

2015-2016

**SENATE
PENSIONS &
RETIREMENT & AGING**

MINUTES

Senate Pensions and Retirement & Aging

Membership

Senator Tom Apodaca, Chair

Senator Rick Gunn, Co-Chair

Senator David Curtis

Senator Joyce Waddell

Senator Warren Daniel

Senator Angela Bryant

Senator Louis Pate

Senator Ronald Rabin

Senator Shirley Randleman

Senator Jane Smith

Senator Jeff Tarte

Senator Andy Wells

Senator Jeff Jackson

Senator Paul Lowe



MINUTES

Joint Pensions & Retirement and Aging

March 3, 2015

The Joint Pensions & Retirement and Aging committee met on Tuesday, March 3, 2015 at 10:00 a.m. The meeting was held in room 423 of the Legislative Office Building. Thirteen Senate members of the committee were present. Senator Tom Apodaca presided.

Senator Apodaca introduced the Pages and the Sergeant at Arms. Senator Apodaca introduced members of the North Carolina Retirement Division for a presentation. The following are who spoke to the committee:

Steve Toole- Deputy Treasurer of the NC Retirement Division

Sam Watts- Policy Analyst for the NC Retirement Division

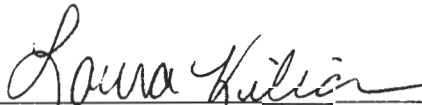
Tony Solari- Director of Governmental Relations for the NC Retirement Division

Senator Apodaca opened the floor for questions from the members.

The meeting adjourned at 11:05 a.m.



Senator Tom Apodaca, Presiding



Laura Kilian, Committee Assistant



**Senate Committee on Pensions & Retirement and Aging
Tuesday, March 3, 2015, 10:00 AM
544 Legislative Office Building**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Presentations

The North Carolina Retirement System will be giving a presentation to the Committee.

Steve Toole- Deputy Treasurer of the NC Retirement Division

Sam Watts- Policy Analyst for the NC Retirement Division

Tony Solari- Director of Governmental Relations for the NC Retirement Division

Other Business

Adjournment





Who Are We?

- Retirement Systems is a Division of the N.C. Department of State Treasurer
- The Department operates almost all the major public employee benefit programs in North Carolina, including pensions, the state health plan, and voluntary supplemental retirement savings plans
- State pension plan was created by the General Assembly in 1941
- 10th largest pension plan in the United States
- 28th largest pension plan globally
- Triple A bond rating by all three rating agencies
- Membership of over 940,000 active and retired public employees (Teachers, State & Local Government Employees)
- 1 in 9 working North Carolinians are members of system
- If you have constituent services needs feel free to contact Tony Solari 919-807-4994 or anthony.solari@nctreasurer.com.

Thanks for your continued support of the Retirement System!!! In 2014 you provided:

- Full funding of retirement contributions
- Support for important plan changes like anti-pension spiking cap

Purpose of Retirement Systems

- Recruit and retain qualified employees for a career in public service
- Provide income after retirement
- Provide replacement income for disability
- Provide death benefits for an employee's survivors



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Mission Statement

Everything starts with our mission, which shares our purpose as division and serves as the basis for our decisions and actions

- To secure the retirement of North Carolina public servants...
- To deliver comprehensive personalized solutions and services...
- To provide exceptional customer experience...
- To protect the integrity of the North Carolina Retirement Systems...



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Vision Statement

Our vision serves as our roadmap and guides us by describing what we need to accomplish in order to effectively deliver on our Mission long term

- **People:** Be a great place to work where people are inspired to be the best they can
- **Productivity:** Be a highly effective; lean and fast moving division
- **Portfolio:** Package a portfolio of services that anticipates and satisfies member needs and desires
- **Process:** Develop and maintain efficient processes that are measurable, customer friendly and manage accountability
- **Predict:** Leverage data analytics to predict trends and be an industry voice at the state and national levels on retirement matters and innovation
- **Protect:** Set the highest standards in the development and rigorous enforcement of our pension protection policies and procedures



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2014 Top Level Metrics

- **Retirement Readiness** – 70% of all active NC public servants age 62 or older are on track to replace 80% of their pre-retirement income in retirement. The following sub-goals are being pursued to help us achieve our top-level metric of 70%:
 - 457 Participation: 12.25%
 - 401(k) Participation: 27%
 - 457 Average Contribution: \$130
 - 401(k) Average Contribution: \$160
 - 457 GoalMaker Participation (new/existing): 91.5%/55%
 - 401(k) GoalMaker Participation (new/existing): 89.50%/55%
- **Member Satisfaction** – 4.25 member overall satisfaction score (scale of 1 to 5)
 - Daily survey results from customer experiences in Retirement Processing, Benefit Processing, and Member Services
 - Monthly metric results for turn around time, paid on time percentage, and other key performance measures
- **Employee Engagement** – 3.05 employee overall satisfaction score (scale of 1 to 4)
 - Annual survey results from employee
- **Fiscal Integrity** – success on the following sub-goals:
 - Implementation of Pension Spiking
 - Progress towards 100% overall funding percentage
 - Establishment of a Compliance Team
 - Continued automation efforts



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N.C. Retirement Systems

	2010-2011	2011-2012	2013-2014
DEFINED BENEFIT ("DB" or Pension) PLANS			
Total Assets in N.C. Retirement Systems	\$74.9 billion	\$74.5 billion	\$90.1 billion
Amount Delivered to Retirees	\$4.3 billion	\$4.6 billion	\$5.1 billion
Retirees Receiving Benefits	242,000	254,000	276,162
Average Hold Times for RSD Call Center	51 seconds	63 seconds	9 min 45 sec
New Retirements Processed During the Year	14,642	15,992	15,917
DEFINED CONTRIBUTION ("DC") PLANS			
Total Assets in Supplemental 401(k)/457 Plans	\$6.3 billion	\$6.5 billion	\$8.4 billion
401(k) Plan Members	224,644	227,711	244,534
457 Plan Members	34,149	38,268	49,792



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Major Defined Benefit Programs

- Teachers' & State Employees' Retirement System
 - Active Members: 310,370
 - Retired Members and Survivors: 187,448
- Local Governmental Employees' Retirement System
 - Active Members: 123,455
 - Retired Members and Survivors: 57,405
- Consolidated Judicial Retirement System
 - Active Members: 566
 - Retired Members and Survivors: 584
- Legislative Retirement System & Legislative Fund
 - Active Members: 170
 - Retired Members and Survivors: 311



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Defined Benefit Formula

- Years of Service × Average Final Compensation (48 highest consecutive months salary) × Accrual Factor = Benefit Level
- For the State Plan, the accrual factor is 1.82%
- After 30 years of service, pension will be approximately 54% of Final Average Salary
- For example, the formula for an employee who retires with 30 years of service from the state system with a final average salary of \$40,000 would look like this: 30 years x \$40,000 x .0182 = \$21,840 per year or \$1,820 per month



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Other Defined Benefit Programs

- Firemen's & Rescue Squad Workers' Pension Fund
- National Guard Pension Plan
- Registers of Deeds Supplemental Pension Plan
- Disability Plan(s)
 - North Carolina provides replacement income to employees who become physically or mentally disabled and unable to work
 - Short-term disability benefit is provided initially through the disabled employee's employer.
 - Extended short-term and long-term disability benefits are provided through the Retirement System.
- Death Benefit(s)
 - The Retirement System administers the Death Benefit Plan, which is a life insurance policy for active employees.
 - An active employee's family is eligible to receive between \$25,000 and \$50,000 - depending on salary at the time of an active employee's death.



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Retiree Contributory Death Benefit

- Optional participation – one time opportunity to join at time of retirement
- Funded by retiree contributions
- Contribution rate based on age
- Provides \$10,000 of coverage

The Department of State Treasurer recommends that a voluntary open enrollment period be authorized by the General Assembly within the next two years so that retirees who did not sign up when they retired may have the chance obtain this benefit.



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Defined Contribution Plans

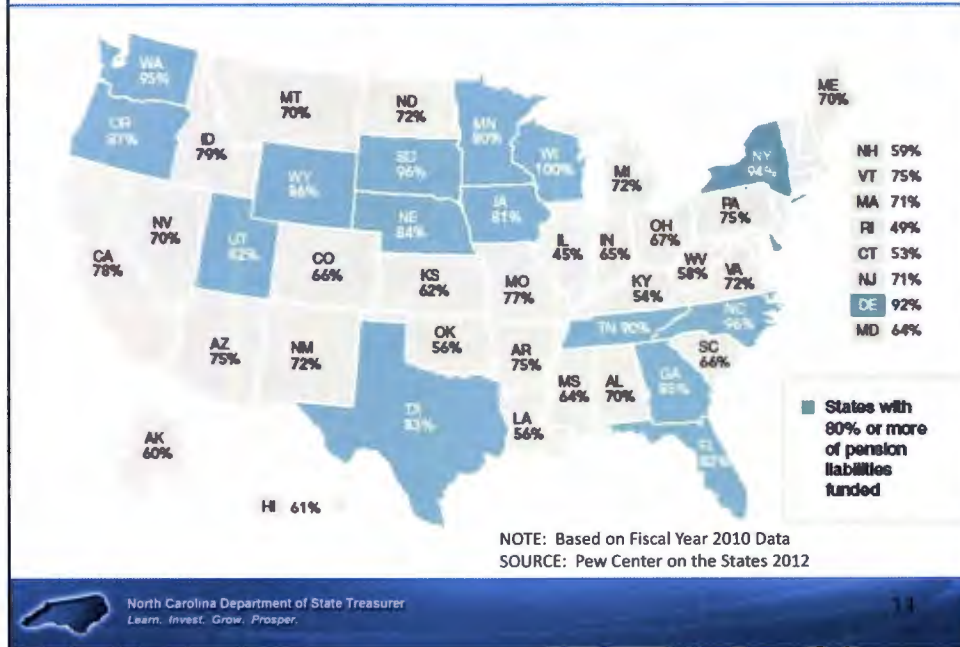
- NC 401(k)
- 457 Deferred Compensation Plan
- NC 403(b) Program
- UNC Optional Retirement Program



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Retirement System Funding



How do we stack up against other states?

- Despite using more some of the most conservative assumptions, we are currently ranked the second best funded system in the nation
 - We assume a 7.25% rate of return on investments, the fourth lowest among state plans.
 - We use an amortization period of 12 years, while the average among state plans is 25.9 years.
 - We use a more conservative actuarial cost method than many of the states that report a higher funded ratio.

ARC/Funded Status for Fiscal Year 2015

95% Funded

5% Unfunded Liability

- 2012 = \$3.7 Billion
- 2013 = \$3.4 Billion



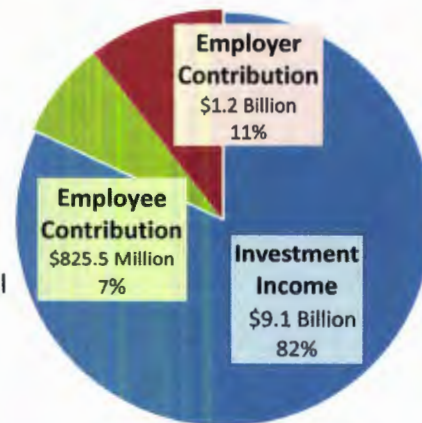
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How the Funding Process Works

Three Sources of Funding (FY14#)

- Employee Contributions
- Investment Income
- Employer Contributions
 - Appropriations by the General Assembly



*Benefit Payments for this time period totaled \$4 billion.



