds	0	(49,168,368)
43	Medicaid Liabilities for FY 2013-14	143,800,000	75,250,000
44	Medicaid Rebase for FY 2014-15	206,000,000	see line 80
45	All Other Adjustments	(229,177,823)	(67,680,698)
46	**Health and Human Services Total**	**5,265,443,720**	**5,105,447,555**
47	Justice and Public Safety Enacted	2,340,106,448	2,340,106,448
48	Compensation & Retirement Adjustments	41,085,944	52,323,272

	General Fund Availability Senate/House Comparison		
		FY 2014-15 Senate	FY 2014-15 Hou
49	All Other Adjustments	(24,765,308)	(15,833,125)
50	**Justice and Public Safety Total**	**2,356,427,084**	**2,376,596,595**
51	Natural and Economic Resources Enacted	376,708,114	376,708,114
52	Compensation & Retirement Adjustments	4,252,279	5,525,664
53	All Other Adjustments	1,552,065	(15,279)
54	**Natural and Economic Resources Total**	**382,512,458**	**382,218,499**
55	General Government Enacted	418,782,115	418,782,115
56	Compensation & Retirement Adjustments	4,437,271	5,795,083
57	Housing Finance	10,000,000	10,000,000
58	All Other Adjustments	(5,714,626)	(16,781,326)
59	**General Government Total**	**427,504,760**	**417,795,872**
60	**Subtotal - Subcommittee Budgets**	**20,200,723,349**	**20,016,896,463**
61	**Reserves and Debt Service Enacted**		
62	Debt Service	725,337,659	725,337,659
63	Salary Adjustment Reserve	7,500,000	7,500,000
64	State Health Plan Contribution	89,000,000	89,000,000
65	State Retirement System Contributions	36,000,000	36,000,000
66	Reserve for Future Benefit Needs	56,400,000	56,400,000
67	Judicial Retirement System Contributions	1,000,000	1,000,000
68	All Other Statewide Reserves (e.g., JDIG, pending legislation, IT Reserve, UI Reserve, One NC, C&E)	139,378,499	139,378,499
69	**Adjustments to Reserves - Short Session**		
70	Eliminate Reserve for Future Benefit Needs	(56,400,000)	(56,400,00
71	Adjustment to Debt Service	(9,340,916)	(9,340,91
72	Debt Service Savings	(200,000)	(200,000)
73	Increase Debt Service Payments	1,300,000	2,150,000
74	State Health Plan Contribution	(22,000,000)	(22,000,000)
75	Disability Income Plan	(3,200,000)	(3,200,000)
76	Information Technology Fund	6,003,162	4,684,488
77	IT Reserve Fund	(11,661,092)	(10,342,418)
78	JDIG	(15,571,684)	(15,571,684)
79	One NC	(7,144,263)	(7,144,263)
80	Medicaid Risk Reserve		117,800,000
81	Additional Funding for Savings Reserve	250,000	
82	Pending Legislation/Litigation Reserve		6,500,000
83	Conservation Reserve		10,000,000
84	Film Grant Program (SB 743)	20,000,000	
85	**Subtotal - Reserves and Debt Service**	**956,651,365**	**1,071,551,365**
86	**Capital Improvements Enacted**	8,423,000	8,423,000
87	Water Resources Development Projects	5,810,000	5,810,000
88	Battleship	3,000,000	3,000,000
89	McGough Roof Repair	2,000,000	
90	Outer Banks Land Management	3,000,000	
91	ASU Health Sciences Building - Planning	$2M in Ed sec.	4,000,000
92	History Museum	1,000,000	1,800,000
93	**Capital Total**	**23,233,000**	**23,033,000**
94	**Revised General Fund Budget**	**21,180,607,714**	**21,111,480,828**
95	**Unappropriated Balance Remaining**	**0**	**0**

ATTACHMENT 13

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 18, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sharon Miller	CUCA
MAJ Tron Holowiti	NC National Guard
Lt Col Robert Carver	NC National Guard
TOM BOWLIN	NC NATIONAL GUARD
Ryan Combs	NC DPS
Jarret Burr	NC DPS
Bill Gren	NCDPS/SHP
Tom West	Poyner Spruill LLP
R Rogers	Citizen
Marcielee Benton	OSBM
Elizabeth Brownstein	OSBM
[illegible]	OSBM
Marie McBride	Senior Tar Heel Legislature
Lisa Stutts	NC Wildlife Resources Commission
Doug Lewis	DENR
Whitney Christensen	NCAM
Jeanne Chamberlin	MSOC Health (NC Med Group Mgrs)

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 18, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rhiannon Bell	NCMMC
Jonathan Brubeker	Brubeker + Asse.
Chris McClune	Brooks Pierce
Mat Cross	NCPC
Virginia McLean	NC NAPNAP / NC PEDS
Christin Lawler	NC Peds / NC Medical Society
Jolyn Zook	NC NAPNAP / NC PEDS
Celia Forno	NC NAPNAP / B and D Behavioral Health
Brad Thrasher	Wake Forest Pediatrician
Chris Stem	Wake Forest Medical Student
Thomas Sutton	NC Peds Society / Jeffers + Mann Pediatrics
Austen Carter	NC Peds Society / Wake Forest Pediatrics
Julie Bishop	NC Peds Society / Wake Forest medical student
Elizabeth Browder	NC Pediatrics Society / Wake Forest Pediatrics
Julie Linton	NC Pediatrics Society / Wake Forest Pediatrics
Stem Shaw	NC Peds Society

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 18, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jackie Keener	NCDOC
Tom Friedman	SHP
John Hoomani	NCDOC
Sharon Decker	NCDOC
Joe John	STATE CRIME LAB
Barbara Moore	Conf of Clerks of Sp Ct
	M.I.C.
Tom Friedman	SHP
Carr McLamb	NC DENR
BRUCE THOMPSON	PARKER POE
KATHERINE GRAHAM	PARKER POE
Rebecca Tuck	NCAAC
TRACY DAVIS	NCDENR-DENR
Ken Melton	K. M. A.
JAMIE WORSHAM	NC Center for Public Policy Research
Cindy Brandon	DPS
Dan Crawford	NC LCV

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 18, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Leah Cook	MSOC Health (NCMGM)
Sherée Vedicka	NC Alliance of YMCAs
Deborah Hughes	KLG
Thomas MAFFER	TDS
Patrick Wigginton	MSOC Health (NCMGM)
Paige Krier	Athletic Advantage (NCMGM)
Laddy Sweitzer	RLA
Rob Lamme	RLA
Millard Acorn	NCADV
Kevin Hemmeling	Alvarez & Marsal
Rod Davis	NC DHHS
[illegible]	NC DHHS
Sarah Wolfe	MWC
Melissa O'Dare	Intern
Kelly Hinson	AEI Consulting NC
[illegible]	NCBA
Chad Harrell	MSOC HEALTH (NCMGM)

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 18, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bill Jordan	NCEL
Keith Ballenthine	NCBC
VON DENTON	NCEL
Frank Suarez	NCEL
Will Barnett	NCMS
Sarah Bells	Brubaker Assoc
Nathan Batts	NCBA
Frank Youngblood	NCBA
Amy Dunator	NC MGM
Max Bilson	NC MGM
Lauren Ballew	NC MGM
Beth Phillips-Ferrell	NCMGM

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 18, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Taylor Swanki	Department of Labor
Sarah Stuve	NCSU
Tommy Seiver	Moore Van Allen
Mia Bailey	Electricities
Hayes Griggs	CCNC
Emma Wheeler	JLF
Sarah Curry	JLF
Bill Rustin	ACP
Miriam Schwartz	WCMS
Diane Hawkes	WCMS
erin gray	Governor's office
Edgar Miller	CTNC
INDIRA · DAMMU	NCNS
Edna Wallace	NCNS
Laura Gunter	NCBIO
Judy Jenkins	OAPO
Christina McDonald	Intern Stevens Lobby

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 18, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kelli Kuhlman	Duke Energy
[illegible]	CAA
David Heilman	NC Center for Nonprofits
Christopher Marks	Self
[illegible]	NCICU
Larry Pressnell, Jr.	N.C. Retired School Personnel
Gene Causby	NC SCA
Daniel Rowe	Tuctman Students
BRAD IVES	DENR
Joanna Sprull	NCAFP
Ben Downing	NC OSHR
Neal Alexander	NC OSHR
Ed Wallace	Self
Byron Grimmett	Carolina Neurosurgery - Charlotte
ERIC STONE	" " "
Jennifer Haigwood	NCDOL
Sarah Kance	NCDOL

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 18, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kathy Hawks	Duke
Amy Strom	Duke
Doug Lassiter	NCSTA
Preston Howard	NCMA
Allen Hardison	CRSWMA
Jerry Schill	NC Fisheries Association
[illegible]	EL Consultant
Kim Colson	TS
Amanda Horaker	TSS
[illegible]	NCRMA
Lad Rubert	CYPC
Michael Ebert	Dept. of Commerce
Richard Thompson	NCCAT
Isabel Villa-Garcia	NCSBA
Adam Pridmore	NCASA
Joanne Stevens	NCNA
George Everett	Duke Energy

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE

Legislative Office Building, Room 643

June 19, 2014
1:00 p.m.

Welcome	*Senator Jackson, Presiding*
Governor's Recommended Medicaid Budget	*Art Pope, Director, Office of State Budget and Management*
Medicaid Budget Comparison	*Steve Owen & Susan Jacobs, Fiscal Research Division*
Adjourn	

Senate Committee on Appropriations/Base Budget
Thursday, June 19, 2014 at 1:00 PM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 1:06 PM on June 19, 2014 in Room 643 of the Legislative Office Building. Seventeen members were present. Senator Brent Jackson presided. Senator Jackson called the meeting to order and recognized the Sergeant-at-Arms' staff and Pages.

Senator Jackson announced agenda changes. The Medicaid Budget Comparison presentation was moved to the top of the agenda.

Sen. Jackson recognized Steve Owen and Susan Jacobs, Fiscal Research Division, to present on the Medicaid Budget Comparison between the Senate and the House budgets. Mr. Owen referenced a handout entitled Medicaid Summary of SFY 2014-2015 Shortfall/Rebase. (See Attachment 3)

There were questions and discussion among the committee members and staff.

Senator Jackson called for Art Pope, Director, Office of State Budget and Management to present on the Governor's Recommended Medicaid Budget. Mr. Pope was not present.

The meeting adjourned at 1:47 PM.