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Role of the General Assembly

- The General Assembly establishes the employer contribution rate annually.
 - Consensus payroll estimates are developed by the Treasurer's office, the state budget office, and the fiscal research division.
 - The annual required contribution is estimated by the system's actuary.
 - The Board of Trustees makes funding recommendations to the General Assembly.
- The General Assembly has only failed to meet the annual funding obligations of the retirement system for one year since the system's inception in 1941.
- Because of this responsible approach, N.C. remains among the top 5 best funded state plans.



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ARC/Funding for Fiscal 2015 (Current Year)

- ARC—Annual Required Contribution
- Employer Contribution for 2015 = 9.15%
- General Fund Estimate of \$905 million



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Projected Funding Needs for Next Five Years

Option 1: Baseline Funding of ARC

Fiscal Year	New Money Requested	Biennial Total
2016	(\$45.5 million)	(\$102.9 million)
2017	(\$57.4 million)	
2018	(\$41.1 million)	(\$62.6 million)
2019	(\$21.5 million)	
2020	(\$3.6 million)	

- For 2016 Budget – projected in January 2015
 - 8.69% of Payroll
 - Estimated General Fund Cost of \$860 million
 - Estimate is \$45 million less than current year



Cost of Living Adjustments (COLAs)

- History of COLAs in NC
- Ad-hoc in NC vs. Statutory
- Historically funded with undistributed gains
- The Treasurer and the Board of Trustees recommend that you grant a 1% COLA for state retirees this year
- Each 1% of Retiree COLA = .39%
(or \$54 million/\$39 million General Fund in Current Budget)

The Treasurer & Board of Trustees of the Retirement System recommend a 1% COLA for retired teachers and state employees.



Impact of Inflation on Benefits

Year of Retirement	Cumulative Inflation	Cumulative Adjustments and COLAs	Purchasing Power Today as % of Original
1992	70%	60%	94%
1997	48%	31%	89%
2002	33%	15%	87%
2007	16%	4%	90%
2012	4%	1%	97%

How to read this: "Every dollar that a 2002 retiree receives this year will buy 87¢ worth what it would have bought in 2002, the first year he or she retired."



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Projected Funding Needs for Next Five Years

Option 2: With 1% COLA in 2016[#]

Fiscal Year	New Money Requested	Biennial Total
2016	(\$6.9 million)	(\$25.7 million)
2017	(\$18.8 million)	
2018	(\$ 1.4 million)	\$18.1 million
2019	\$19.4 million	
2020	\$38.5 million	

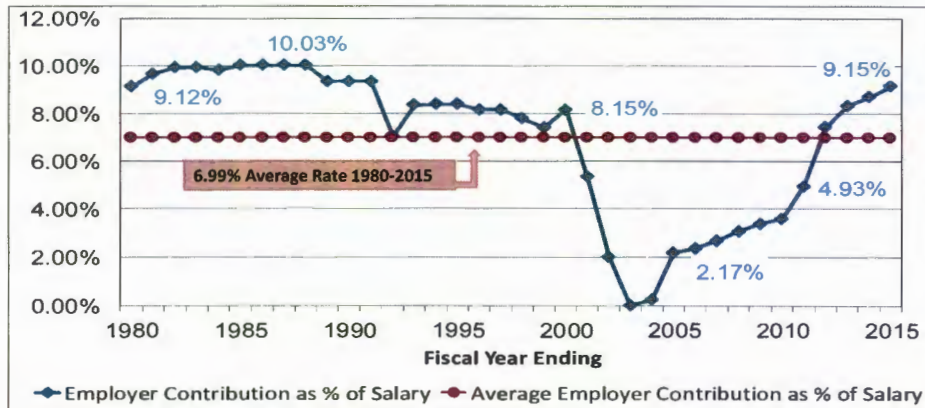
[#] The total amount to be funded over time for the 2016 COLA is an increase in liability of \$378.9 million.



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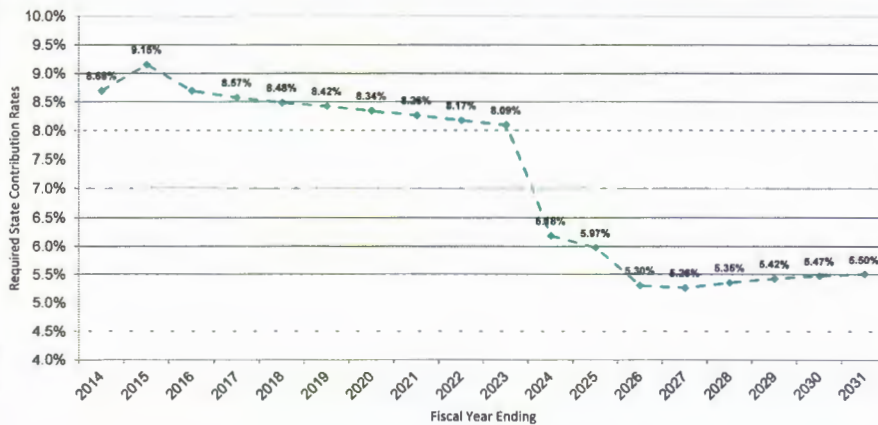
State System Contributions



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State System Projected Contributions



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Pension Fund Investment Returns

Pension Investments Returns as of December 31, 2014

1 Year (2014)	6.19%
3 Years (2012-2014)	10.07%
5 Years (2010-2014)	8.73%
10 Years (2005-2014)	6.14 %



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Asset Allocation in Pension Fund



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Role of the State Treasurer

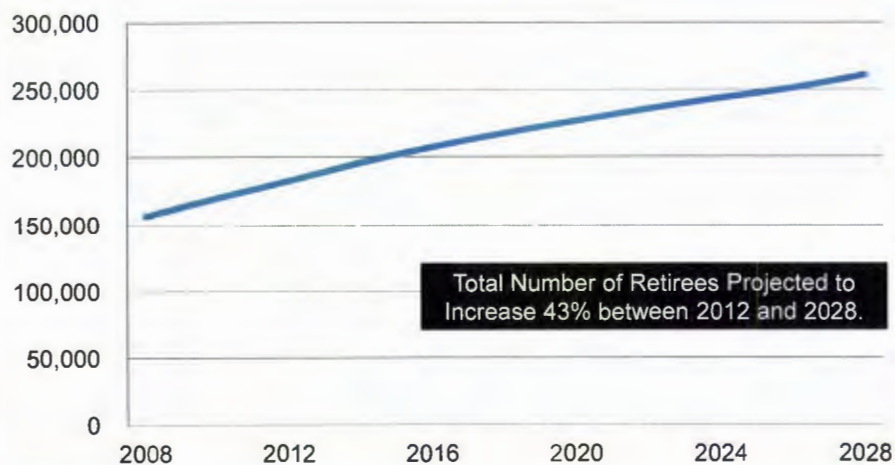
- Treasurer's office operates the system
 - Second lowest administrative cost in the world for a peer retirement system
 - \$23 per active member and annuitant
 - \$64 below peer average of \$87
 - Treasurer is the sole fiduciary for the investments of the system's assets.
- Treasurer's office regularly makes recommendations for adjustments to the plan that:
 - Increase efficiency
 - Reduce cost



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Projected Retirees



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Staffing Levels

RETIREMENT SYSTEM	TOTAL SYSTEM MEMBERSHIP	TOTAL EMPLOYEES	MEMBERS SERVED PER EMPLOYEE
Massachusetts (PERAC)	501,068	466	1,075
Wisconsin (DETF)	430,488	261	1,647
Virginia Retirement System (VRS)	518,625	259	2,002
Tennessee CRS	337,535	85	3,971
North Carolina	941,886	162	5,796

NC peer system employee to member ratio averages 1:1,271

NC employee to member ratio is 1:5,796

(Data as of FY 2014)



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Total Expenses of the Retirement System

- Total expenses included in the Annual Required Contribution (ARC) across all Retirement Systems = \$24.3 million
- Total authorized budget for expenses in all Retirement Systems in fiscal year 2015 = \$18.3 million, which equals 75% of the expense allowance
- Budget requests for recurring authorization to use funds for Retirement Systems operations total \$2.2 million
 - Requests are for retirement receipts that are already being charged to employers as a part of the ARC
 - Requests do not affect current year General Fund availability
 - Nonrecurring requests total \$1.3 million
- Additional budget request to repurpose \$660,000 of an existing recurring Firefighters' & Rescue Squad Worker's Pension Fund General Fund appropriation on a one-time basis



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Policy Issues for Consideration

Anticipated in 2015

- Agency Participation Procedures
- Administrative & Technical Improvements
- Budget Requests to Improve Administration of the System
- Continued Implementation of Changes to Firefighters' & Rescue Squad Workers Pension Fund

Possible Other Major Policy Issues

- Consideration of a State Optional Plan to Provide Retirement Choices
- Setting Minimum Retirement Ages
- Establishing Automatic Enrollment in Supplemental Retirement Plans



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Questions?



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JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Agency Participation Procedures Act of 2015

This act revises the procedures for entry to and exit from the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS) by public agencies in order to protect the fiscal integrity of the systems.

Statutes Affected: 135-5.3; 120-114; 135-8; 128-30

SECTION ONE: Remove Barriers to Participation for Charter Schools

This section removes the 30-day time limit restriction for charter schools to elect to participate in TSERS and requires the board of directors of an entering charter school to adopt a written resolution acknowledging acceptance of the terms and conditions of membership, including the exit procedures in Section Three. This section also provides that the Board of Trustees will approve entry for a charter school based on the results of an actuarial, financial, and legal review.

SECTION TWO: Require Review Prior to Changing Employer Participation in TSERS or LGERS

This section requires the Fiscal Research Division to obtain an opinion from the Attorney General for any legislation that would add an agency to TSERS or LGERS to evaluate whether the agency is eligible for participation. It also requires the Fiscal Research Division to obtain an estimate of the cost of the applicable withdrawal liability for any legislation that would remove an agency from TSERS or LGERS.

SECTION THREE: Require Payment of Withdrawal Liability for an Exiting Agency

This section requires any agency exiting the Retirement Systems that has participated in TSERS or LGERS for more than one year to pay a withdrawal liability before exiting. This withdrawal liability is determined by the Boards of Trustees on advice of the consulting actuary to reflect the exiting agency's share of the System's unfunded accrued actuarial liability plus a risk premium that covers the increased investment, mortality and other actuarial risk for the exiting agency's participants until all benefit obligations for these participants have been paid.

SECTION FOUR: Effective Date

This act becomes effective July 1, 2015

Prepared by Retirement Systems Division staff, January 26, 2015





JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Retirement Technical Corrections Act of 2015

Based upon existing statutory authority, the Department of State Treasurer aims to provide public employees and retirees, including teachers, police officers, firefighters, and public servants from all over the state with secure pensions and retirement. In some instances, the Retirement Systems Division must provide necessary corrections and clarifications to existing statutes and laws to continually provide this service to members. These changes affect the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS).

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SECTION TWO: Change Asset Transfer Date

This section changes the annual deadline for transfers of assets from supplemental employer funds to pension accumulation from the end of the fiscal year to the end of the calendar year. The purpose of this section is to align administrative practices and pertinent statutes.

SECTION THREE: Repeal Vestigial LGERS Investment Statutes

This section repeals superceded LGERS investment statutes that formerly corresponded with their counterparts in the TSERS investment statutes, which were repealed in 1979.