Senator Brent Jackson, Chair
Presiding

Mary Marchman, Committee Clerk

Attachments:

1 Committee Notice
2 Agenda
3 Medicaid Summary of SFY 2014-2015 Shortfall/Rebase
4 Visitor's Log

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	June 19, 2014	1:00 PM	643 LOB

Review of House/Senate Medicaid Budget Differences

Senator Harry Brown, Co-Chair
Senator Kathy Harrington, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Brent Jackson, Co-Chair

MEDICAID SUMMARY OF SFY 2014-15 REBASE

	FRD Original Estimate	*FRD Revised Estimate*	*SENATE Budget*	*HOUSE Budget*
MEDICAID				
Claims, Utiliization and Growth	$ (114,100,000)	$ (92,480,353)	$ (114,100,000)	$ (27,300,000)
Budget Reduction Items	(90,400,000)	$ (90,400,000)	(90,400,000)	(90,400,000)
Presumptive Eligibility	(5,500,000)	(5,500,000)	(5,500,000)	
MAGI Recertification Delay	-	-	-	-
Additional Children Shifted From Health Choice	(9,400,000)	(9,400,000)	(9,400,000)	(9,400,000)
Increase in FMAP	14,600,000	14,084,541	14,600,000	14,500,000
PCS Services	(100,000)	100,000	(100,000)	(4,100,000)
Settlements	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)
POTENTIAL MEDICAID REBASE SFY 2014-15	$ (206,000,000)	$ (184,695,812)	$ (206,000,000)	$ (117,800,000)
HEALTH CHOICE				
Budget Reduction Items	$ (2,900,000)	$ (2,900,000)	$ (2,900,000)	$ (2,900,000)
Additional Children Shifted From Health Choice	7,500,000	7,500,000	7,500,000	7,500,000
Other	9,900,000	10,186,771	9,900,000	9,900,000
POTENTIAL HEALTH CHOICE CASH SURPLUS SFY 2014-1	$ 14,500,000	$ 14,786,771	$ 14,500,000	$ 14,500,000
POTENTIAL NET REBASE SFY 2014-15	$ (191,500,000)	$ (169,909,042)	$ (191,500,000)	$ (103,300,000)
CLAIM AND ENROLLMENT BACKLOG	-	-	-	-
ESTIMATED NET REBASE SFY 2014-15	$ (191,500,000)	$ (169,909,042)	$ (191,500,000)	$ (103,300,000)

SFY 2014-15 Rebase Notes

1) House budget utilizes the SFY 2013-14 base assuming the Governor's lower backlog of $215,000,000
2) House budget assumes no impact for presumptive eligibility
3) House budget assumes no churn impact
4) House budget reflects the impact of additional 50 PCS hours approved 5/19/14 w/o a rate reduction to offset any portion of additional costs
5) FRD Revised estimate based on update using May 2014 YTD data and revised backlog for the Base SFY 2013-14 spending.

ATTACHMENT 3

MEDICAID SUMMARY OF SFY 2013-14 SHORTFALL

	FRD Original Estimate	*FRD Revised Estimate*	*SENATE Budget*	*HOUSE Budget*
MEDICAID				
Claims, Utiliization and Growth	$ 149,700,000	$ 152,107,962	$ 149,700,000	$ 149,700,000
Budget Reduction Items	(63,600,000)	(63,600,000)	(63,600,000)	(63,600,000)
Presumptive Eligibility	(13,200,000)	(13,200,000)	(13,200,000)	(13,200,000)
MAGI Recertification Delay	(2,800,000)	(2,800,000)	(2,800,000)	(2,800,000)
Additional Children Shifted From Health Choice	(8,700,000)	(8,700,000)	(8,700,000)	(8,700,000)
PCS Services	(12,400,000)	(12,400,000)	(12,400,000)	(12,400,000)
Settlements	(8,200,000)	(8,200,000)	(8,200,000)	(8,200,000)
POTENTIAL MEDICAID CASH SURPLUS SFY 2013-14	$ 40,800,000	$ 43,207,962	$ 40,800,000	$ 40,800,000
HEALTH CHOICE				
Budget Reduction Items	(2,100,000)	(2,100,000)	(2,100,000)	$ (2,100,000)
Additional Children Shifted From Health Choice	5,100,000	5,100,000	5,100,000	5,100,000
Other	6,100,000	6,427,101	6,100,000	6,100,000
POTENTIAL HEALTH CHOICE CASH SURPLUS SFY 2013-1	$ 9,100,000	$ 9,427,101	$ 9,100,000	$ 9,100,000
POTENTIAL NET CASH SURPLUS SFY 2013-14	$ 49,900,000	$ 52,635,064	$ 49,900,000	$ 49,900,000
CLAIM AND ENROLLMENT BACKLOG	(143,800,000)	(112,145,037)	(143,800,000)	(75,250,000)
ESTIMATED NET SHORTFALL SFY 2013-14	$ (93,900,000)	$ (59,509,973)	$ (93,900,000)	$ (25,350,000)

SFY 2013-14 Shortfall Notes:

1) House estimate uses Governor's backlog for claims and enrollment of $215,000,000, instead of $407,000,000 in Senate and FRD Original
2) FRD Revised updated estimate with May 2014 data and revised the enrollment and claims backlog to $312,000,000 from $407,000,000
3) Original FRD backlog comprized of claims-$157M and enrollment-$250M; revised backlog comprized of claims-$25.6Mand enrollment-$286.6M

ATTACHMENT 4

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 19, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joyce Peters	CSS
Tom Nelson	NCALTCF
Lori Ann Harris	LAHA
J PETERS	CSS
John Mathews	Wake Title Agency
L Chapman	CSS
Richard Thompson	NCCAI
[illegible]	Ed Consultant
John McMillan	MCOS
Kristen Laster	SSGNC
Sheila Coffe	AKC
Tracy Presnell, JA	NCRSP
Gene Causby	NCSCA
Christine Craig	WakeMed
Jerry Schill	NC Fisheries Assoc.
Christopher Wallace	NBIC
Cody Howard	NCHA

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 19, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mac Boone	NCFRA
Linda McDonough	Wright School
Tim Hobbs	HANC
Tom Friedman	DST
Daniel Baum	Troutman Sanders
Carson Hunt	MVA
Kevin Hutchinson	PCG
Tom Oliver	Poyner Spruill LLP
Bruce Thompson	Parker Poe
Cory Dunn	DRNC
Annaliese Dolph	DL
Matt Gross	NCCL
Kay Castillo	NASW-NC
Robin A. Young	APPCNC
Judd Parker	North State Strategies
Bobby Jones	NC DOC
Jackie Keeney	NC DOC

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 19, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Laura Gunter	NCSIO
Meghan Cook	ITS
Rachel Boarlin	DPI
Chris Greenidge	Senate Intern
Melissa O'dainer	Senate Intern
Janice Bellamy	Civitas
Steve Mange	NCRLA
Julia Adams	Arc NC, NCARF, ASNC, MARC
Frank Hill	Public Sector Group

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 19, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amanda Honaker	TSS
Gregg Sinders	Knowledge Network Solutions
Colleen Draper	NCDOC
Martha Jenkins	DCR
Pedraig Gibbons	Capitol
Sarah Wolfe	MWC
Tammy Scott	Moore Van Allen
Terry Ratchford	2251 Rufus Ratchford Rd Gastonia NC 28056
MICHAEL S. MINGES	1013 ROBOSIN BLVD LOWELL, N.C. 28098
DIANAH R. MINGES	1013 ROBOSIN BLVD LOWELL, N.C. 28098
Dick Crutchfield	
Bill Rustin	
Fred Bone	Bone & Assoc.

ATTACHMENT 3

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE

Legislative Office Building, Room 643

June 26, 2014
8:30 a.m.

Welcome	*Senator Hunt, Presiding*
Governor's Recommended Medicaid Budget	*Art Pope, Director, Office of State Budget and Management*
Questions from Members	
Fiscal Research Division Response	*Steve Owen and Susan Jacobs, Fiscal Research Division*
Questions from Members	
Adjourn	

Senate Committee on Appropriations/Base Budget
Thursday, June 26, 2014 at 8:30 AM
Room 643 of the Legislative Office Building

MINUTES

The Senate Committee on Appropriations/Base Budget met at 8:36 AM on June 26, 2014 in Room 643 of the Legislative Office Building. 16 members were present. Senator Neal Hunt presided. Senator Hunt called the meeting to order and recognized the Sergeant-at-Arms' staff and Senate Pages.

Senator Hunt recognized Mr. Art Pope, Director of the Office of State Budget and Management who began presenting thirty-eight pages of a forty-nine page Power Point presentation titled *Update on Medicaid for Senate Appropriations Committee* (Attachment 4) followed by a series of questions from the Members of the Committee. Chairman Hunt then recognized Ms. Pam Kilpatrick, Assistant State Budget Officer for Health and Human Services to explain the last portion of the Power Point presentation, (*Governor's Recommended Budget Medicaid Proposal*). Susan Jacobs and Steve Owen of the Fiscal Research Division presented the FRD response to Mr. Pope's presentation. Senator Berger, *President Pro Tempore* was present and shared some thoughts along with other members of the committee.

Attachments:

1 Committee Membership
2 Committee Notice
3 Agenda
4 Presentation by The Office of State Budget and Management
5 Visitor's Log

The meeting adjourned at 10:28 AM.