SECTION FOUR: Conform State Law for Funds Recovered from Legal Settlements to Federal Law

This section clarifies a recently amended law pertaining to the rules surrounding funds recovered from legal settlements to correct a conflict with the Federal Exclusive Benefits rule.

SECTION FIVE: Conform Change in Disability Offset for Social Security

This section conforms disability offset date.

SECTION SIX: Effective Date

This act becomes effective July 1, 2015.

*Prepared by the Retirement Systems Division staff
January 14, 2015*





JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Retirement Administrative Changes Act of 2015

North Carolina's 918,000 public employees and retirees rely on the integrity, knowledge, and judgment of the Department of State Treasurer to ensure their pensions are protected. This legislative proposal incorporates provisions that will clarify interpretations of current law and increase efficiency of administration of the retirement systems administered by the Department. These changes affect the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.

SECTION ONE: Change Term Length and Impose Term Limits for Supplemental Board Members

The section changes the length of terms for members of the Supplemental Retirement Board of Trustees from two years to three years. It also sets a limit of two consecutive terms and staggers the expiration of the terms, as recommended by the Association of Governing Boards of Universities and Colleges, in order to ensure stability, flexibility, and continuity of governance.

SECTION TWO: Revenue from Food Service Contracts to Fund Veterans Scholarships

This section authorizes the Department of State Treasurer to contract with outside vendors for food services for employees. The net proceeds from such contracts will be transferred to the Department of Administration to fund the scholarship program for children of North Carolina's war veterans.

SECTION THREE: Clarify Investment Statutes for Commingled Fixed Income

Amends the types of investment entity structures that are authorized for the State's externally managed fixed income investments. Currently, commingled vehicles such as limited partnerships, limited liability companies, and group trusts are authorized for the State Treasurer's other asset classes, but not fixed income. This provision would amend existing law to authorize externally managed fixed income investments to be made either by commingled structures or by investment management agreements, giving investments staff flexibility to evaluate the most cost-effective structures.

GF LOOP

Daily Deposit ACT Correction

SECTION FOUR: Clarify Statute to Encourage Volunteer Service during Separation of Service

This section clarifies the volunteer service provision in the definition of retirement under TSERS so as not to discourage retirees from working as volunteers in positions normally classified as bona fide unpaid volunteer positions during the six months following their effective date of retirement (the "separation of service" period). This clarification is intended to reduce the uncertainty surrounding return-to-work restrictions in statute and thereby encourage retirees to work as volunteers for State agencies. Additionally, this section includes a technical correction that clarifies the distinction between the definition of retirement under TSERS and the definition of retirement for judges.



SECTION FIVE: Extend 403(b) Plan to North Carolina Community College System

This section extends eligibility to participate in the 403(b) supplemental retirement program to teachers and faculty of the North Carolina Community College System.

SECTION SIX: Require Employer Attestations of Data Accuracy

This section requires participating employers to attest to the accuracy of their monthly data submissions to the Retirement Systems Division as part of ongoing annual audit procedures. Additionally, employers would be required to share the findings of this audit process in order to allow the Retirement Systems to identify and correct error patterns and increase the overall accuracy of the census data upon which the retirement systems' actuarial valuations are based.

SECTION SEVEN: Improve Tools to Collect Monies Owed to the Retirement Systems

This section improves the tools available to collect monies owed to the Retirement Systems by allowing the Office of State Budget and Management (OSBM) to redirect a portion of State-appropriated funds equivalent to the amount of monthly contributions due to the Retirement Systems if an employer fails to submit payment within 90 days.

SECTION EIGHT: Clarify Rule-Making Provisions

This section grants the Boards of Trustees the flexibility to prevent the expiration of administrative rules that protect inchoate rights.

SECTION NINE: Clarify Application of the 1,000-Hour Rule for LGERS Membership

As recommended by the Department Committee reviewing Return-to-Work Legislation, this section clarifies the application of the "1,000-Hour Rule" and revises the definition of "employee" to exclude temporary employees and statutorily defined Interim City and County Managers.

SECTION TEN: Procurement Flexibility for Purchasing Contracts

This section allows the Board of Trustees to set a threshold below which the Retirement Systems may use competitive bid procedures established by the Board of Trustees for certain purchasing contracts.

SECTION ELEVEN: Purchasing Flexibility

This section adds a provision to allow the Board of Trustees to set a threshold below which the Retirement Systems may purchase supplies, equipment, and materials available under State term contracts from noncertified sources. This provision stipulates that the Retirement Systems may enter into such purchasing contracts if the delivered price from these sources is less than that on term contract, and if the items are the same or substantially similar in quality, service, and performance and have all the same features, terms, and conditions as those on term contract.

SECTION TWELVE: Human Resources Flexibility for Retirement Systems Division

This section provides a limited exemption from the State Human Resources Act for Retirement Systems Division in order to achieve parity with other Divisions operating similar programs within the Department of State Treasurer.

SECTION THIRTEEN: Clarify Procedures for Required Minimum Distributions

This section clarifies the procedures for paying a member's Required Minimum Distributions from the member's accumulated contributions to the Retirement Systems and the conditions under which these procedures apply.



SECTION FOURTEEN: Adjust Calculation of Final Compensation for Death Benefit Payments

This section replaces the current calculation of death benefit payments to members who die in active service with a flat-rate benefit payment of \$50,000, regardless of final compensation. This change eliminates ambiguity in the proper calculation of final compensation, reduces the administrative complexity associated with death benefit payments, and establishes a more consistent and equitable benefit for all members of the Retirement Systems.

SECTION FIFTEEN: RTW Enforcement Flexibility

This section changes the enforcement policy for *de minimus* separation of service violations.

SECTION SIXTEEN: Effective Date

This act becomes effective July 1, 2015.

Prepared by the Retirement Systems Division staff, January 21, 2015





NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

JANET COWELL
TREASURER

STEVE TOOLE
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RETIREMENT SYSTEMS DIVISION

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This section repeals superceded LGERS investment statutes that formerly corresponded with their counterparts in the TSERS investment statutes, which were repealed in 1979.

SECTION FOUR: Conform State Law for Funds Recovered from Legal Settlements to Federal Law

This section clarifies a recently amended law pertaining to the rules surrounding funds recovered from legal settlements to correct a conflict with the Federal Exclusive Benefits rule.

SECTION FIVE: Conform Change in Disability Offset for Social Security

This section conforms disability offset date.

SECTION SIX: Effective Date

This act becomes effective July 1, 2015.

*Prepared by the Retirement Systems Division staff
January 14, 2015*



Tuesday, March 3
PENSIONS &
RETIREMENT (JOINT)

Room
423

Time
10:00 am

Name

County

Sponsor

Justus Hargett

Jones

Pat McElraft

Mary Bready

Union

T. Tucker

Daria Thomas

Lenoir

D. Davis



VISITOR REGISTRATION SHEET

~~Joint Committee on Pensions and Retirement~~
Name of Committee

3-3-2015

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Army Fullbright

Kittates

Maxim Zuck

1. A. C. G. m. b.

L. Lynn

El Concierto

Alex Knapp

RENC



VISITOR REGISTRATION SHEET

Joint Committee on Pensions and Retirement
Name of Committee

3-3-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Steve Trole	DST - Retirement
Erin Fleck	Senate Staff
Tanya Horton	Troodman Sanders
Andy Chase	KMA
Madlyn Hawthorne	EA BR
Kathleen Neville	Prudential Retirement
SOLARI	DST
Emily Ellis	DST
Charan Mohan	DST
Fred Bone	Bone Assoc.
Sarah Collins	NCLM



VISITOR REGISTRATION SHEET

Joint Committee on Pensions and Retirement
Name of Committee

3-3-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Larry Presnell, Jr.	NC Retired School Personnel
Pam Deardoff	" " " "
Richard Rogers	NC Retired Gov Employee
Jim Slinger	NECA
CHRIS NIDA	NCLM
Christina Strickland	NC Dept. of State Treasurer
Abe Sholar	DHS
Matt McKelley	DHS
Chuck Stone	SEANC
Suzanne Bensley	SEANC
David Collins	SEANC
Kevin LeCours	SEANC



MINUTES

Pensions & Retirement and Aging

March 18, 2015

The Senate Pensions & Retirement and Aging committee met on Wednesday, March 18, 2015 at 10:30 a.m. The meeting was held in room 1027 of the Legislative Building. Eight Senate members of the committee were present. Senator Tom Apodaca presided.

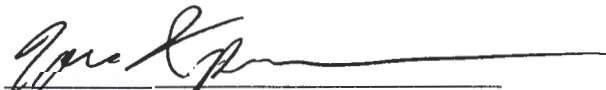
Senator Apodaca introduced the Pages and the Sergeant at Arms.

Senator Apodaca brought forth the item on the agenda.

SB6- State Health Plan/Rehired Retiree Eligibility- Senator Gunn moved to bring for the PCS before the committee. Motion carried. Senator Tillman explained the PCS before the committee. David Vanderweide with Fiscal Research further explained the PCS.

Senator Tarte moved for a favorable report for the PCS, unfavorable to the original bill. Motion carried.

The meeting adjourned at 10:47 a.m.



Senator Tom Apodaca, Presiding



Laura Kilian, Committee Assistant



10/10/10



Senate Committee on Pensions & Retirement and Aging
Wednesday, March 18, 2015, 10:30 AM
1027/1128 Legislative Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
SB 6	State Health Plan/Rehired Retiree Eligibility.	Senator Tillman Senator Barefoot

Presentations

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

**Senator Apodaca, Co-Chair
Senator Gunn, Co-Chair**

Tuesday, March 24, 2015

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

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

SB 6

State Health Plan/Rehired Retiree Eligibility.

Draft Number:	S6-PCS15163-LL-1
Sequential Referral:	Appropriations/Base Budget
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Senator Jerry Tillman will handle SB 6



* C M R 6 4 - V - 4 *

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 6*
PROPOSED COMMITTEE SUBSTITUTE S6-CSLL-1 [v.1]

2/18/2015 3:49:29 PM

Short Title: State Health Plan/Rehired Retiree Eligibility.

(Public)

Sponsors:

Referred to:

February 2, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW RETIREES WHO RETURN TO WORK FOR THE STATE IN
3 NONPERMANENT POSITIONS TO RETAIN THEIR COVERAGE OPTIONS UNDER
4 THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES RATHER
5 THAN LIMITING SUCH RETIREES' COVERAGE OPTIONS TO THE "BRONZE
6 LEVEL" HIGH-DEDUCTIBLE HEALTH PLAN NECESSITATED BY THE
7 AFFORDABLE CARE ACT, AS RECOMMENDED BY THE JOINT LEGISLATIVE
8 EDUCATION OVERSIGHT COMMITTEE.

9 The General Assembly of North Carolina enacts:

10 SECTION 1. G.S. 135-48.40 reads as rewritten:

11 "§ 135-48.40. Categories of eligibility.

12 ...
13 (b) Partially Contributory Coverage. – The following persons are eligible for coverage
14 under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-48.43:

15 (1) All permanent full-time employees of an employing unit who meet either of
16 the following conditions:
17 a. Paid from general or special State funds.
18 b. Paid from non-State funds and in a group for which his or her
19 employing unit has agreed to provide coverage.

20 Employees of State agencies, departments, institutions, boards, and
21 commissions not otherwise covered by the Plan who are employed in
22 permanent job positions on a recurring basis and who work 30 or more hours
23 per week for nine or more months per calendar year are covered by the
24 provisions of this subdivision.