Senator Neal Hunt, Chair
Presiding

Kathy Davis, Committee Clerk

MEMBERSHIP

SENATE APPROPRIATIONS BASE BUDGET COMMITTEE
2013-2014 Biennium

Senator Harry Brown, Co-Chair
300-B, LOB 715-3034
Elise McDowell

Senator Kathy Harrington, Co-Chair
2113 LB 733-5734
Mary Marchman, Jennifer Faulkner

Senator Tom Apodaca
2010 LB 733-5745
Carolyn Gooden, Laura Kilian

Senator Andrew C. Brock
521 LOB 715-0690
Judy Edwards, Towers Mingledorff

Senator Angela R. Bryant
520 LOB 733-5878
Karon Hardy

Senator Joel D. M. Ford
1119 LB 733-5955
Jackie Ray

Senator Valerie Foushee
520 LOB 733-5804
James Spivey

Senator Louis M. Pate, Jr.
1028 LB 733-5621
Edna Pearce, Brandon Griefe

Senator Gladys A. Robinson
1120 LB 715-3042
Phyllis Cameron

Senator Jerry W. Tillman
627 LOB 733-5870
Suzanne Castleberry, Mark Shiver

Senator Neal Hunt, Co-Chair
309 LOB 733-5850
Kathy Davis, Kyle Hall, Erica Shrader

Senator Brent Jackson, Co-Chair
2022 LB 733-5705
Acy Watson

Senator Dan Blue
1117 LB 733-5752
Bonnie McNeil

Senator Don Davis
518 LOB 715-8363
Blinda Edwards

Senator Thom C. Goolsby
406 LOB 715-2525
Joseph Kyzer

Senator Ralph Hise
1026 LB 733-3460
Susan Fanning

Senator Earline W. Parmon
529 LOB 733-5620
Pat Christmas

Senator Bill Rabon
2108 LB 733-5963
Paula Fields

Senator Robert A. Rucho
300-A LOB 733-5655
Will Verbiest, Paul Rucho

Senator Tommy Tucker
311 LOB 733-7659
Joe Stansbury

Committee Assistants

Kathy Davis 733-5850

Elise McDowell 715-3034

Mary Marchman 733-5734

ATTACHMENT 2

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	June 26, 2014	8:30 AM	643 LOB

Art Pope, Director, OSBM Medicaid Presentation

Senator Neal Hunt Presiding

Senator Harry Brown, Co-Chair
Senator Kathy Harrington, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Brent Jackson, Co-Chair

Office of State Budget and Management
Balancing Needs - Improving Government

Update on Medicaid for Senate Appropriations Committee

In Response to the Letter by Senate Co-Chairmen
Dated and Delivered June 25, 2014

Prepared by:
The Office of State Budget and Management

June 26, 2014

ATTACHMENT 4

Agenda

- Overview of OSBM and DHHS Roles in Budget Preparation and Medicaid
- Comparison of General Assembly Fiscal Research Division "Final Medicaid Budget Estimate" delivered on June 24, 2014 to The Governor's Recommended Budget Adjustments released May 14, 2014

Role of OSBM in Budget Preparation

- OSBM is delegated certain authorities of the Governor to prepare and recommend the State's budget
- Governor is Director of the Budget (143C-2-1)
- Budget requests from State agencies in the executive branch (143C-3-3)

Role of OSBM in Budget Preparation

- Governor's budget recommendations and budget message (143C-3-5)
- In even-numbered fiscal years (short session budget requirements) the Governor may recommend changes in the enacted budget for the second year of the biennium.

Role of DHHS in Preparing the Medicaid Budget Estimates

- Management of Medicaid is the responsibility of DHHS, which oversees the Medicaid program. (108A-54)
- DHHS prepares an annual estimate of Medicaid spending and revenues, referred to as the Medicaid "rebase."
- The rebase is the estimate of funds needed to continue the program under existing law.

Role of DHHS in Preparing the Medicaid Budget Estimates

- Rebase changes are the difference between the new estimate of spending and revenues less existing budget enacted in law for spending and revenues to produce an incremental change.
- DHHS prepares the Medicaid forecast, which is provided to OSBM and Fiscal Research. Both use this information for developing budget recommendations.

2014-15 Medicaid Estimating

- Limitation of available data and reports due to unique circumstances
- Utilization of two new major IT systems at HHS:
  - NC FAST for enrollment
  - NC TRACKS for claims processing
- Significant enrollment increases due to ACA effective 1/1/2014 (including "Woodworking effect")

2014-15 Medicaid Estimating

- OSBM has provided 50 documents to FRD regarding Medicaid since January 1, 2014
  - DHHS has provided over 200 during same time period
- OSBM and FRD have met 17 times regarding Medicaid since January 1, 2014

OSBM/FRD Meetings

Date	Topic	Participants
24-Jun	Medicaid Budget	OSBM, FRD, Legislative Staff
20-Jun	Medicaid Budget	OSBM, FRD, DHHS
17-Jun	Medicaid Budget	OSBM, FRD, DHHS, Legislative Staff
19-May	Review of Governor's Budget	OSBM, FRD
1-May	Medicaid Consensus Forecast	OSBM, FRD, DHHS
29-Apr	Medicaid Consensus Forecast	OSBM, FRD, DHHS
25-Apr	SFY 2015 Forecast	OSBM, FRD, DMA (conference call)
23-Apr	Budget model	OSBM, FRD, DMA
22-Apr	Medicaid estimates	OSBM, FRD, DHHS
16-Apr	SFY 2015 Forecast	OSBM, FRD, DHHS
8-Apr	Review of budget reduction options	OSBM, FRD, DHHS
26-Mar	Joint Legislative Oversight Committee	OSBM, FRD, Legislative Staff, House, Senate
21-Mar	Budget and forecast	FRD, DHHS
11-Feb	Joint Legislative Oversight Committee	OSBM, FRD, Legislative Staff, House, Senate
7-Feb	Budget and forecast	OSBM, FRD
13-Jan	ACA enrollment	OSBM, FRD
9-Jan	Medicaid Trends	OSBM, FRD

Material Sent from OSBM to FRD Regarding Medicaid - (since January 1, 2014)

Date of Transmittal	File Title	Document Type
6/25/2014	RE Updated FRD Numbers	Outlook
6/25/2014	RE DHHS_ DMH Summary of Year End Balances	Outlook
6/25/2014	FW DHHS_ DMH Summary of Year End Balances	Outlook (w/ Excel attachments)
6/25/2014	Updated FRD Numbers	Outlook
6/24/2014	FW Year End - June Monthly Workbook Cash Flow Model	Outlook (w/ Excel attachment)
6/23/2014	RE Cash	Outlook
6/23/2014	RE Provider Survey	Outlook
6/23/2014	NCTracks Claim Impact 4-30-2014-1	PDF
6/23/2014	Medicaid - ALL HOSPTIAL Systems_CLAIMs	Excel
6/23/2014	FW Updated Reported Estimated Hospital Medicaid Case AR	Outlook
6/23/2014	FW UNC and Vidant Medicaid Accounts Receivable	Outlook
6/23/2014	FW Medicaid - ALL HOSPITAL Systems _CLAIMs	Outlook (w/ Excel attachment)
6/23/2014	FW Information requested	Outlook (w/ Excel attachments)
6/23/2014	Copy of Copy of Summary 2014 UPL - UNC	Excel
6/23/2014	FW Checkwrite 06242014	Outlook
6/20/2014	Potential Application Backlog	Excel
6/20/2014	20140620 All Medicaid Applications Processed	PowerPoint
6/20/2014	All Medicaid Applications Processed	PowerPoint
6/20/2014	Medicaid Cash Update	Outlook (w/ Excel attachment)
6/20/2014	Medicaid Budget Crosswalk	Outlook
6/20/2014	Medicaid - ALL HOSPTIAL Systems_CLAIMs	Excel
6/20/2014	Information and questions in advance of this afternoon's meeting	Outlook
6/20/2014	FW Medicaid - ALL HOSPITAL Systems _ CLAIMs	Outlook (w/ Excel attachment)
6/20/2014	FW: Potential Application Backlog	Outlook (w/ Excel attachment)
6/20/2014	Fund 1340 1810 1901	Outlook (w/ PDF attachment)
6/20/2014	Fwd: Documents	Outlook (w/ Excel and PowerPoint attachments)
6/20/2014	FRD to DMA Budget Compare	Outlook (w/ Word attachment)
6/19/2014	Woodwork Analysis	Outlook (w/ Excel attachments)
6/18/2014	Medicaid Rebase Detail	Outlook (w/ Word and Excel attachments)
6/17/2014	Savings Unachieved	Outlook
6/12/2014	OSBM ANALYSIS OF HOUSE BUDGET REGARDING DHHS REVERSIONS	Word
6/11/2014	Fiscal Impact	Outlook
6/2/2014	RE Tuesday Morning Presentation	Outlook
6/2/2014	RE Meeting Friday Afternoon	Outlook
6/2/2014	RE Fiscal Research Agenda 2014-06-03	Outlook
6/2/2014	FY2014-15 Budget Presentation House Appropriations	Outlook (w/ PowerPoint attachment)

Material Sent from OSBM to FRD Regarding Medicaid - (since January 1, 2014)

Date of Transmittal	File Title	Document Type
5/30/2014	RE Calculations and Assumptions in Senate Budget	Outlook
5/27/2014	Fwd: NC FAST "Woodwork" Projections	Outlook (w/ Excel attachment)
5/20/2014	Re DHHS Carryforward and Medicaid Shortfall	Outlook
5/19/2014	Medicaid Eligible	Outlook (w/ Excel attachments)
5/15/2014	Medicaid Rebase	Outlook (w/ Excel attachment)
5/15/2014	Backlog	Outlook (w/ Excel attachment)
5/14/2014	RE meeting tomorrow after session	Outlook
5/14/2014	Governor's Budget - Medicaid Backup	Outlook (w/ Excel attachments)
5/13/2014	Re Meeting on the Governor's Budget Items	Outlook
5/7/2014	RE Medicaid Shortfall Estimate for SFY 2013-14 and Rebase...	Outlook
5/1/2014	Medicaid - Estimated Applications Backlog	Outlook (w/ Excel attachment)
4/29/2014	Budget Analysis Revised	Outlook (w/ Excel attachment)
4/28/2014	RE SAS demo	Outlook
4/21/2014	FW (Budget analysis revised)	Outlook (w/ Excel attachment)
4/11/2014	RE Revised DRAFT LOC Agenda_20140410	Outlook
4/4/2014	RE meeting	Outlook
4/4/2014	RE DRAFT LOC Agenda_20140403	Outlook
3/31/2014	RE Meeting on Friday	Outlook
3/31/2014	Pitt Hospital UPL	Outlook
3/31/2014	2% options	Outlook (w/ Excel attachments)
3/27/2014	RE	Outlook
3/26/2014	Medicaid Budget Status Forecast FY 14 15 Presentation - OSBM	Outlook (w/ PowerPoint attachment)
3/12/2014	RE Gov Ops on 327	Outlook
3/5/2014	RE Call me when you get a chance	Outlook
2/28/2014	Re Todays meeting was a waste	Outlook
2/26/2014	RE Draft Agenda for March 11th HHS LOC Meeting	Outlook
2/17/2014	FW NCAnalytics Overview (OSBM FRD)	Outlook
2/11/2014	OSBMPresentation_Budget_HHS_Oversight_February2014	Outlook (w/ PowerPoint attachment)
2/9/2014	RE Meeting Tuesday	Outlook
2/7/2014	RE delay of Medicaid redetermination for MAGI recipients	Outlook
2/6/2014	FW Critical Items	Outlook
2/5/2014	RE MAGI 3 Month issue	Outlook
1/29/2014	Updated Enrollment Report EIS & NC FAST Combined	Outlook
1/16/2014	DMA Dec 2013 BD701	Outlook (w/ text file attachment)
1/9/2014	BD701	Outlook (w/ text file attachments)

Material Sent from DMA to FRD Regarding Medicaid - (since January 1, 2014)