25 (1a) All retirees who (i) are employed by an employing unit, (ii) do not qualify
26 for coverage under subdivision (1) of this section, and (iii) are determined to
27 be "full-time" by their employing unit in accordance with section 4980H of
28 the Internal Revenue Code and the applicable regulations, as amended. The
29 employing unit shall pay the employer premiums for retirees who enroll
30 under this subdivision.

31 ...
32 (e) Other Contributory Coverage. – Any employee of an employing unit is eligible for
33 coverage under this section on a contributory basis, subject to the provisions of G.S. 135-48.43
34 and of this section, if (i) the employee's employing unit determines that the employee is a
35 full-time employee and (ii) the employee does not qualify for coverage under subdivision (1),
36 (1a), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b). For the purposes of this subsection, the





1 full-time status of an employee shall be determined by the employing unit, in its sole discretion,
2 in accordance with Section 4980H of the Internal Revenue Code and the applicable regulations,
3 as amended. The coverage offered and the contribution required for coverage under this section
4 shall be determined by the Treasurer and approved by the Board of Trustees. Such coverage
5 shall do all of the following:

- 6 (1) Be designed to meet the requirements of minimum essential coverage under
7 the Patient Protection and Affordable Care Act, P.L. 111-148, and the
8 applicable regulations, as amended (Affordable Care Act).
- 9 (2) Provide no greater coverage than a bronze-level plan, as defined under the
10 Affordable Care Act.
- 11 (3) Minimize the required employer contribution in an administratively feasible
12 manner."

13 **SECTION 2.** G.S. 135-48.41(j) reads as rewritten:

14 "(j) If a retiree has been hired by an employing unit and is eligible for coverage under
15 subdivision (1), (1a), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b) or under
16 G.S. 135-48.40(e), then the hired retiree shall not, during the time of employment, be eligible
17 for retiree coverage under G.S. 135-48.40(a)(1), G.S. 135-48.40(b)(3), G.S. 135-48.40(c)(2), or
18 G.S. 135-48.40(d)(11)."

19 **SECTION 3.** This act becomes effective July 1, 2015.





SENATE BILL 6: State Health Plan/Rehired Retiree Eligibility

2015-2016 General Assembly

Committee:	Senate Re-ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget	Date:	March 17, 2015
Introduced by:	Sens. Tillman, Barefoot	Prepared by:	Karen Cochrane-Brown
Analysis of:	PCS to First Edition S6-CSLL-1		Committee Counsel

SUMMARY: *The Proposed Committee Substitute for Senate Bill 6 amends the law governing categories of eligibility under the State Health Plan to allow retirees who return to work for the State in nonpermanent positions to retain their coverage under the Plan rather than limiting their coverage options to the "Bronze Level" high deductible health plan necessitated by the Affordable Care Act.*

This bill was recommended by the Joint Legislative Education Oversight Committee.

The PCS requires that employers pay the employer premium without reimbursement from the Retiree Health Benefit Fund, as was originally provided in the First Edition of the bill.

[As introduced, this bill was identical to H56, as introduced by Reps. Holloway, L. Johnson, McGrady, Lucas, which is currently in House Serial Referral To Appropriations Added.]

CURRENT LAW:

The 2014 Appropriations Act (S.L. 2014-100, Sec. 35.16 and 35.16A) authorized the Treasurer and Board of Trustees of the State Health Plan to establish alternative benefit coverage for nonpermanent full-time State employees. The new provision generally applies if the employer determines that the employee is a full-time employee and the employee does not qualify for other partially contributory coverage. The full-time status of the employee must be determined by the employer in accordance with applicable provisions of the Internal Revenue Code and regulations. The alternative coverage must include the following:

- Be designed to meet the requirements of minimum essential coverage under the Affordable Care Act.
- Provide no greater coverage than a bronze-level plan, as defined under the Affordable Care Act.
- Minimize the required employer contribution in an administratively feasible manner.

BILL ANALYSIS: SB 6 amends the law to allow State retirees who are employed by a State employer to work on a nonpermanent full-time basis to be covered under the same State Health Plan options available to permanent full-time employees. The PCS provides that the employing unit shall pay the employer premiums for retirees who enroll under this provision.

EFFECTIVE DATE: This act becomes effective July 1, 2015.

O. Walker Reagan
Director



Research Division
(919) 733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Actuarial Note

BILL NUMBER: Senate Bill 6 (First Edition)
SHORT TITLE: State Health Plan/Rehired Retiree Eligibility.
SPONSOR(S): Senators Tillman and Barefoot

SYSTEM OR PROGRAM AFFECTED: State Health Plan for Teachers and State Employees (Plan).

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

BILL SUMMARY:

Overview

Senate Bill 6 (First Edition) changes the health coverage for rehired State retirees working on a temporary, full-time basis for State agencies, public schools, community colleges, and universities. The bill would require these employees to be covered under the regular Plan options (Traditional 70/30, Enhanced 80/20, or Consumer Directed Health Plan), with the employer paying the employer premium initially, but later being fully reimbursed by the Retiree Health Benefit Fund (RHBF). Examples of temporary employees include certain substitute teachers, interim principals, adjunct professors, interim managers, and temporary office staff. "Full-time" generally means working 30 or more hours per week.

The current statutes governing rehired retiree health coverage were added in Sections 35.16 and 35.16A of Session Law 2014-100 (the 2014 budget), in preparation for the 2015 effective date of the employer mandate under the federal Affordable Care Act. However, those statutes are similar to a provision that has been in the budget since 2007, most recently in Section 35.15 of Session Law 2013-360.

Coverage Options

The following table shows the coverage options that would be available in different time periods to retirees if this bill becomes law. The "2015 before July" row reflects the changes made in Session Law 2014-100. In the table, 70/30 is the Traditional 70/30 Plan, 80/20 is the Enhanced 80/20 Plan, CDHP is the Consumer Directed Health Plan, MA are several Medicare Advantage Plans, and HDHP is the High Deductible Health Plan. The HDHP is generally less desirable than the other plans due to both high out-of-pocket requirements and a \$92 per month employee premium for employee-only coverage.

Work Status:	Full-time		Not Full-time	
Medicare Status:	Non-Medicare	Medicare	Non-Medicare	Medicare
Time Period:				
2014	70/30,80/20,CDHP	70/30,MA	70/30,80/20,CDHP	70/30,MA
2015 before July	HDHP	HDHP	70/30,80/20,CDHP	70/30,MA
2015 after June	70/30,80/20,CDHP	70/30,80/20,CDHP	70/30,80/20,CDHP	70/30,MA

Impact on State Employers (State Agencies, Public Schools, Community Colleges, Universities)

Many State employers have reported that the change in coverage from 2014 to 2015 under Session Law 2014-100 has hurt their ability to recruit and retain retirees in temporary full-time positions. Only 17 retirees have signed up for the HDHP, so many retirees appear to have quit or reduced their hours to avoid being full-time employees under the current law.

The financial cost to employers of premiums under current law is minimal, as they pay no premium for part-time retirees and \$118 per month for each of the 17 covered under the HDHP. Under this bill, the net cost to employers would be \$0 for all retirees after employers receive reimbursement from the Retiree Health Benefit Fund.

Federal Restrictions

Two federal laws impact the coverage that the State must offer its employees:

- The Affordable Care Act imposes a penalty on any employer that does not offer affordable minimum essential coverage to its full-time employees. The law generally defines full-time as working 30 or more hours per week, but the regulations allow some flexibility in how an employer determines full-time status for those whose hours vary.
- Medicare secondary-payer law, in place since 1980, forbids employers from refusing to cover, offering different coverage, restricting coverage, or in other ways discriminating against employees who are on Medicare. It also requires the employer's plan to be primary (pay first) if the employee elects to be covered in the employer's plan. These requirements do not apply to someone whose only relationship to the employer is as a retiree.

Other

The bill does not affect coverage for any of the following:

- Permanent, full-time employees, for example regular classroom teachers. In most cases, a retiree who started working on a permanent, full-time basis would have to suspend his or her retirement benefit and resume making contributions to and earning service in the retirement system, and thus would no longer be a retiree.
- Non-retiree, temporary, full-time employees, for example young postdoctoral researchers at a university.
- Part-time employees, regardless of retiree status or whether they are permanent or temporary.

This legislation was recommended by the Joint Legislative Education Oversight Committee in its report to the 2015 General Assembly.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE:

The Segal Company, the actuary for the Plan, estimates that the bill will have the following fiscal impacts:

Financial Entity	FY 2015-16	FY 2016-17
State Health Plan	\$2,232,000	\$2,388,000
Retiree Health Benefit Fund	\$486,000	\$520,000

Hartman & Associates, the actuary for the General Assembly, estimates that the bill will have the following fiscal impacts:

Financial Entity	FY 2015-16	FY 2016-17
State Health Plan	\$2,012,000 - \$4,477,000	\$2,530,000 - \$5,582,000
Retiree Health Benefit Fund	\$649,000 - \$1,153,000	\$649,000 - \$1,153,000

The primary reason for the impact on the Plan is that many Medicare-eligible retirees who might have worked full-time in 2014 have chosen not to work full-time in 2015. They are therefore covered as retirees with the Plan providing relatively inexpensive secondary coverage to Medicare. Under the bill, many would be expected to return to full-time employment since they would no longer face the possibility of moving to the HDHP. They would then be active employees with the Plan providing primary coverage, which is far more expensive than secondary coverage.

The primary reason for the impact on the RHBF is that the RHBF currently pays a monthly premium of \$348 to the Plan for each Medicare-eligible retiree, but under the bill would be reimbursing employers \$448 per month for a Medicare-eligible retiree working full-time.

This bill is not expected to significantly affect Plan claims or premiums paid by the RHBF for non-Medicare retirees.

ASSUMPTIONS AND METHODOLOGY: The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

Summary Information and Data about the Plan

Data on Rehired Retirees

While we do not have data on hours worked for rehired retirees, we do have data on both their earnings at State employers in 2014 and their earnings for State employers prior to retirement. Both actuaries used the ratio of earnings in 2014 to earnings prior to retirement (indexed for general wage growth) to estimate how many retirees might be averaging more than 30 hours per week. Here is a summary of those counts using different ratios:

	Under Age 65	Age 65 or Over	Total
2014 Comp > 45% of Indexed Pre-Retirement Wage	695	761	1,456
2014 Comp > 50% of Indexed Pre-Retirement Wage	416	539	955
2014 Comp > 55% of Indexed Pre-Retirement Wage	216	352	568
2014 Comp > 75% of Indexed Pre-Retirement Wage	29	103	132
Number Enrolled in HDHP	10	7	17

While 30 hours divided by the weekly work schedule of roughly 40 hours at many employers would imply a ratio of 75%, we know that many employees are willing to work for much lower hourly wages as retirees than they were as active employees. For example, the daily pay for a substitute teacher is much lower than the daily pay for a regular teacher with many years of experience.

We also obtained data on those retirees who were hired on or after October 1, 2006 and are required to pay 50% or 100% of the premium for their own coverage. The count of these retirees who were working full-time in 2014 appears to be below 10 and therefore was not considered significant for this Note.