Date of Transmittal	File Title	Document Type
6/23/2014	FRD Questions and DMA answers for potential backlog	Word doc
6/23/2014	Medicaid Eligibles History	Excel
6/23/2014	Potential Application Backlog	Excel
6/20/2014	CCNCCA enrollment July 2002 forward	Excel
6/20/2014	Total Medicaid Dental Expenditures SFY 1990 -2013	PowerPoint
6/19/2014	Medically Needy Expenditures by program SFY 2013 SFY 2014	Excel
6/13/2014	Monthly Medicaid Enrollees by PAC	Excel
6/12/2014	FRD PCS Follow up Question Responses	Word doc
6/12/2014	PCS Follow up Response Data part 2	Excel
6/12/2014	PCS Follow up Response Data	Excel
6/12/2014	PCS Follow up Response Data part 3	Excel
6/11/2014	Analysis from 2013 on changing Provider Recredentialing from 3 to 5 years	Excel
6/11/2014	Medical Assistance ADMIN County Match	Excel
6/10/2014	ABD by Category of Service	Excel
6/10/2014	Botox PDP claims SFY 2014	Excel
6/10/2014	Physician Drug Program Policy 1B-1 (BOTOX)	PDF
6/9/2014	MAABD, MAF, Medically Needy Optional Group for SFY 2013 SFY 2014	Excel
6/9/2014	SFY 2014 Flu expenditures	Excel
6/4/2014	PACE Program Limits and Budget	Word doc
6/4/2014	SFY 2013 ABD Annual Report Tables	Excel
6/4/2014	SFY 2013 ABD eligibility and expenditure tables	Excel
6/3/2014	Medicaid Amendment 1 Agreement Scope of Work HIE	PDF
6/3/2014	Medicaid Amendment 1 for contract 28149 Eastpointe	PDF
6/3/2014	Medicaid Amdt 1 for Contract 29542 Cardinal	PDF
6/3/2014	Medicaid Amdt 2 for Contract 28149 Eastpointe	PDF
6/3/2014	Medicaid Contract 28023 NCCCN	PDF
6/3/2014	Medicaid Contract 28149 Eastpointe	PDF
6/3/2014	Medicaid Contract (HIE)	PDF
6/3/2014	Medicaid Contract 29542 Cardinal	PDF
6/3/2014	Medicaid Contract Statement of Work (HIE)	PDF
6/3/2014	Medicaid RFQ 25833 NCCCN	PDF
6/3/2014	PACE Options	PDF
5/30/2014	CY 14 NC PACE UPLs Certification	PDF
5/29/2014	Aged, Blind, Disabled SFY 2013 Annual Report Tables Select Tables	Excel
5/27/2014	Physician NPI Count revised from October 2013	Excel
5/22/2014	DSS Eligibility Error Monitoring	Word doc
5/21/2014	Medical Assistance Aged Blind Disabled by Living Arrangement	Excel
5/19/2014	Claims Summary by Diagnosis TBI SFY 2011 SFY 2012 SFY 2013	Excel
5/14/2014	Consolidated PCS Assessment Status Report 2013 quarter 4	Word doc
5/14/2014	Consolidated PCS Assessment Status Report 2014 quarter 1 v 2	Word doc

Material Sent from DMA to FRD Regarding Medicaid - (since January 1, 2014)

Date of Transmittal	File Title	Document Type
5/14/2014	Post Transition CPCS Assessment Summary Report for Sept 13	Word doc
5/14/2014	Post Transition CPCS Assessment Summary Report for Sept 13	Word doc
5/7/2014	Fiscal Impact is Delink Special Assistance from Medicaid	Excel
5/6/2014	Personal Care Services data for FRD/DHHS Meeting	Excel
5/5/2014	MedSolutions Savings Estimate	Excel
4/30/2014	Optional Eligibility and expenditures	PDF
4/30/2014	REVISED Medicaid and NCHC Mandatory and Optional Eligibility Categories	PDF
4/25/2014	Medicaid Dental Claims	Excel
4/24/2014	Medicaid Eligibles by Gender Age and County	Excel
4/24/2014	Program Integrity Recoveries SFY 09-11	Excel
4/24/2014	Program Integrity Combined Collections SFY 2010-2014	Excel
4/24/2014	Program Integrity Management Report Final June 2012	PDF
4/24/2014	Program Integrity Management Report Final June 2013	PDF
4/17/2014	ECU and UNC UPL Providers	Word doc
4/9/2014	Med and NCHC Mandatory and Optional Eligibility Categories	PDF
1/14/2014	Rate Freeze SPAs Legislative Notification	Word doc
1/14/2014	SPA 13-019 Pregnant Women	PDF
1/14/2014	SPA 13-025 HIT	PDF
1/14/2014	SPA 13-018 Rehab	PDF
1/14/2014	SPA 13-012 Dental	PDF
1/14/2014	SPA 13-013 DME	PDF
1/14/2014	SPA 13-014 PRTF	PDF
1/14/2014	SPA 13-015 At Risk Case Management	PDF
1/14/2014	SPA 13-016 Targeted Case Management - MHSA	PDF
1/14/2014	SPA 13-017 Targeted Case Management - IDD	PDF
1/14/2014	SPA 13-021 Orthotics and Prosthetics	PDF
1/14/2014	SPA 13-022 Nurse Practitioner	PDF
1/14/2014	SPA 13-023 Physician Assistant	PDF
1/14/2014	SPA 13-024 Targeted Case Management - HIV	PDF
1/14/2014	SPA 13-026 Physician Drug Program	PDF
1/14/2014	SPA 13-028 Local Education Authority	PDF
1/14/2014	SPA 13-029 Labs	PDF
1/14/2014	SPA 13-030 Independent Practitioners	PDF
1/14/2014	SPA 13-031 Ambulance	PDF
1/14/2014	SPA 13-032 Long Term Care	PDF
1/14/2014	SPA 13-033 Physician	PDF
1/14/2014	SPA 13-034 Optical Supplies	PDF
1/14/2014	SPA 13-035 Licensed Non Physician	PDF
1/14/2014	SPA 13-036 Hearing Aid Services	PDF
1/14/2014	SPA 13-037 Ambulatory Surgical Centers	PDF
1/14/2014	SPA 13-039 Home Health and Private Duty Nursing	PDF
1/14/2014	SPA 13-027 Cert Reg Nurse Asst and Anesthesiologist Asst	PDF

Material Sent from DHHS Central Administration to FRD Regarding Medicaid - (since January 1, 2014)

Date of Transmittal	File Title	Document Type
6/25/2014	Medicaid - ALL HOSPITAL System Claims	Excel
6/18/2014	Medicaid Apps Processed 061814	Power Point
6/18/2014	Medicaid - Year End - Jun Monthly Workbook Cash Flow Model 6-18	Excel
6/17/2014	FFM Applications by County and Disposition v2	Excel
6/17/2014	NCHC Enrollies	Excel
6/17/2014	Pending Medicaid Apps May 2013 vs May 2014 V3	Excel
6/16/2014	DHHS Comments on S744 3d edition and 7th edition 6-16-14 (FINAL)	Word
6/16/2014	2014-15 DHHS Gov Sen House Budget Comparison (FINAL)	Excel
6/13/2014	MandS NC Hospital Outreach 6/25/2014	PDF
6/11/2014	Medicaid Special Provisions	Word
6/6/2014	20140616 NC FAST Medicaid App Status	Power Point
6/6/2014	Medicaid - FNS-MA Apps Not Keyed in Systems_06-06-2014	Excel
6/4/2014	DHHS Comments on S744 v3 Money Report 6214	Excel
6/4/2014	DHHS Comments on S744 v3 Special Provisions	Word
6/3/2014	Attachment 1.pdf	PDF
6/3/2014	Attachment 2	Excel
6/2/2014	Hospital Results tracking 6-2-14	PDF
6/1/2014	CMS May Monthly	Excel
5/17/2014	Enrollment Report April 2014	Excel
5/16/2014	Claims_Summary_by_Diagnosis_TBI_SFY2011_SFY2012_SFY2013_Fed&State_rerun	Excel
5/14/2014	Fiscal Impact ParaGard	Excel
5/7/2014	MedSolutions_NCLeg_Request_2014_04_29	Excel
5/6/2014	NCTracks Status Update April 29 2014	PDF
5/1/2014	NCDF_Report_FINAL	PDF
4/29/2014	FRD PCS Info Request to DMA - April 29 2014	PDF
4/24/2014	PI Recoveries SFY 09-11	Excel
4/24/2014	PI Management Report June Final 2012	PDF
4/24/2014	PI Management Report June 2013 Final	PDF
4/17/2014	20140417 JLOC - III Budget Update - FINAL	PDF
4/17/2014	20140417 JLOC - IV Medicaid Data Analytics V NC Tracks Update - FINAL	PDF
4/17/2014	20140417 JLOC - VI NC FAST Update - FINAL	PDF
4/17/2014	20140417 JLOC - VII Purchase of Insurance - FINAL	PDF
4/17/2014	20140417 JLOC -XI Consolidation of Local DSS_DPH - FINAL	PDF
4/9/2014	04-09-2014 Letter to Chairmen	PDF
4/9/2014	04-09-2014 Weekly Update	PDF
4/9/2014	FINAL_FR2_PER_MTD_JUL13_FEB14YTDFEB14 2014 0409	Excel
4/9/2014	FINAL_FR3_PER_MTD_JUL13_FEB14YTDFEB14 2014 0409	Excel
4/9/2014	FINAL_FR4_PER_MTD_JUL13_FEB14YTDFEB14 2014 0409	Excel
4/8/2014	March 2014 Unduplicated Recipients from remapped CSDW universe	Excel
4/8/2014	MAR2014 VER0224D_COS Account Remapping XTAB1_XTAB5 Rundate 2014 0408	Excel

Material Sent from DHHS Central Administration to FRD Regarding Medicaid - (since January 1, 2014)

Date of Transmittal	File Title	Document Type
4/3/2014	NC Medicaid Budgeting Forecasting Options and Budgetary Cost Estimates_v3	Word
4/2/2014	SL 2013-360 Sect.12H.12 Report	PDF
4/1/2014	SL 2013-360 Sect. 12A.5 Report	PDF
3/28/2014	03-28-2014 Letter to Chairmen	PDF
3/28/2014	03-28-2014 Weekly Update	PDF
3/26/2014	3-26-2014 LOC Follow up Ltr Chairmen	PDF
3/26/2014	DHHS_Budget Bill Savings 2014-3-27	PDF
3/26/2014	DHHS_NCHIE_2014-03-07	PDF
3/26/2014	20140327 Gov Ops Medicaid Reform	PDF
3/19/2014	03-20-2014 Letter to Chairmen	PDF
3/19/2014	03-20-2014 Weekly Update	PDF
3/17/2014	SL 2013 -360 Sect. 12H.6(a) Ltrs	PDF
3/17/2014	SL 2013 -360 Sect. 12H.6(a) Report	PDF
3/17/2014	20140317 DHHS Medicaid Reform Legislative Report FINAL	PDF
3/13/2014	03-13-2014 Weekly Letter to Chairmen	PDF
3/13/2014	3/13/2014 Weekly Update	PDF
3/11/2014	VI - LME MCO Consolidation Update - 2014 03 12	PDF
3/11/2014	V - IT Updates 2014-03 12	PDF
3/11/2014	VII - Medicaid Updates 2014 03 12	PDF
3/7/2014	Attached Form Letter	PDF
3/7/2014	DIR-04-2014 non-MAGI and legacy	PDF
3/5/2014	03-05-2014 Letter to Chairmen	PDF
3/5/2014	03-05-2014 Weekly Update	PDF
3/3/2014	SL 2013-360 Sect.12h.18 Shared Savings Report	PDF
3/3/2014	Executive Summaries FFY2013	Excel
3/1/2014	Copy of Medicaid Enrolls by County Age and Gender for Month of February 2014	Excel
2/28/2014	20140226 DHHS Medicaid Reform Presentations	PDF
2/28/2014	SL 2013-Sect.12F.4A(e) CCNC	PDF
2/27/2014	02-27-2014 Weekly Letter to Chairmen	PDF
2/27/2014	2/27/2014 Weekly Update	PDF
2/21/2014	02-21-2014 Weekly letter to Chairmen	PDF
2/21/2014	2/12/2014 Weekly letter to Chairmen	PDF
2/21/2014	02-21-2014 Week Update	PDF
2/11/2014	DHHS - IV Shared Savings Update - 2-11-14	PDF
2/11/2014	DHHS - V Property Construction - 2-11-14	PDF
2/11/2014	DHHS - VIII - Staffing 2-11-14	PDF
2/11/2014	DHHS - XI- DCDEE Update 2-11-14	PDF
2/11/2014	DHHS - IX - Status of Nonprofit Orgs 2-11-14	PDF
2/10/2014	Letter to Chairs re Jan LOC (Part IV)	PDF
2/7/2014	02-07-2014 Weekly Update	PDF
2/7/2014	02-07-2014 Letter to Chairmen	PDF

Material Sent from DHHS Central Administration to FRD Regarding Medicaid - (since January 1, 2014)

Date of Transmittal	File Title	Document Type
1/31/2014	01-31-2014 Weekly Update	PDF
1/31/2014	SL 2013-85 LME MCO certifications	PDF
1/31/2014	SL 2013-85 Attachment	PDF
1/25/2014	NC Tracks Update	PDF
1/22/2014	01-22-2014 Letter to Chairmen	PDF
1/22/2014	Weekly Update	PDF
1/18/2014	SHO-13-003 Enrollment Strategies	PDF
1/18/2014	20131021 Acknowledgement Ltr for NC Eligibility	PDF
1/18/2014	Letter to extend cert periods - Jen Ryan	PDF
1/18/2014	NC Extension Approval	PDF
1/16/2014	Certification Status Jul 2013 thru Jun 2014	Excel
1/15/2014	01-15-2014 Letter to Chairmen	PDF
1/15/2014	01-15-2014 Weekly Update	PDF
1/14/2014	Atlas_ACOs_1-14-14	PDF
1/13/2014	DHHS Budget Update_1-14-14	PDF
1/13/2014	DHHS_ChildProtectiveServices_1-14-14	PDF
1/13/2014	DHHS-Managing-Emerg-Closures-2013-1-14	PDF
1/13/2014	JLOC 2014 01 Budget Update Handouts	PDF
1/7/2014	DMA SYF2013-14 Checkwrite Summary Report_SFY2013-14	Excel
1/1/2014	DMA - Health Choice - transfer to Medicaid - ACA	Word
12/31/2013	Alliance Reports	PDF
12/31/2013	NCEQR_Alliciance AuditResults	PDF
12/31/2013	Cardinal Innovations Reports	PDF
12/31/2013	Centerpoint Reports	PDF
12/31/2013	CoastalCare Reports	PDF
12/31/2013	NCEQR_CardinalAuditResults	PDF
12/31/2013	NCEQR_CenterPointAuditResults	PDF
12/31/2013	NCEQR_CoastalCareAuditResults	PDF
12/31/2013	EastPointe Reports	PDF
12/31/2013	ECBH Reports	PDF
12/31/2013	MeckLINK Reports	PDF
12/31/2013	NCEQR_EastpointAuditResults	PDF
12/31/2013	NCEQR_ECBHAuditResults	PDF
12/31/2013	NCEQR_MeckLINKAuditResults	PDF
12/31/2013	NCEQR_PartnersAuditResults	PDF
12/31/2013	NCEQR_SandhillsAuditResults	PDF
12/31/2013	NCEQR_SmokyAuditResults	PDF
12/31/2013	Partners Reports	PDF
12/31/2013	Sandills Reports	PDF
12/31/2013	Smoky Mountain Reports	PDF

Claims "Backlog" Issue

Final FRD Medicaid Budget Estimate

Final Medicaid Budget Estimate

Budget Shortfall:

- We do not have reliable claims/enrollment data; therefore we do not have a forecast. We have reviewed all of the information made available to us to provide estimates for both the current fiscal year and FY 14-15.
- We have used overall expenditure data to try and estimate what the current budget situation is.

State Appropriations	FY 13-14	FY 14-15
Best Case		
Estimated Backlog	($134 million)	
Medicaid Shortfall	($66 million)	($156 million)
HealthChoice Surplus	$9.4 million	$15 million
Best Case NET SHORTFALL	($57 million)	($141 million)
Worst Case		
Estimated Backlog	($160 million)	
Medicaid Shortfall	($117 million)	($239 million)
HealthChoice Surplus	$9.4 million	$15 million
Worst Case NET SHORTFALL	($108 million)	($224 million)

- **Claims and Applications "Backlog":**
- This revised estimate is based on the provider survey data (emailed to us yesterday by OSBM and completed by the NC Hospital Association), and communication between fiscal staff and several large hospitals. Based on the data and our conversations, we realized our number for claims backlog was too low (see attached chart).
- We have reviewed OSBM and DHHS estimates for enrollment. We have major concerns about the enrollment numbers being used as the basis for their calculations (see attached graph). However, based on the most recent information provided we did lower our estimated enrollment backlog calculations.

Source: Fiscal Research Division, received by OSBM, June 24, 2014.

NC Hospital Association Survey

NCTracks Survery
Based on Request April 2014
As of: April 30, 2014

	Institutional & Professional Claims		Overall Impact of Medicaid Outstanding Accounts Receivable	
Hospital or System	Billed Denied/Pended Cash Due	Billed Denied/Pended Accounts Receivable	Percentage increase/(decrease) in cash compared to last year	Percentage increase/(decrease) in AR dollars compared to last year
Novant System Note 1	$4,000,000	$26,972,556		58.40%
Cape Fear - Note 2		$15,380,182		28.40%
Highsmith Rainey LTAC		$13,323,974		
Bladen		$2,052,256		18.00%
New Hanover		$5,423,697		56.00%
Pender		$347,529		52.00%
Lenoir	$2,500,000			133.00%
FirstHealth	$2,500,000	$5,500,000		
Nash	$1,897,472			
UNC System Note 3	$57,035,812		-40.60% 7% IP & 81% OP	
Carolinas Healthcare System - Note 4	$61,834,218		-13.00%	
Catawba Valley	$2,037,455	$6,634,053	-129.00%	
Scotland Health	$1,109,934		-27.19%	30.30%
Vidant Medical - Note 5		$6,921,502		43.68%
Vidant Beaufort		$391,854		132.97%
Vidant Bertie		$15,365		13.63%
Vidant Chowan		$195,934		47.17%
Vidant Duplin		$918,809		133.40%
Vidant Edgecombe		$380,348		111.00%
Vidant Outer Banks		$259,886		80.44%
Vidant Pungo		($36,841)		-23.02%
Vidant Roanoke Chowan		$419,448		82.12%
Maria Parham		$565,341		-15.00%
Halifax		$1,113,754	-42.00%	122.00%
Northern Hospital Surry	$551,179	$1,450,471		
Blowing Rock		$267,226		
Sampson		$535,000		42.00%
J Arthur Dosher		$22,166		9.64%
Morehead	$534,868			18.00%
WakeMed - Note 6		($6,526,359)		-17.38%
Randloph		$7,200,000		50.00%
Mission System - Note 7		$42,088,671		
Lake Norman		$89,051		
Sandhills		$214,906		
Davis Regional		$377,211		
Southeastern		$18,838,120		
Wayne		$11,477,444		133.00%
CarolinaEast - Note 8				
Caromont Health - Note 9		$28,312,183		57.70%
Albemarle - Note 10		$4,081,265		
Granville		$2,060,602	-6.58%	106.48%
Betsy Johnston/Harnett Health	$1,000,000			
Onslow		$384,478		35.20%
Park Ridge	$2,340,956			
Duke System	$4,000,000			
Our Community	$817,000			
Total	$142,158,894	$197,662,082		

Updated FRD Claims Backlog Estimate

From: Steve Owen (Fiscal Research) [mailto:Steve.Owen@ncleg.net]
Sent: Tuesday, June 24, 2014 1:27 PM
To: Pope, Art; Kilpatrick, Pam; Gurley, Tony; Mark Trogdon (Fiscal Research, Director); Davis, Rod
Cc: Rudy Dimmling (rdimmling@alvarezandmarsal.com); rudydimmling@dhhs.nc.gov; Susan Jacobs (Fiscal Research); Alexander, John G
Subject: Updated FRD Numbers

Attached are several spreadsheets with updated calculations for the Medicaid SFY 2013-14 shortfall and SFY 2014-15 rebase based on information and data that we have received from OSBM/DHHS and obtained from conversations with providers. The updated estimates include a best and worst case for Medicaid and Health Choice.

A summary of the key changes are reflected below:

	5/29/14 Original	6/17/14 Old Revised	6/24/14 Best Case	6/24/14 Worst Case	
Application Backlog	$250M	$286M	$179M	$222M	utilized the pending applications data from DHHS and integrated other assumptions based on actual or historical data
Claims Backlog	$157M	$ 26M	$212M	$241M	utilized NCHA survey, augmented by conversation and data from 3 large systems, adjusted based on data, actual spending and assumptions regarding overlap with application backlog
SFY 2013-14 Net Shortfall	($94M)	($60M)	($57M)	($ 108M)	used actual expenditures through May 2014, updated with backlog calculations and annualized spending and achieved reduction items
SFY 2014-15 Rebase	($192M)	($170M)	($ 141M)	($ 224M)	based on SFY 2013-14 spending adjusted to annualize 2014 budget reductions, woodwork based on original projections, transfer of children from Health Choice, 1.1% enrollment growth, 4.2% utilization growth, change in enrollment mix to more expensive recipients, and an improved FMAP. The worst case estimate also includes the impact of presumptive eligibility and provider "churn" or increased utilization in response to rate reductions.