Other Information about the Plan

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments and charter schools may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

The State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement, with the exception of many Medicare-eligible retirees who are in fully-insured Medicare Advantage plans. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who participate in a plan with a non-zero premium or who elect dependent coverage. Starting in 2014, benefit and premium changes are typically effective at January 1. The Plan's PPO benefit design includes three alternative benefit levels listed below:

- 1) The "Traditional" 70/30 plan that offers higher out-of-pocket requirements in return for lower employee and retiree premiums without needing to complete wellness activities,
- 2) The "Enhanced" 80/20 plan that offers lower out-of-pocket requirements with higher employee and retiree premiums, which can be lowered by completing wellness activities, and
- 3) The Consumer-Directed Health Plan (CDHP) that applies deductibles and co-insurance to all services and offers lower employee and retiree premiums if one completes wellness activities

Medicare-eligible retirees are offered three alternative plans:

- 1) The "Traditional" 70/30 plan as coverage secondary to Medicare for medical services plus a pharmacy benefit plan,
- 2) "Base" Medicare Advantage Prescription Drug Plans (MA-PDPs) from a choice of two carriers, Humana or United Healthcare, that are actuarially equivalent to the "Enhanced" 80/20 Plan and apply in-network out-of-pocket requirements at out-of-network providers
- 3) "Enhanced" MA-PDPs, identical to the "Base" MA-PDPs, except with lower co-pays and higher retiree premiums

The following tables provide a summary of the most common monthly premium rates for the Plan in 2014:

Active Employees and Non-Medicare Retirees

Wellness Plans

	Employer Share	Employee/Retiree Share Complete All Wellness Activities *	Complete No Wellness Activities
Enhanced 80/20 Plan	\$448.11	\$13.56	\$63.56
Consumer-Directed Health Plan	\$448.11	\$0.00	\$40.00

Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$448.11	\$0.00

* Members receive credits for each activity. We have shown all or none for simplicity.

Medicare Retirees

Medicare Advantage Plans

	Employer Share	Employee/Retiree Share
MA-PDP Base Plan	\$348.25	\$0.00
MA-PDP Enhanced Plan	\$348.25	\$33.00

Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$348.25	\$0.00

Dependents

	All Dependents are Non-Medicare			One or More Medicare Dependents		
	Enhanced 80/20	CDHP	Traditional 70/30	MA-PDP Base	MA-PDP Enhanced	Traditional 70/30
Employee/Retiree + Children	\$272.80	\$184.60	\$205.12	\$114.50	\$147.50	\$145.94
Employee/Retiree + Spouse	\$628.54	\$475.68	\$528.52	\$114.50	\$147.50	\$383.72
Employee/Retiree + Family	\$666.38	\$506.64	\$562.94	\$229.00	\$295.00	\$418.10

The employer share of premiums for retirees is paid from the Retiree Health Benefit Fund. During FY 2013-14, employers contribute 5.40% of active employee payroll into the Fund. Total contributions for the year are projected to be approximately \$834 million.

Financial Condition

Projected Results for CY 2014 and CY 2015 – The following summarizes projected financial results for 2014 and 2015, based on financial experience through December, 2013 and enrollments for January, 2014. The projection assumes an 8.5% annual claims growth trend, benefit provisions and member-paid premiums as currently adopted by the Board, and assumed premium increases in 2015 based on the maximum annual employer premium for FY 2014-15.

	(\$ millions)	
	Projected CY 2014	Projected CY 2015
Beginning Cash Balance	\$838.4	\$819.9
Receipts:		
Net Premium Collections	\$2,910.7	\$2,996.6
Medicare Part D / EGWP Subsidies	\$36.0	\$38.0
Investment Earnings	\$3.3	\$3.1
Total	\$2,950.0	\$3,037.8
Disbursements:		
Net Medical Claim Payment Expenses	\$1,982.2	\$2,124.5
Net Pharmacy Claim Payment Expenses	\$640.2	\$635.3
Medicare Advantage Premiums	\$157.8	\$196.9
Administration and Claims-Processing Expenses	\$188.4	\$214.4
Total	\$2,968.6	\$3,171.2
Net Operating Income (Loss)	(\$18.6)	(\$133.4)

Of the premiums paid in CY 2014, an estimated \$2.0 billion is derived from General Fund sources and an estimated \$0.1 billion is derived from Highway Fund sources.

Other Information

Additional assumptions include Medicare benefit “carve-outs,” cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, fraud detection, and other authorized actions by the State Treasurer, Executive Administrator, and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 8.5% annually according to the Plan's consulting actuary. The active population is projected to decline by 1% per year and the retired population is projected to increase by 1% per year.

Enrollment as of January 1, 2014

I. No. of Participants	Traditional 70/30	Enhanced 80/20	Consumer Directed	Medicare Advantage	Total	Percent of Total
<u>Actives</u>						
Employees	145,741	160,388	8,432	-	314,561	46.5%
Dependents	81,434	69,832	8,581	-	159,847	23.6%
Sub-total	227,175	230,220	17,013	-	474,408	70.1%
<u>Retired</u>						
Employees	53,590	30,249	791	96,532	181,162	26.8%
Dependents	6,329	3,884	299	6,851	17,363	2.6%
Sub-total	59,919	34,133	1,090	103,383	198,525	29.3%
<u>Other</u>						
Employees	1,326	1,448	35	-	2,809	0.4%
Dependents	830	510	35	-	1,375	0.2%
Sub-total	2,156	1,958	70	-	4,184	0.6%
<u>Total</u>						
Employees	200,657	192,085	9,258	96,532	498,532	73.6%
Dependents	88,593	74,226	8,915	6,851	178,585	26.4%
Grand Total	289,250	266,311	18,173	103,383	677,117	100%
Percent of Total	42.7%	39.3%	2.7%	15.3%	100.0%	

II. Enrollment by Contract	Traditional	Enhanced	CDHP	MA	Total
Employee Only	154,239	153,049	5,041	96,532	408,861
Employee Child(ren)	27,169	24,228	2,077	195	53,669
Employee Spouse	6,685	5,630	567	6,656	19,538
Employee Family	11,079	8,407	1,499		
Other (e.g. Split Contract)	1,485	771	74		2,330
Total	200,657	192,085	9,258	103,383	484,398

Percent Enrollment by Contract	Traditional	Enhanced	CDHP	MA	Total
Employee Only	76.9%	79.7%	54.5%	93.4%	84.4%
Employee Child(ren)	13.5%	12.6%	22.4%	0.2%	11.1%
Employee Spouse	3.3%	2.9%	6.1%	6.4%	4.0%
Employee Family	5.5%	4.4%	16.2%	0.0%	0.0%
Other (e.g. Split Contract)	0.7%	0.4%	0.8%	0.0%	0.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

III. Enrollment by Sex	Traditional	Enhanced	CDHP	MA	Total
Female	170,705	174,259	10,133	67,923	423,020
Male	118,545	92,052	8,040	35,460	254,097
Total	289,250	266,311	18,173	103,383	677,117

Percent Enrollment by Sex	Traditional	Enhanced	CDHP	MA	Total
Female	59.0%	65.4%	55.8%	65.7%	62.5%
Male	41.0%	34.6%	44.2%	34.3%	37.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

IV. Enrollment by Age	Traditional	Enhanced	CDHP	MA	Total
24 & Under	76,689	61,793	6,901	14	145,397
25 to 44	80,007	70,332	5,155	344	155,838
45 to 54	49,210	53,187	3,236	1,328	106,961
55 to 64	50,478	74,807	2,712	1,821	129,818
65 & Over	32,866	6,192	169	99,876	139,103
Total	289,250	266,311	18,173	103,383	677,117

Percent Enrollment by Age	Traditional	Enhanced	CDHP	MA	Total
24 & Under	26.5%	23.2%	38.0%	0.0%	21.5%
25 to 44	27.7%	26.4%	28.4%	0.3%	23.0%
45 to 54	17.0%	20.0%	17.8%	1.3%	15.8%
55 to 64	17.5%	28.1%	14.9%	1.8%	19.2%
65 & Over	11.4%	2.3%	0.9%	96.6%	20.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	54,826	9,292	64,118
Medicare Eligible in Traditional 70/30	29,803	1,220	31,023
Medicare Eligible in Base Medicare Advantage Plans	62,843	2,633	65,476
Medicare Eligible in Enhanced Medicare Advantage Plans	33,689	4,218	37,907
Total	181,161	17,363	198,524

Percent Enrollment by Category (Retiree)	Employee	Dependents	Total
Non-Medicare Eligible	30.3%	53.5%	32.3%
Medicare Eligible in Traditional 70/30	16.5%	7.0%	15.6%
Medicare Eligible in Base Medicare Advantage Plans	34.7%	15.2%	33.0%
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VI. Enrollment By Major Employer Groups	Employees	Dependents	Total
State Agencies	70,922	32,938	103,860
UNC System	51,237	31,643	82,880
Local Public Schools	173,477	85,054	258,531
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Local Community Colleges	15,869	8,446	24,315
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COBRA/Reduction in Force	0.2%	0.2%	0.2%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	63.7%	90.3%	70.7%
Retirement System	36.3%	9.7%	29.3%
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SOURCES OF DATA:

The Segal Company; North Carolina State Health Plan; Financial Projections – Dec 2013; March 20, 2014. Filename “NCSHP Q2 Financial Update - Baseline Modified Jan Enrollment Estimate Adj Reserve.pdf”

-Actuarial Note, Hartman & Associates, Senate Bill 6, “Senate Bill 6: An Act to Allow Retirees Who Return to Work for the State in Nonpermanent Positions to Retain Their Coverage Options Under the State Health Plan”, February 26, 2015, original of which is on file in the General Assembly’s Fiscal Research Division.

-Actuarial Note, The Segal Company, Senate Bill 6, “State Health Plan/Rehired Retiree Eligibility”, February 20, 2015, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly’s Fiscal Research Division.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: March 4, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Actuarial Note

BILL NUMBER: Senate Bill 6 (Second Edition)
SHORT TITLE: State Health Plan/Rehired Retiree Eligibility.
SPONSOR(S):

SYSTEM OR PROGRAM AFFECTED: State Health Plan for Teachers and State Employees (Plan).

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

BILL SUMMARY:

Overview

Senate Bill 6 (Second Edition) changes the health coverage for rehired State retirees working on a temporary, full-time basis for State agencies, public schools, community colleges, and universities. The bill would require these employees to be covered under the regular Plan options (Traditional 70/30, Enhanced 80/20, or Consumer Directed Health Plan), with the employer paying the employer premium. Unlike the First Edition of the bill, the employer would not be reimbursed for the premium by the Retiree Health Benefit Fund (RHBF). Examples of temporary employees include certain substitute teachers, interim principals, adjunct professors, interim managers, and temporary office staff. "Full-time" generally means working 30 or more hours per week.

The current statutes governing rehired retiree health coverage were added in Sections 35.16 and 35.16A of Session Law 2014-100 (the 2014 budget), in preparation for the 2015 effective date of the employer mandate under the federal Affordable Care Act. However, those statutes are similar to a provision that has been in the budget since 2007, most recently in Section 35.15 of Session Law 2013-360.

Coverage Options

The following table shows the coverage options that would be available in different time periods to retirees if this bill becomes law. The "2015 before July" row reflects the changes made in Session Law 2014-100. In the table, 70/30 is the Traditional 70/30 Plan, 80/20 is the Enhanced 80/20 Plan, CDHP is the Consumer Directed Health Plan, MA are several Medicare Advantage Plans, and HDHP is the High Deductible Health Plan. The HDHP is generally less desirable than the other plans due to both high out-of-pocket requirements and a \$92 per month employee premium for employee-only coverage.