FRD Claims Backlog Estimate

CLAIMS BACKLOG							
	NCHA Original Data **		FRD Adjusted		FRD Adjusted for Volume	
	Denied/Pended Cash Due	Billed Denied Pended	Adjusted Cash Due	Adjusted Pending	Adjusted Cash Due	Adjusted Pending
Novant	4,000,000	26,972,556	2,698,337	4,548,815	2,389,152	4,027,597
Cape fear		15,380,182	-	2,593,807	-	2,286,600
Highsmith Rainey LTAC		13,323,974	-	2,247,036	-	1,989,563
Bladen		2,062,256	-	347,791	-	307,940
New Hanover		5,423,697	-	914,685	-	809,877
Pender		347,529	-	58,609	-	51,894
Lenior	2,500,000		1,686,461	-	1,493,220	-
First Health	2,500,000	5,500,000	1,686,461	927,553	1,493,220	821,271
Nash	1,897,472		1,280,005	-	1,133,337	-
UNC	57,035,812		4,343,691	-	3,846,153	-
Carolinas Healthcare	61,834,218		41,712,387	-	36,932,843	-
Catawba	2,037,455	6,634,053	1,374,435	1,118,607	1,216,948	990,610
Scotland Health	1,109,934		748,744	-	662,950	-
Vidant Medical		6,921,502	-	1,167,284	-	1,033,533
Vidant Beaufort		391,854	-	66,085	-	58,512
Vidant Bertie		15,365	-	2,591	-	2,294
Vidant Chowan		195,934	-	33,043	-	29,257
Vidant Duplin		918,809	-	154,954	-	137,198
Vidant Edgecombe		380,348	-	64,144	-	56,794
Vidant Outer Banks		259,686	-	43,829	-	38,807
Vidant Pungo		(36,841)	-	(36,841)	-	(32,620)
Vidant Roanoke Chowan		419,448	-	70,738	-	62,633
Maria Parham		565,341	-	95,343	-	84,418
Halifax		1,113,754	-	187,830	-	166,308
Northern Hospital of Surry	551,179	1,450,471	371,817	244,616	329,213	216,587
Blowing Rock		267,226	-	45,067	-	39,903
Sampson		535,000	-	90,226	-	79,887
J Arthur Dosher		22,166	-	3,738	-	3,310
Morehead	534,868		360,814	-	319,470	-
WakeMed		(6,526,359)	-	(6,526,359)	-	(5,778,547)
Randolph		7,200,000	-	1,214,252	-	1,075,119
Mission		42,088,671	-	7,098,088	-	6,284,766
Lake Norman		89,051	-	15,018	-	13,297
Sandhills		214,906	-	36,243	-	32,090
Davis Regional		377,211	-	63,615	-	56,326
Southeastern		18,838,120	-	3,176,975	-	2,812,946
Wayne		11,477,444	-	1,935,626	-	1,713,635
CarolinaEast			-	-	-	-
Caromont Health		28,312,183	-	-	-	-
Albemarle		4,081,265	-	-	-	-
Granville		2,080,602	-	347,512	-	307,693
Betsy Johnston	1,000,000		674,584	-	597,288	-
Onslow		384,478	-	64,841	-	57,411
Park Ridge	2,340,956		1,579,172	-	1,398,225	-
Duke System	4,000,000		2,698,337	-	2,389,152	-
Our Community	817,000	-	551,135	-	487,984	-
TOTAL	142,159,894	197,662,082	61,766,578	22,415,560	54,689,157	19,847,111
	Medicaid Rate:	Billed Charges				
			Paymnt Rate	25.0%		
TOTAL				84,182,138		[illegible]
						212,960,766
				Application Crossover		10%
** Does not include all provider groups						

Source: Fiscal Research Division, received by OSBM, June 24, 2014.

FRD Claims Backlog Estimate

CLAIMS BACKLOG

	NCHA Original Data **		FRD Adjusted		FRD Adjusted for Volume	
	Denied/Pended Cash Due	Billed Denied Pended	Adjusted Cash Due	Adjusted Pending	Adjusted Cash Due	Adjusted Pending
Carolinas Healthcare	61,834,218		41,712,387	-	36,932,843	-
TOTAL	142,158,894 Medicaid Rates	197,662,082 Billed Charges	61,766,578	22,415,560	54,689,157	19,847,111
			Payment Rate	25.0%		
TOTAL				84,182,138		74,536,268
						212,960,766
				Application Crossover		10%

**** Does not include all provider groups**

Source: Excerpt from Fiscal Research Division information received by OSBM, June 24, 2014.

Recommended Revision for FRD Claims Backlog Estimate

CLAIMS BACKLOG

	NCHA Original Data **		FRD Adjusted		FRD Adjusted for Volume		
	Denied/Pended Cash Due	Billed Denied Pended	Adjusted Cash Due	Adjusted Pending	Adjusted Cash Due	Adjusted Pending	
Carolinas Healthcare	61,834,218		10,428,097	-	9,233,211	-	[redacted]
TOTAL	142,158,894	197,662,082	61,766,578	22,415,560	28,184,411	19,847,111	
	Medicaid Rates	Billed Charges					

Payment Rate 25.0%

Source: OSBM, June 26, 2014

Recommended Revision for FRD Claims Backlog Estimate

From: Gombar, Greg [mailto:Greg.Gombar@carolinashealthcare.org]
Sent: Tuesday, June 24, 2014 9:10 PM
To: Gurley, Tony
Cc: McConnell, Martha Ann
Subject: NC Medicaid AR Hos Comparison

Tony,

Per our discussion, below is the information we sent Steve Owen. This is total due so would include both the state and federal share of Medicaid. I will send you the professional service summary in a separate email.

NC Medicaid A/R	May 2013	May 2014	% Increase/ Decrease
CMC-Main	$ 16,354,122.41	$ 28,854,109.63	76%
CMC-Randolph	$ 856,216.69	$ 3,356,327.53	292%
CMC-Mercy	$ 1,147,931.47	$ 3,521,352.85	207%
CMC-Pineville	$ 1,378,749.33	$ 2,251,169.71	63%
Carolinas Rehabilitation	$ 888,949.48	$ 2,232,106.10	151%
CMC-University	$ 1,687,463.60	$ 3,480,164.02	106%
CMC-Lincoln	$ 1,799,028.95	$ 3,463,276.79	93%
CMC-NorthEast	$ 2,915,558.33	$ 4,079,851.40	40%
CMC-Union	$ 1,359,233.27	$ 15,293,516.58	1025%
Cleveland Regional	$ 2,248,543.66	$ 5,412,046.62	141%
Kings Mountain	$ 532,070.79	$ 650,050.97	22%
CHS-Morganton	$ 767,532.11	$ 1,173,118.50	53%
CHS-Valdese	$ 799,842.48	$ 680,539.12	-15%
Total	$ 32,735,242.57	$ 74,447,629.82	127%

$41,712,387 difference

Recommended Revision for FRD Claims Backlog Estimate

CLAIMS BACKLOG

	NCHA Original Data **		FRD Adjusted		FRD Adjusted for Volume	
	Denied/Pended Cash Due	Billed Denied Pended	Adjusted Cash Due	Adjusted Pending	Adjusted Cash Due	Adjusted Pending
TOTAL	142,158,894	197,662,082	61,766,578	22,415,560	54,689,157	19,847,111
	Medicaid Rates	Billed Charges				

Paymnt Rate 25.0%

TOTAL	84,182,138	74,536,268
	240,520,395	212,960,766
	Application Crossover	10%

**** Does not include all provider groups**

Amounts are whole dollars, not state share.

Recommended Revision for FRD Claims Backlog Estimate

CLAIMS BACKLOG

	NCHA Original Data **		FRD Adjusted		FRD Adjusted for Volume	
	Denied/Pended Cash Due	Billed Denied Pended	Adjusted Cash Due	Adjusted Pending	Adjusted Cash Due	Adjusted Pending
TOTAL	142,158,894	197,662,082	30,482,287	22,415,560	26,989,526	19,847,111
	Medicaid Rates	Billed Charges				

Paymnt Rate 25.0%

TOTAL

52,987,848 — 46,836,637

240,520,395 — 212,960,766

Application Crossover — 10%

**** Does not include all provider groups**

Amounts are whole dollars, not state share.

Recommended Revision for FRD Claims Backlog Estimate

From: Hugh Tilson <htilson@ncha.org>
Subject: **Hospitals Medicaid Receivables**
Date: June 25, 2014 12:46:34 PM EDT
To: Steve Owen <steve.owen@dhhs.nc.gov>
Cc: "Sarah Riser (Rep. Justin Burr)" <sarah.riser@ncleg.net>, Kristi Huff <KristiH@nchcfa.org>, brandon.greife@ncleg.net, Nelson Dollar <Nelson.Dollar@ncleg.net>, Ralph.Hise@ncleg.net, Cody Hand <chand@ncha.org>, Amelia Bryant <abryant@ncha.org>

Next Last

Steve:

Thanks for providing us with the information and analysis you're doing related to hospital accounts receivable for Medicaid, including the estimated effects of NC Tracks payment issues.

We have followed up with many hospitals and believe that the numbers included in our April analysis are the upper limit of the amount hospitals are owed due to NC Tracks and Medicaid payment issues. Our best analysis leads us to believe that the amounts owed to hospitals are less than those contained in the the April analysis.

We do not understand the portion of the analysis related to volume adjustments. Our April analysis and subsequent conversations lead us to believe that the numbers remain consistent over time and that a volume adjustment inappropriately inflates the amounts owed to hospitals. As we said above, it appears that the amounts owed are consistent or below the April levels.

In addition, we need to be very clear that the dollars in our analysis are total, state and federal. We think the numbers you've received from conversations with hospitals are as well. From the hospital perspective, that's the amount they're owed. We believe that the amount the State owes to hospitals the state share of that amount -- approximately one-third of the total amounts identified in our April analysis and that you've received from hospitals.

Recommended Revision for FRD Claims Backlog Estimate

From: Steve Owen (Fiscal Research) [mailto:Steve.Owen@ncleg.net]
Sent: Tuesday, June 24, 2014 1:27 PM
To: Pope, Art; Kilpatrick, Pam; Gurley, Tony; Mark Trogdon (Fiscal Research, Director); Davis, Rod
Cc: Rudy Dimmling (rdimmling@alvarezandmarsal.com); rudydimmling@dhhs.nc.gov; Susan Jacobs (Fiscal Research); Alexander, John G
Subject: Updated FRD Numbers

Next Last

Attached are several spreadsheets with updated calculations for the Medicaid SFY 2013-14 shortfall and SFY 2014-15 rebase based on information and data that we have received from OSBM/DHHS and obtained from conversations with providers. The updated estimates include a best and worst case for Medicaid and Health Choice.

A summary of the key changes are reflected below:

	5/29/14 Original	6/17/14 Old Revised	6/24/14 Best Case	6/24/14 Worst Case
Application Backlog	$250M	$286M	$179M	$222M
Claims Backlog	$157M	$ 26M	$212M	$241M
Revised claims backlog			$47M	$53M
SFY 2013-14 Net Shortfall	($94M)	($60M)	($57M)	($ 108M)
SFY 2014-15 Rebase	($192M)	($170M)	($ 141M)	($ 224M)

utilized the pending applications data from DHHS and integrated other assumptions based on actual or historical data

utilized NCHA survey, augmented by conversation and data from 3 large systems, adjusted based on data, actual spending and assumptions regarding overlap with application backlog

used actual expenditures through May 2014, updated with backlog calculations and annualized spending and achieved reduction items based on SFY 2013-14 spending adjusted to annualize 2014 budget reductions, woodwork based on original projections, transfer of children from Health Choice, 1.1% enrollment growth, 4.2% utilization growth, change in enrollment mix to more expensive recipients, and an improved FMAP. The worst case estimate also includes the impact of presumptive eligibility and provider "churn" or increased utilization in response to rate reductions.

DHHS NC TRACKS Unpaid Claims Data

All Hospitals & Affiliated Physicians

- Maximum Estimated Liability: **$54,456,704**

  X .34

- Estimated State Share: **$18,515,279**

Source – NC TRACKS Unpaid Claims Summary Report
Unpaid claims 7/1/13 thru 6/10/14
CSDW Load MARS SAS1/SAS2 for NC TRACKS Checkwrite through 6/10

DHHS NC TRACKS Unpaid Claims Data

All Other Providers

- Maximum Estimated Liability: **$64,829,670**

  X .34

- Estimated State Share: **$22,042,087**

Source – NC TRACKS Unpaid Claims Summary Report
Unpaid claims 7/1/13 thru 6/10/14
CSDW Load MARS SAS1/SAS2 for NC TRACKS Checkwrite through 6/10

DHHS NC TRACKS Unpaid Claims Data

All Providers

- Maximum Estimated Liability: **$119,286,374**

  X .34

- Estimated State Share: **$40,557,367**

Source – NC TRACKS Unpaid Claims Summary Report
Unpaid claims 7/1/13 thru 6/10/14
CSDW Load MARS SAS1/SAS2 for NC TRACKS Checkwrite through 6/10

Applications "Backlog" Issue

Applications Backlog Issue

- DHHS provided the Fiscal Research Division with data and worksheets, including a "Comparison of Medicaid Enrollment Data Between 2013 and 2014."

Applications Backlog Issue

Comparison of Medicaid Enrollment Data Between 2013 and 2014

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Total Medicaid Enrollment	1,569,293	1,570,742	1,575,269	1,583,383	1,592,050	1,593,384	1,580,198	1,581,484	1,582,046	1,581,666	1,586,920	1,594,013
Net Change in Medicaid Enrollment During Month		1,449	4,527	8,114	8,667	1,334	(13,186)	1,286	562	(380)	5,254	7,093
Pending Applications as of the End of Month	61,882	63,205	64,222	60,875	58,720	56,373	65,330	63,377	62,823	61,351	58,030	58,110
	Jul-13	**Aug-13**	**Sep-13**	**Oct-13**	**Nov-13**	**Dec-13**	**Jan-14**	**Feb-14**	**Mar-14**	**Apr-14**	**May-14**	**Jun-14**
Total Medicaid Enrollment	1,627,452	1,630,390	1,638,021	1,648,258	1,661,090	1,664,989	1,725,087	1,739,046	1,703,813	1,671,161	1,713,473	1,730,860
Net Change in Medicaid Enrollment During Month	33,439	2,938	7,631	10,237	12,832	3,899	60,098	13,959	(35,233)	(32,652)	42,312	17,387
Pending Applications as of the End of Month	60,708	62,881	63,110	71,792	89,212	110,105	167,385	170,194	185,500	182,767	168,888	
	July	**August**	**September**	**October**	**November**	**December**	**January**	**February**	**March**	**April**	**May**	**June**
Increase/ (Decrease) in Monthly Enrollment from 2013 to 2014	58,159	59,648	62,752	64,875	69,040	71,605	144,889	157,562	121,767	89,495	126,553	136,847
Increase/ (Decrease) in Pending Apps from 2013 to 2014	(1,174)	(324)	(1,112)	10,917	30,492	53,732	102,055	106,817	122,677	121,416	110,858	

Applications Backlog Issue

- FRD, OSBM and DHHS share concerns on the enrollment data but agree that the "Pending Applications" as of the beginning of June, 2014 was 166,698.

- The Fiscal Research Division added 13,122 for "Exchange Not Transferred" applications for a beginning total number of **180,110.**

Applications Backlog Issue

- Based on the most recent data from the Federal CMS as of June 25, 2014, the corrected number of "Exchange Not Transferred" applications is 1,900, so the correct beginning number for a total of pending applications is **168, 598.**

- OSBM and DHHS have not verified the Fiscal Research Divisions methodology, but notes it "did lower our [FRD] estimated enrollment backlog calculations."

Applications Backlog Issue

- Current information does not allow the identification of the "woodworking effect" from enrollment other than from the Federal Exchange, which as of this date is only 3,073 approved applications. There is no evidence or trend that the "woodworking effect" will come close to the 69,683 new enrollees for FY 13-14 funded at $49.6 Million or will exceed 72,426 new enrollees for FY 14-15 funded at $114.1 Million as reported in the 2013 Annotated Conference Report on the Continuation, Expansion, and Capital Budgets, Item 69 at page G 14.

Applications Backlog Issue

- Overall, based on Fiscal Research Division's analysis and the overall growth of Medicaid enrollment of all types, OSBM and DHHS has seen no evidence or trend that enrollment, including pending applications, would exceed the overall Medicaid Rebase of $557 Million, (which is in addition to the "woodworking effect" funding) as reported in the 2013 Annotated Conference Report on the Continuation, Expansion, and Capital Budgets., Item 66, at page G14.

Governor's Recommended Budget
Medicaid Proposal

DHHS and Governor's Recommended Budget began with the enacted budget

Medicaid Certified Budget (State Funds)

	2012-13	2013-14	NET CHANGE	2014-15	NET CHANGE
Beginning Base Budget	2,907,276,302	3,069,576,810	162,300,508	3,083,576,810	14,000,000
Net Legislative Adjustments	194,172,266	392,373,309	198,201,043	524,542,281	132,168,972
Enacted Appropriation*	3,101,448,568	3,461,950,119	360,501,551	3,608,119,091	146,168,972
*** Includes Medicaid "Rebase" Funding**		434,000,000		557,000,000	123,000,000

Budget as enacted

OSBM
psk, April 2014
RECONCILES TO MONEY REPORT/ SESSION LAW

	Medicaid Program Total Enacted Budget		
	2013-14	2014-15	Difference
Beginning Base Budget 2013-14 and 2014-15	**3,069,576,810**	**3,083,576,810**	**14,000,000**
Increases			
Rebase	434,000,000	557,000,000	123,000,000
Cost Settlements	18,000,000	18,000,000	-
Contracts	11,000,000	11,000,000	-
Woodworking from ACA (72,426 new clients)	49,684,791	114,119,120	64,434,329
Health Choice Children to Medicaid (51,000)	22,080,000	46,080,000	24,000,000
MMIS Manual Workarounds	4,828,664	-	(4,828,664)
CCNC Study	100,000	-	(100,000)
Total Increases	539,693,455	746,199,120	206,505,665
Decreases			
Health Homes	(3,757,682)	0	3,757,682
Hospital Provider Assessment	(52,000,000)	(52,000,000)	-
Medicaid Copays	(3,308,100)	(4,962,150)	(1,654,050)
Contract Reductions	-	(2,016,771)	(2,016,771)
Hospital O/P to 70% of Cost	(23,122,268)	(48,002,826)	(24,880,558)
Drug Adjustments	(14,616,627)	(30,185,714)	(15,569,087)
Shared Savings	(26,924,941)	(44,710,352)	(17,785,411)
Rehab Services Limit	(2,748,350)	(5,651,495)	(2,903,145)
Physician Office Visit Limit	(3,676,525)	(7,560,122)	(3,883,597)
Rate Freeze on Services w/ Automatic Increases	(17,165,653)	(26,567,409)	(9,401,756)
Total Decreases	(147,320,146)	(221,656,839)	(74,336,693)
Net Change in Enacted General Fund Appropriations	**392,373,309**	**524,542,281**	**132,168,972**
Total Enacted General Fund Appropriations	**3,461,950,119**	**3,608,119,091**	**146,168,972**

Estimates for SFY 2013-14

An evaluation of actual and projected expenditures for the current fiscal year was the starting point for the recommended budget estimate. SFY 2013-14 serves as the baseline for estimating SFY 2014-15 requirements.

- Original assessment used March 31, 2014 actual and estimated fourth quarter **expenditures and revenues** to project the June 30, 2014 total spending
- Forecast indicated Medicaid expenditures would be a total of $215M or a net of $205 **under budget in total spending** (state share of $70M).
- Underspending was cautiously assumed to be due to complications in provider reimbursements and delays in enrolling eligible beneficiaries in the Medicaid program. The difference between budgeted spending and projected June 30, 2014 spending was referred to as **"backlog**."
- Unspent funds remaining at June 30, 2014 were recommended to be retained in the Medicaid program and used **to fund the potential backlog** as it cleared in SFY 2014-15.
- Recommended budget did not differentiate between claims processing and enrollment backlogs

Update since the initial submission

The NC Medicaid Program made the final NC TRACKS checkwrite to health care providers on Tuesday, June 24, 2014, coming in $204M (approximately $71M state share) under budget. Final unexpended balances and state cash remaining at June 30 will be dependent upon remaining non-checkwrite payments and collection of receipts through June 30.