Work Status:	Full-time		Not Full-time	
Medicare Status:	Non-Medicare	Medicare	Non-Medicare	Medicare
Time Period:				
2014	70/30,80/20,CDHP	70/30,MA	70/30,80/20,CDHP	70/30,MA
2015 before July	HDHP	HDHP	70/30,80/20,CDHP	70/30,MA
2015 after June	70/30,80/20,CDHP	70/30,80/20,CDHP	70/30,80/20,CDHP	70/30,MA



Impact on State Employers (State Agencies, Public Schools, Community Colleges, Universities)

Many State employers have reported that the change in coverage from 2014 to 2015 under Session Law 2014-100 has hurt their ability to recruit and retain retirees in temporary full-time positions. Only 17 retirees have signed up for the HDHP, so many retirees appear to have quit or reduced their hours to avoid being full-time employees under the current law.

The financial cost to employers of premiums under current law is minimal, as they pay no premium for part-time retirees and \$118 per month for each of the 17 covered under the HDHP. Under this bill, the cost to employers would be \$448 per month for any retiree they employ on a full-time basis. They would continue to pay no premium for part-time retirees.

Federal Restrictions

Two federal laws impact the coverage that the State must offer its employees:

- The Affordable Care Act imposes a penalty on any employer that does not offer affordable minimum essential coverage to its full-time employees. The law generally defines full-time as working 30 or more hours per week, but the regulations allow some flexibility in how an employer determines full-time status for those whose hours vary.
- Medicare secondary-payer law, in place since 1980, forbids employers from refusing to cover, offering different coverage, restricting coverage, or in other ways discriminating against employees who are on Medicare. It also requires the employer's plan to be primary (pay first) if the employee elects to be covered in the employer's plan. These requirements do not apply to someone whose only relationship to the employer is as a retiree.

Other

The bill does not affect coverage for any of the following:

- Permanent, full-time employees, for example regular classroom teachers. In most cases, a retiree who started working on a permanent, full-time basis would have to suspend his or her retirement benefit and resume making contributions to and earning service in the retirement system, and thus would no longer be a retiree.
- Non-retiree, temporary, full-time employees, for example young postdoctoral researchers at a university.
- Part-time employees, regardless of retiree status or whether they are permanent or temporary.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE:

The Segal Company, the actuary for the Plan, estimates that the bill will have the following fiscal impacts (amounts in parenthesis represent a reduction in expenditures):

Financial Entity	FY 2015-16
State Health Plan	\$2,232,000
Retiree Health Benefit Fund	\$(2,653,000)
Net Total Impact	\$(421,000)



Hartman & Associates, the actuary for the General Assembly, estimates that the bill will have the following fiscal impacts:

Financial Entity	FY 2015-16	
	Low Estimate	High Estimate
State Health Plan	\$2,012,000	\$4,477,000
Retiree Health Benefit Fund	\$(2,405,000)	\$(6,677,000)
Net Total Impact	\$(393,000)	\$(2,200,000)

The primary reason for the impact on the Plan is that many Medicare-eligible retirees who might have worked full-time in 2014 have chosen not to work full-time in 2015. They are therefore covered as retirees with the Plan providing relatively inexpensive secondary coverage to Medicare. Under the bill, many would be expected to return to full-time employment since they would no longer face the possibility of moving to the HDHP. They would then be active employees with the Plan providing primary coverage, which is far more expensive than secondary coverage.

The primary reason for the impact on the RHBF is that the RHBF currently pays a monthly premium to the Plan of \$348 for each Medicare-eligible retiree and \$448 for each non-Medicare-eligible retiree, but under the bill would not be paying these premiums for any retirees who are employed full-time by an employing unit.

ASSUMPTIONS AND METHODOLOGY: The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

Summary Information and Data about the Plan

Data on Rehired Retirees

While we do not have data on hours worked for rehired retirees, we do have data on both their earnings at State employers in 2014 and their earnings for State employers prior to retirement. Both actuaries used the ratio of earnings in 2014 to earnings prior to retirement (indexed for general wage growth) to estimate how many retirees might be averaging more than 30 hours per week. Here is a summary of those counts using different ratios:

	Under Age 65	Age 65 or Over	Total
2014 Comp > 45% of Indexed Pre-Retirement Wage	695	761	1,456
2014 Comp > 50% of Indexed Pre-Retirement Wage	416	539	955
2014 Comp > 55% of Indexed Pre-Retirement Wage	216	352	568
2014 Comp > 75% of Indexed Pre-Retirement Wage	29	103	132
Number Enrolled in HDHP	10	7	17

While 30 hours divided by the weekly work schedule of roughly 40 hours at many employers would imply a ratio of 75%, we know that many employees are willing to work for much lower hourly wages as retirees than they were as active employees. For example, the daily pay for a substitute teacher is much lower than the daily pay for a regular teacher with many years of experience.



We also obtained data on those retirees who were hired on or after October 1, 2006 and are required to pay 50% or 100% of the premium for their own coverage. The count of these retirees who were working full-time in 2014 appears to be below 10 and therefore was not considered significant for this Note.

Other Information about the Plan

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments and charter schools may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

The State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement, with the exception of many Medicare-eligible retirees who are in fully-insured Medicare Advantage plans. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who participate in a plan with a non-zero premium or who elect dependent coverage. Starting in 2014, benefit and premium changes are typically effective at January 1. The Plan's PPO benefit design includes three alternative benefit levels listed below:

- 1) The "Traditional" 70/30 plan that offers higher out-of-pocket requirements in return for lower employee and retiree premiums without needing to complete wellness activities,
- 2) The "Enhanced" 80/20 plan that offers lower out-of-pocket requirements with higher employee and retiree premiums, which can be lowered by completing wellness activities, and
- 3) The Consumer-Directed Health Plan (CDHP) that applies deductibles and co-insurance to all services and offers lower employee and retiree premiums if one completes wellness activities

Medicare-eligible retirees are offered three alternative plans:

- 1) The "Traditional" 70/30 plan as coverage secondary to Medicare for medical services plus a pharmacy benefit plan,
- 2) "Base" Medicare Advantage Prescription Drug Plans (MA-PDPs) from a choice of two carriers, Humana or United Healthcare, that are actuarially equivalent to the "Enhanced" 80/20 Plan and apply in-network out-of-pocket requirements at out-of-network providers
- 3) "Enhanced" MA-PDPs, identical to the "Base" MA-PDPs, except with lower co-pays and higher retiree premiums



The following tables provide a summary of the most common monthly premium rates for the Plan in 2014:

Active Employees and Non-Medicare Retirees

Wellness Plans

	Employer Share	Employee/Retiree Share	
		Complete All Wellness Activities *	Complete No Wellness Activities
Enhanced 80/20 Plan	\$448.11	\$13.56	\$63.56
Consumer-Directed Health Plan	\$448.11	\$0.00	\$40.00

Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$448.11	\$0.00

* Members receive credits for each activity. We have shown all or none for simplicity.

Medicare Retirees

Medicare Advantage Plans

	Employer Share	Employee/Retiree Share
MA-PDP Base Plan	\$348.25	\$0.00
MA-PDP Enhanced Plan	\$348.25	\$33.00

Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$348.25	\$0.00

Dependents

	All Dependents are Non-Medicare			One or More Medicare Dependents		
	Enhanced 80/20	CDHP	Traditional 70/30	MA-PDP Base	MA-PDP Enhanced	Traditional 70/30
Employee/Retiree + Children	\$272.80	\$184.60	\$205.12	\$114.50	\$147.50	\$145.94
Employee/Retiree + Spouse	\$628.54	\$475.68	\$528.52	\$114.50	\$147.50	\$383.72
Employee/Retiree + Family	\$666.38	\$506.64	\$562.94	\$229.00	\$295.00	\$418.10

The employer share of premiums for retirees is paid from the Retiree Health Benefit Fund. During FY 2013-14, employers contribute 5.40% of active employee payroll into the Fund. Total contributions for the year are projected to be approximately \$834 million.

Financial Condition

Projected Results for CY 2014 and CY 2015 – The following summarizes projected financial results for 2014 and 2015, based on financial experience through December, 2013 and enrollments for January, 2014. The projection assumes an 8.5% annual claims growth trend, benefit provisions and member-paid



premiums as currently adopted by the Board, and assumed premium increases in 2015 based on the maximum annual employer premium for FY 2014-15.

	(\$ millions)	
	Projected CY 2014	Projected CY 2015
Beginning Cash Balance	\$838.4	\$819.9
Receipts:		
Net Premium Collections	\$2,910.7	\$2,996.6
Medicare Part D / EGWP Subsidies	\$36.0	\$38.0
Investment Earnings	\$3.3	\$3.1
Total	\$2,950.0	\$3,037.8
Disbursements:		
Net Medical Claim Payment Expenses	\$1,982.2	\$2,124.5
Net Pharmacy Claim Payment Expenses	\$640.2	\$635.3
Medicare Advantage Premiums	\$157.8	\$196.9
Administration and Claims-Processing Expenses	\$188.4	\$214.4
Total	\$2,968.6	\$3,171.2
Net Operating Income (Loss)	(\$18.6)	(\$133.4)

Of the premiums paid in CY 2014, an estimated \$2.0 billion is derived from General Fund sources and an estimated \$0.1 billion is derived from Highway Fund sources.

Other Information

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, fraud detection, and other authorized actions by the State Treasurer, Executive Administrator, and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 8.5% annually according to the Plan's consulting actuary. The active population is projected to decline by 1% per year and the retired population is projected to increase by 1% per year.



Enrollment as of January 1, 2014

I. No. of Participants	Traditional 70/30	Enhanced 80/20	Consumer Directed	Medicare Advantage	Total	Percent of Total
<u>Actives</u>						
Employees	145,741	160,388	8,432	-	314,561	46.5%
Dependents	81,434	69,832	8,581	-	159,847	23.6%
Sub-total	227,175	230,220	17,013	-	474,408	70.1%
<u>Retired</u>						
Employees	53,590	30,249	791	96,532	181,162	26.8%
Dependents	6,329	3,884	299	6,851	17,363	2.6%
Sub-total	59,919	34,133	1,090	103,383	198,525	29.3%
<u>Other</u>						
Employees	1,326	1,448	35	-	2,809	0.4%
Dependents	830	510	35	-	1,375	0.2%
Sub-total	2,156	1,958	70	-	4,184	0.6%
<u>Total</u>						
Employees	200,657	192,085	9,258	96,532	498,532	73.6%
Dependents	88,593	74,226	8,915	6,851	178,585	26.4%
Grand Total	289,250	266,311	18,173	103,383	677,117	100%
Percent of Total	42.7%	39.3%	2.7%	15.3%	100.0%	

II. Enrollment by Contract	Traditional	Enhanced	CDHP	MA	Total
Employee Only	154,239	153,049	5,041	96,532	408,861
Employee Child(ren)	27,169	24,228	2,077	195	53,669
Employee Spouse	6,685	5,630	567	6,656	19,538
Employee Family	11,079	8,407	1,499		
Other (e.g. Split Contract)	1,485	771	74		2,330
Total	200,657	192,085	9,258	103,383	484,398

Percent Enrollment by Contract	Traditional	Enhanced	CDHP	MA	Total
Employee Only	76.9%	79.7%	54.5%	93.4%	84.4%
Employee Child(ren)	13.5%	12.6%	22.4%	0.2%	11.1%
Employee Spouse	3.3%	2.9%	6.1%	6.4%	4.0%
Employee Family	5.5%	4.4%	16.2%	0.0%	0.0%
Other (e.g. Split Contract)	0.7%	0.4%	0.8%	0.0%	0.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

III. Enrollment by Sex	Traditional	Enhanced	CDHP	MA	Total
Female	170,705	174,259	10,133	67,923	423,020
Male	118,545	92,052	8,040	35,460	254,097
Total	289,250	266,311	18,173	103,383	677,117

Percent Enrollment by Sex	Traditional	Enhanced	CDHP	MA	Total
Female	59.0%	65.4%	55.8%	65.7%	62.5%
Male	41.0%	34.6%	44.2%	34.3%	37.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



IV. Enrollment by Age	Traditional	Enhanced	CDHP	MA	Total
24 & Under	76,689	61,793	6,901	14	145,397
25 to 44	80,007	70,332	5,155	344	155,838
45 to 54	49,210	53,187	3,236	1,328	106,961
55 to 64	50,478	74,807	2,712	1,821	129,818
65 & Over	32,866	6,192	169	99,876	139,103
Total	289,250	266,311	18,173	103,383	677,117

Percent Enrollment by Age	Traditional	Enhanced	CDHP	MA	Total
24 & Under	26.5%	23.2%	38.0%	0.0%	21.5%
25 to 44	27.7%	26.4%	28.4%	0.3%	23.0%
45 to 54	17.0%	20.0%	17.8%	1.3%	15.8%
55 to 64	17.5%	28.1%	14.9%	1.8%	19.2%
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Other			
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Sub-total	63.7%	90.3%	70.7%
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-Actuarial Note, Hartman & Associates, Senate Bill 6, “Senate Bill 6 Proposed Committee Substitute S6-CSLL-1 [v.1]: An Act to Allow Retirees Who Return to Work for the State in Nonpermanent Positions to Retain Their Coverage Options Under the State Health Plan”, March 20, 2015, original of which is on file in the General Assembly’s Fiscal Research Division.

-Actuarial Note, The Segal Company, Senate Bill 6, “Senate Bill 6 Proposed Committee Substitute S6-CSLL-1 [V.1]”, March 19, 2015, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly’s Fiscal Research Division.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: March 25, 2015



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PAGES ATTENDING

Date: 3-18, 10:30

Committee: Pensions Room: 1027

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Page	Name	Hometown	Sponsoring Senator
1	Nicholas Ollo	Wake Forest	Bateford
2	Anthony Forte	Boiling Spring lakes	Rabon
3	Ethan Walton	Wilson	Newton
4	William Comer	Winston-Salem	Krawiec
5	Comer		
6			
7			
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Do not add additional names below the grid.

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Senate Pensions & Retirement and Aging

(Committee Name)

3/18/15

Date

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<i>Laurie McVey</i>	<i>DPS</i>
<i>Heidi Ryzner</i>	<i>CMS</i>
<i>Chris Lowder</i>	<i>CABARRUS COUNTY SCHOOLS</i>
<i>Glenda Jones</i>	<i>Cabarrus County Schools/NCASA/PANC</i>
<i>Bill Swobbe</i>	<i>TS</i>
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<i>Hattie Brown</i>	<i>Roxboro Community School</i>



VISITOR REGISTRATION SHEET

Senate Pensions & Retirement and Aging
(Committee Name)

3/18/15

Date

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ANDY WALSH	SA
Leanne Wynn	NCSBA
Michael D. King	Hertford County Public Schools



VISITOR REGISTRATION SHEET

Senate Pensions & Retirement and Aging
(Committee Name)

3/18/15
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE
CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Gen/ Major	930 Eastern NRMPS AVE Rocky Mount NC
Marquis Spell	Nash Rocky Mount Schools
Alan Faulk	Columbus County Schools
James Perkins	Columbus County
Eddie Beck	Columbus County Schools
Jeffrey Greene	Columbus County Schools
John Williams	Nash Rocky Mount, Schools
Ryan Blackledge	Com Health
R Rogers	NCRBKH



MINUTES

Pensions & Retirement and Aging

April 23, 2015

The Senate Pensions & Retirement and Aging committee met on Thursday, April 23, 2015 at 8:45 a.m. The meeting was held in room 1027 of the Legislative Building. Nine Senate members of the committee were present. Senator Tom Apodaca presided.

Senator Apodaca introduced the Pages and the Sergeant at Arms.

Senator Apodaca brought forth the items on the agenda:

SB455- Iran Divestment Act- Senator Gunn explained the bill. Mr. Starnes from the NC Treasurer's office further explained the bill. Senator Rabin moved for a favorable report. Motion carried.

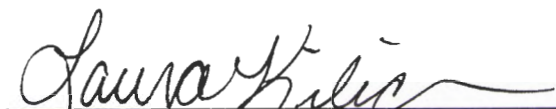
SB77- Increase Wilkesboro Firemen's Pension- Senator Gunn moved to bring the PCS before the committee. Motion carried. Theresa Matula, staff, explained the PCS. Senator Gunn moved for a favorable report to the PCS. Motion carried.

SB99- Definition of Firefighter- Senator Gunn moved to bring the PCS before the committee. Motion carried. Senator Meredith explained the bill. Senator Tarte moved for a favorable report to the PCS.

The meeting adjourned at 9:55 a.m.



Senator Tom Apodaca, Presiding



Laura Kilian, Committee Assistant



Senate Committee on Pensions & Retirement and Aging
Thursday, April 23, 2015, 8:45 AM
1027/1128 Legislative Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
SB 77	Increase Wilkesboro Firemen's Pension.	Senator Randleman
SB 99	Definition of Firefighter.	Senator Meredith Senator Daniel Senator Newton
SB 455	Iran Divestment Act.	Senator Gunn

Presentations

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

Senator Apodaca, Co-Chair

Senator Gunn, Co-Chair

Thursday, April 23, 2015

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

FAVORABLE

SB 455 (CS#1)	Iran Divestment Act.	
	Draft Number:	None
	Sequential Referral:	None
	Recommended Referral:	None
	Long Title Amended:	No

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

SB 77	Increase Wilkesboro Firemens Pension.	
	Draft Number:	S77-PCS25245-SH-2
	Sequential Referral:	None
	Recommended Referral:	None
	Long Title Amended:	No

SB 99	Definition of Firefighter.	
	Draft Number:	S99-PCS25246-SH-1
	Sequential Referral:	None
	Recommended Referral:	None
	Long Title Amended:	Yes

TOTAL REPORTED: 3

Senator Richard Gunn will handle SB 455
Senator Shirley Randleman will handle SB 77
Senator Wesley Meredith will handle SB 99



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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 455
Commerce Committee Substitute Adopted 4/15/15

Short Title: Iran Divestment Act.

(Public)

Sponsors:

Referred to:

March 26, 2015

A BILL TO BE ENTITLED
AN ACT TO ENACT THE IRAN DIVESTMENT ACT.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 143C of the General Statutes is amended by adding a new Article to read:

"Article 6A.

"Iran Divestment Act.

"§ 143C-6A-1. Article title.

This Article may be cited as the "Iran Divestment Act of 2015."

"§ 143C-6A-2. Findings.

The General Assembly finds that:

- (1) Congress and the President have determined that the illicit nuclear activities of the Government of Iran, combined with its development of unconventional weapons and ballistic missiles and its support of international terrorism, represent a serious threat to the security of the United States, Israel, and other United States allies in Europe, the Middle East, and around the world.
- (2) The International Atomic Energy Agency has repeatedly called attention to Iran's unlawful nuclear activities, and, as a result, the United Nations Security Council has adopted a range of sanctions designed to encourage the Government of Iran to cease those activities and comply with its obligations under the Treaty on the Non-Proliferation of Nuclear Weapons.
- (3) On July 1, 2010, President Barack Obama signed into law H.R. 2194, the "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010" (Public Law 111-195), which expressly authorizes states and local governments to prevent investment in, including prohibiting entry into or renewing contracts with, companies operating in Iran's energy sector with investments that have the result of directly or indirectly supporting the efforts of the Government of Iran to achieve nuclear weapons capability.
- (4) The serious and urgent nature of the threat from Iran demands that states, local governments, and private institutions work together with the federal government and American allies to do everything possible diplomatically, politically, and economically to prevent Iran from acquiring nuclear weapons capability.



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- (5) Respect for human rights in Iran has steadily deteriorated as demonstrated by transparently fraudulent elections and the brutal repression and murder, arbitrary arrests, and show trials of peaceful dissidents.
- (6) The concerns of the State regarding Iran are strictly the result of the actions of the Government of Iran and should not be construed as enmity towards the Iranian people.
- (7) In order to effectively address the need for this State to respond to the policies of Iran in a uniform fashion, prohibiting contracts with persons engaged in investment activities in the energy sector of Iran must be accomplished on a statewide basis.
- (8) It is the intent of the General Assembly to fully implement the authority granted under Section 202 of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (Public Law 111-195).

"§ 143C-6A-3. Definitions.

As used in this Article:

- (1) "Energy sector of Iran" means activities to develop petroleum or natural gas resources or nuclear power in Iran.
- (2) "Financial institution" means the term as used in Section 14 of the Iran Sanctions Act of 1996 (Public Law 104-172; 50 U.S.C. 1701 § note).
- (3) "Investment" means a commitment or contribution of funds or property, whatever the source, a loan or other extension of credit, and the entry into or renewal of a contract for goods or services. It does not include indirect beneficial ownership through index funds, commingled funds, limited partnerships, derivative instruments, or the like.
- (4) "Investment activities in Iran" means a person engages in investment activities in Iran if:
- a. The person provides goods or services of twenty million dollars (\$20,000,000) or more in the energy sector of Iran, including a person that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; or
- b. The person is a financial institution that extends twenty million dollars (\$20,000,000) or more in credit to another person, for 45 days or more, if that person will use the credit to provide goods or services in the energy sector in Iran and is identified on a list, created pursuant to G.S. 143C-6A-6, as a person engaging in investment activities in Iran as described in this section.
- (5) "Iran" includes the Government of Iran and any agency or instrumentality of Iran.
- (6) "Person" means any of the following:
- a. A natural person, corporation, company, limited liability company, business association, partnership, society, trust, or any other nongovernmental entity, organization, or group.
- b. Any governmental entity or instrumentality of a government, including a multilateral development institution, as defined in section 1701(c)(3) of the International Financial Institutions Act (22 U.S.C. § 262r(c)(3)).
- c. Any successor, subunit, parent entity, or subsidiary of, or any entity under common ownership or control with any entity described in sub-subdivisions (a) and (b) of this subdivision.

- (7) "State agency" means any board, commission, department, executive department, officer, institution, and any political subdivision of the State.

"§ 143C-6A-4. Prohibitions on State investment.