NC Checkwrite Summary Report for SFY 2013-14

Certified Budget Allocated for Medicaid Checkwrites for SFY 2013-14	$ 10,180,229,012
Actual Checkwrite total expenditures	9,976,179,856
Balance Under/(Over) Budget	$ 204,049,156

Preliminary Report dated June 24, 2014, Subject to Final Accounting, Source DHHS

Update since the initial submission – DHHS estimated cash at 6/30/2014

In addition to cash from unspent program expenditures, the program will carry forward all cash remaining at June 30 that is from the federal share of repayments and rebate collections. Final accounting will be available at June 30, July 25, 2014 DHHS estimate as follows:

Breakdown of June 30 Cash Balance by components (Updated as of June 25)	
June 30 Ending Cash Balance before Drug Rebate Federal Payback Carryforward *	57,347,237
Federal Payback of June 23 - June 30 Drug Rebates at base FMAP -- to be paid in July	39,014,882
Federal Payback of Enhanced Share Drug Rebates -- to be paid in July	13,000,000
Undispostioned Receipts Carryforward -- assumed 100% Federal	13,761,674
Total Ending June 30 Cash Balance	$ 123,123,793

Source: NC DHHS, Estimate 6/25/2014

Current year one time impacts to cash (reducing cash): are changes in accounting for federal shares of drug rebates/refunds ($64,131,731), and 100% state funded hardship payments totaling $15,658,005, where the federal share ($10,177,703) will be received next SFY.

Actual Cash on Hand, 6/25/2014 (updates daily)

AK04 CASH MANAGEMENT CONTROL SYSTEM 06/25/14

BUDGET CODE 14445 DHHS-MED ASSIST-GEN DISBURSING ACCOUNT NUMBER= 0 000 019 A
2 000 299 B
CURRENT BALANCES 0 000 000 C

APPROPRIATIONS:		ALLOTMENTS:	
ORIGINAL APPROPRIATION	3,461,950,119.00	GROSS ALLOTMENT	3,471,055,482.00
TOTAL TRANSFERS	5,477,892.00	NET ALLOTMENT	3,408,110,423.08
TOTAL PREV YEAR TRNSFRS	.00	YR TO DATE RECP	662,244,989.42
TOTAL C&E TRANSFERS	.00	YR TO DATE EXPN	3,945,281,158.56
ADJUSTED APPROPRIATION	3,467,428,011.00	CUR BALANCE(#1)	125,074,253.94
APPROPRIATION BALANCE	59,317,587.92	PREV BALANCE(#2)	.00
		MONTH END MAY	1,532,951.79

Estimates for State Fiscal Year Ending June 30, 2015

- For the State Fiscal Year Ending June 30, 2015, no adjustment was made to administrative overhead because state staffing and operational costs are not subject to the rebase budget process.

  For the funds related to claims administration, CCNC claims and drug rebates several different growth factors were reviewed ranging from the increase in expenditures for North Carolina over the past five years, increase in budget between SFY 2013-2014 and SFY 2014-2015, and the increase in expenditures for SFY 2014-2015 based on information for non-Medicaid expansion states from CMS. These percentages were applied to the baseline information from SFY 2014 to determine a baseline for SFY 2015.

  Additional adjustments in the base for SFY 2014 were made to the claims fund as follows on the next slide:

Estimates for State Fiscal Year Ending June 30, 2015

- Incorporate a full year of the ACA Woodwork based on an estimated enrollment of 26,694 (enacted budget assumed and funded enrollment of 72,426)
- Annualize Health Choice initial transfer of 51,000 beneficiaries for SFY 2014 (as assumed and funded in enacted budget)
- Annualize Health Choice transfer of additional 20,000 beneficiaries for SFY 2014 (to fund the actual transfer of 71,000 children)
- Increase amount for transfer of additional 20,000 beneficiaries for SFY 2015
- Annualize budgeted savings for SFY 2014 for Medicaid copayments
- Annualize budgeted savings for SFY 2014 for hospital outpatient at 70% of cost
- Annualize budgeted savings for SFY 2014 for cost savings through drug adjustments
- Annualize budgeted savings for SFY 2014 for shared savings
- Annualize budgeted savings for SFY 2014 for rehab services limitation
- Annualize budgeted savings for SFY 2014 for physician office limitation

Estimates for State Fiscal Year Ending June 30, 2015

- Based on information available as of the end of March 2014, no adjustment is recommended to the State General Fund rebase of $557 million already enacted for SFY 2014-2015 (an increase of $146 million over the current year Medicaid State funded rebase).

  A nonrecurring statewide Medicaid reserve of $50 million is recommended to account uncertainty in estimating and to accommodate growth in the Medicaid program.

  Conclusion

  The Governor's recommended budget agreed with the General Assembly's 2013 enacted budget as a reasonable funding level and recommended additional funding of $50M via a Medicaid Risk Reserve to mitigate risk, in addition to $100M unappropriated on the "bottom line."

Conclusion

Conclusion by Art Pope, State Budget Director

The good news is that for the first time in three years the state does not have an end of the year Medicaid shortfall that required a supplemental appropriation for additional funding.

The good news is that DHHS will have approximately $70 million in cash and reversions to carry forward from FY 13-14 to FY 14-15 to pay the state share of a "backlog" from claims and enrollments from FY 13-14, which will be processed and due and payable in FY 14-15.

The unfortunate news is that due to the increased, but delayed, enrollment from the Affordable Care Act, including the "woodworking" affect, as well as the utilization of new computer systems, NCFAST and NCTRACKS, all parties agree that there is not reliable data to do a formal forecast.

OSBM respectfully declines to agree to the "Final Medicaid Budget Estimate" prepared by the General Assembly Fiscal Research Division, because it is based on a "claims backlog" analysis that appears to include a major mathematical error, confusing "whole dollars" with state dollars. Furthermore it is based on misapplication of data from a survey of providers, as confirmed by providers.

OSBM is unable to respond to the question in regard to "a backlog increase of $151,000,000" due to a lack of detail as to what is being referred to, and being unable to identify this figure in information previously provided by the Fiscal Research Division.

In regard to a *"$215,000,000 figure"* OSBM does of course endorse the Governor's Recommended Budget released May 14th, 2014 for the reasons previously stated, including it being based upon the methodology and funding levels by the Appropriations Act of 2013, Senate Bill 402 (2013), 2013 Session Laws, Chp. 360, and the accompanying Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated July 21, 2013, which this Senate enacted just eleven months ago.

Governor McCrory's Recommended Budget does include a $50 Million Medicaid Risk Reserve and $100 Million unappropriated for Fiscal Year 14-15, in the event actual the Medicaid expenditures and receipts are different than the budget. This would fund a potential Medicaid shortfall of approximately $450 Million in "whole dollars." Governor McCrory has stated his willingness to discuss increasing the $50 Million Risk Reserve, especially since the Senate left zero dollars unappropriated for Fiscal Year 2014-15.

If the Senate agrees to revisions and corrections to the Fiscal Research Division's "Final Medicaid Budget Estimates," then the Senate, House and Governor may not be very far apart in their position as to the amount of funding adjustments needed for Medicaid in SB 744, the Appropriations Act of 2014.

On behalf of the Governor, OSBM looks forward to continuing to work with both the Senate and House to enact a balanced budget that meets the needs and priorities of the citizens of North Carolina, without imposing unnecessary hardships.

VISITOR REGISTRATION SHEET **ATTACHMENT 5**

APPROPRIATIONS/BASE BUDGET

DATE: June 26, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Annaliese Dolph	DC
Evelyn Hawthorne	ETOR
Aaron Mullis	DHHS
Eric Guckian	Governor's office
Mildred Spearman	NCADC
Matt Wolfe	PPAR
David Heiner	pc Center for Nonprofits
Stan Williams	NCS
Sherri Gee	United
Chris McClure	BP
Chris Killian	Nelson Mullins
Sania Blevins	Civitas
Mark Stone	SEANC
Suzanne Bentley	SEANC
Rhiannon Bell	NCMMC
Meryl Murtagh	MLS
Shawnta Martin	NCLM

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 26, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Martha Jenkins	DCR
Ashley Jones	DOC
Vanessa Voogler	BMLI
Philip Isley	BMLI
Ryan Minto	DOR
NICHOLE KARLIN	NAMI NC
Kay Castillo	NASW-NC
Matt Gross	NCPC
Gretchen Cleavey	NCDPI
Rachel Beaulieu	"
Bill Hussey	"
Harry Tyndall	MWC
Zack Woods	East Seals UCP
Paul Hoffman	Talbert Inc.
Dana Bacon	Thurman Sanders
Ryan Combs	NCDPS
Jarret Burr	NCDPS

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 26, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rebecca Tuma	NCACC
Johanna Reese	NCACC
MATT GUNNET	"
Amanda Stratton	"
[illegible]	RP
Bill Rustin	AFP
Drew Moretz	UNC GA
Jennifer Gasperini	NCMS
[illegible]	FSP
Tom Fetzer	FSP
Meghan Cook	ITS
Tammy Swa	NWA
Cindy Brandon	DPS
[illegible]	FSP
Don Herron	WM
Jaye Peters	CSS
J Peters	CSS
JOE LANIER	NELSON MULLINS

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 26, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Erin Gray	Governor's Office
Michelle Frazier	MFTS
Gene Causby	NCSCA
Lacy Presnell	NCRSP
[illegible]	NCICU
Richard Thompson	NCCAT
Angel Sams	CR
[illegible]	[illegible]
[illegible]	NCAAA
Tracy Kimbrell	Parker Poe
Dana Sipes	Smith Anders
[illegible]	Bom: Asso.
Ken Melton	K.M.A.
[illegible]	NCAOA
Cady Thomas	NCAR
Sharon Carter	HOVA
Bill Stogner	FS
Thomas Caves	NCSBI
[illegible]	CSS

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 26, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lori Krou	Novant Health
Allison Waller	Nelson Mullins
Carley Ruff	NCHC
Connor Randolph	NCMS
Hayes Griggs	CCNC
Amanda Honaker	Troutman Sanders
	NCNA
Peter Parker	Daily Planet
Bearman	Gotham City
LtCol Robert Carver	NC National Guard
TOM BOWLIN	NA " "
Isabel Villa-Guzman	NCSBA
	K+L Gates
Katherine Newton	John Locke Foundation
	Attorney at law
Steve Metcalf	Policy Group

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 26, 1014

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bill Gray	DPS/SHP
Daphne Lyon	OSBM
JOE WHITE	OSBM
John Alexander	OSBM
Wayne Welliam	OSBM
PAIGE WORTHAM	NCCPPR
SAM WATTS	NC Dept of State Treasurer
Colleen Kochanek	NCCEP
Lori Ann Harris	LATTA
Wes Kyatt	NCGA
Robert S. Lee	R. Lee & Assoc.
Katherine Joyce	NCASA
Tom West	Poyner Spruill LLP
FRANK HILL	Public Sector Group
Zane Yates	Centene Corp.
Christine Wilson	NCS CAN