No more than 30 days after the effective date of this act, the State Treasurer shall adopt a policy prohibiting the North Carolina Retirement Systems or the Department of the State Treasurer from investing funds with a person engaging in investment activities in Iran. At a minimum the policy shall provide:

- (1) List of persons engaged in investment. – Within 120 days of adoption of the policy, the State Treasurer shall develop and make publically available a list of persons it determines, using federal sanctions lists and any other credible information available to the public, a list of persons it determines engage in investment activities in Iran. The State Treasurer shall make every effort to avoid erroneously including a person on the list. The State Treasurer shall update the list every 180 days. Before finalizing an initial list or an updated list, the State Treasurer must do all of the following before a person is included on the list:
- a. Provide 90 days' written notice of the State Treasurer's intent to include the person on the list. The notice shall inform the person that inclusion on the list would make the person ineligible for State investment and may affect the person's ability to conduct other business with the State and its subdivisions. The notice shall specify that the person, if it ceases its engagement in investment activities in Iran, may be removed from the list.
- b. The State Treasurer shall provide a person with an opportunity to comment in writing that it is not engaged in investment activities in Iran. If the person demonstrates to the State Treasurer that the person is not engaged in investment activities in Iran, the person shall not be included on the list.
- (2) Investments prohibited. – Neither the North Carolina Retirement Systems nor the State Treasurer may invest funds with a person that is identified on a list created pursuant to subdivision (1) of this section as a person engaging in investment activities in Iran.
- (3) Existing investments. – Any existing investment with a person that is identified on a list created pursuant to subdivision (1) of this section as a person engaging in investment activities in Iran must be divested within 180 days of the adoption of the policy.
- (4) Fiduciary duties. – Nothing in the policy shall require the North Carolina Retirement Systems or the State Treasurer to take action unless it is determined by the State Treasurer, in good faith, that the action is consistent with the fiduciary responsibilities of the Retirement Systems and the State Treasurer.
- (5) Exceptions. – Notwithstanding the policy, an investment may be made in a person engaged in investment activities in Iran, on a case-by-case basis, if:
- a. The investment activities in Iran were made before the effective date of this act, the investment activities in Iran have not been expanded or renewed after the effective date of this act, and the person has adopted, publicized, and is implementing a formal plan to cease the investment activities in Iran and to refrain from engaging in any new investments in Iran; or
- b. The State Treasurer makes a good-faith determination that the investments are necessary to perform its functions.

"§ 143C-6A-5. Certification required.

(a) A State agency shall require a person that attempts to contract with the State or political subdivision of the State, including a contract renewal or assumption, to certify, at the time the bid is submitted or the contract is entered into, renewed, or assigned, that the person or the assignee is not identified on a list created by the State Treasurer pursuant to G.S. 143C-6A-4. A State agency shall include certification information in the procurement record.

(b) A person that contracts with the State or a political subdivision of the State, including a contract renewal or assumption, shall not utilize on the contract with the State agency any subcontractor that is identified on a list created pursuant to G.S. 143C-6A-4.

(c) Upon receiving information that a person who has made the certification required by subsection (a) of this section is in violation thereof, the State agency shall review the information and offer the person an opportunity to respond. If the person fails to demonstrate that it has ceased its engagement in the investment which is in violation of this act within 90 days after the determination of the violation, then the State agency shall take action as may be appropriate and provided for by law, rule, or contract.

"§ 143C-6A-6. Restrictions on contracts with the State or subdivisions of the State.

(a) A person that is identified on a list created by the State Treasurer pursuant to G.S. 143C-6A-4 as a person engaging in investment activities in Iran is ineligible to contract with the State or any political subdivision of the State.

(b) Any contract entered into with a person that is ineligible to contract with the State or any political subdivision of the State is void ab initio.

"§ 143C-6A-7. Exceptions.

(a) G.S. 143C-6A-6 does not apply to contracts valued at one thousand dollars (\$1,000) or less.

(b) Notwithstanding G.S. 143C-6A-6, a person engaged in investment activities in Iran may contract with the State or a political subdivision of the State, on a case-by-case basis, if:

- (1) The investment activities in Iran were made before the effective date of this act, the investment activities in Iran have not been expanded or renewed after the effective date of this act, and the person has adopted, publicized, and is implementing a formal plan to cease the investment activities in Iran and to refrain from engaging in any new investments in Iran; or
- (2) The State agency makes a good-faith determination that the commodities or services are necessary to perform its functions and that, absent such an exemption, the State agency would be unable to obtain the commodities or services for which the contract is offered. The determination shall be entered into the procurement record.

"§ 143C-6A-8. Report; application.

(a) The State Treasurer shall report to the Joint Legislative Commission on Governmental Operations and the Governor annually by October 1 on the status of the federal "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010" (Public Law 111-195), the "Iran Divestment Act of 2015," and any rules or regulations adopted thereunder.

(b) The restrictions provided for in this Article apply only until:

- (1) The President or Congress of the United States, by means including, but not limited to, legislation, executive order, or written certification, declares that divestment of the type provided for in this Article interferes with the conduct of United States foreign policy; or
- (2) Congress revokes authority to divest in the manner provided for in this Article."

1 **SECTION 2.** Nothing in this act is intended to create a fiduciary relationship
2 between the State Treasurer and any party who uses the list or any fiduciary duty on the part of
3 the State Treasurer where one does not otherwise exist by law.

4 **SECTION 3.** The State Treasurer shall submit to the Attorney General of the
5 United States a written notice describing this act within 30 days after the effective date of this
6 act.

7 **SECTION 4.** This act becomes effective October 1, 2015.



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SENATE BILL 455: Iran Divestment Act

2015-2016 General Assembly

Committee: Senate Pensions & Retirement and Aging
Introduced by: Sen. Gunn
Analysis of: Second Edition

Date: April 22, 2015
Prepared by: Karen Cochrane-Brown
Committee Counsel

SUMMARY: *Senate Bill 455 would prohibit certain investments and contracts with persons determined to be engaging in investment activities in Iran.*

The Second Edition of the bill changed the implementing state agency from the Secretary of State to the State Treasurer and directed the Department of State Treasurer to adopt a policy on divestment consistent with its current policy.

CURRENT LAW: The federal Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 expressly authorizes states and local governments to prevent investment in companies operating in Iran's energy sector with investments that have the result of supporting the efforts of the government of Iran to achieve nuclear weapons capability. The North Carolina Department of the State Treasurer currently has an Iran Divestment Policy consistent with this act.

BILL ANALYSIS:

Section 1 of Senate Bill 455 would create a new article under Chapter 143C of the General Statutes entitled the Iran Divestment Act of 2015. The section states the intent of the General Assembly to implement the authority granted under Section 202 of the federal Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 by prohibiting certain investments and contracts with persons engaged in investment activities in the energy sector of Iran on a statewide basis.

The bill directs the State Treasurer to adopt a policy to identify persons engaged in investment activities in Iran, to prohibit investment of State funds with those persons, and prohibits persons on the list from contracting with the State.

List of persons: The State Treasurer would be required to create a list of persons engaging in investment activities in the energy sector of Iran. Investment activities in the energy sector of Iran are defined as activities to develop petroleum, natural gas resources, or nuclear power by: a person providing goods or services of 20 million dollars to the energy sector of Iran; or a person that extends 20 million dollars or more in credit that will be used to provide goods or services in the energy sector of Iran.

The State Treasurer would create the list within 120 days of adoption of the policy and update it every 180 days. The State Treasurer would provide 90 days' written notice to inform any person of the intent of the State Treasurer to include that person on the list and provide that person with the opportunity to deny in writing its engagement in investment activities in the energy sector of Iran.

Prohibited Investments: The bill would prohibit the North Carolina Retirement System or the Department of the State Treasurer from investing funds with a person identified on the list created by the State Treasurer. It would also require that any existing investment with a person on the list be divested within 180 days of the adoption of the policy.



Senate Bill 455

Page 2

The bill clarifies that nothing in the divestment policy will require the North Carolina Retirement System or the State Treasurer to take action unless the State Treasurer determines in good faith that the action is consistent with the fiduciary duties of those agencies.

An investment may be made in a person identified on the list on a case by case basis if:

- The investment activities in Iran were made before the effective date of this act. The person must demonstrate that it has not expanded or renewed the investment activities and it has adopted a formal plan to cease the investment and to refrain from engaging in new investments in Iran; or
- The State Treasurer makes a good faith determination that the investments are necessary to perform its functions.

Prohibited Contracts: The bill would make any person on the list created by the State Treasurer ineligible to contract with the State. It would require a person that contracts with the State to certify that the person is not identified on the list created by the State Treasurer. The State agency would be required to maintain a record of the certification.

The prohibition would not apply to contracts valued at \$1,000 or less. The State may contract with a person identified by the list on a case by case basis if:

- The investment activities in Iran were made before the effective date of this act. The person must demonstrate that it has not expanded or renewed the investment activities and it has adopted a formal plan to cease the investment and to refrain from engaging in new investments in Iran; or
- The State agency makes a good faith determination that the commodities or services provided by the contract are necessary to perform its functions and the agency would otherwise be unable to obtain the commodities or services.

Reporting and Application: The State Treasurer would report to Joint Legislative Commission on Governmental Operations and the Governor annually on the status of the federal law and the implementation of the act.

The restrictions in this act would apply only until: (1) the President or Congress declares that divestment of this type interferes with the conduct of United States foreign policy; or (2) Congress revokes authority to divest in the manner provided for in the act.

Section 2 would clarify that nothing in this act is intended to create a fiduciary relationship between the State Treasurer and anyone who uses the list or any fiduciary duty on the part of the State Treasurer where one does not otherwise exist by law.

Section 3 would require the State Treasurer to report a description of this act to the Attorney General of the United States within 30 days, as required by federal law.

EFFECTIVE DATE: This act becomes effective October 1, 2015.

BACKGROUND: Other states with Iran divestment or contracting prohibition legislation include: Alaska, Arizona, California, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, and Utah.

The North Carolina Department of State Treasurer's Policy on Iran Divestment can be found here: <https://www.nctreasurer.com/inv/Policies/Iran%20Divestment%20Policy%20-%20enacted%202012-07-19.pdf>.

Layla Cummings, counsel to Senate Commerce, substantially contributed to this summary.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 99

Short Title: Definition of Firefighter. (Public)

Sponsors: Senators Meredith, Daniel, Newton (Primary Sponsors); J. Davis and Sanderson.

Referred to: Pensions & Retirement and Aging.

February 23, 2015

A BILL TO BE ENTITLED
AN ACT TO ESTABLISH A DEFINITION OF FIREFIGHTER FOR PURPOSES OF THE
FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND,
FIREFIGHTER RELIEF FUNDS, AND FIREFIGHTERS' DEATH BENEFITS AND TO
AMEND THE PROCESS FOR FILING CERTIFIED ROSTERS WITH THE NORTH
CAROLINA STATE FIREMEN'S ASSOCIATION.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-84-5 reads as rewritten:

"§ 58-84-5. Definitions.

The following definitions apply in Articles 84 through 88 of this Chapter:

- (1) City. – A fire district.
- (2) Clerk. – The clerk of a fire district or, if there is no clerk, the person so designated by the governing body of the fire district.
- (3) Fire district. – Any political subdivision of the State that meets all of the following conditions:
 - a. It has an organized fire department under the control of its governing body.
 - b. Its fire department has apparatus and equipment that is in serviceable condition for fire duty and is valued at one thousand dollars (\$1,000) or more.
 - c. It is rated and certified by the Commissioner.
 - d. Its response area has been approved by the local municipal government or, if there is no local municipal government, by the local board of county commissioners.

(3a) Firefighter or Fireman. – Any person who meets all of the following requirements:

- a. Is a volunteer, employee, contractor, or member of a rated and certified fire department.
- b. Performs work or training connected with fire protection, fire prevention, fire control, fire education, fire inspection, fire department support services, or performs the statutory duties and responsibilities of the fire chief as set forth in G.S. 160A-292.
- c. Performs work or training at the direction of the fire chief.



d. Is included on the certified roster submitted to the North Carolina State Firemen's Association pursuant to G.S. 58-86-25.

(4) Town. – A fire district."

SECTION 2. G.S. 58-86-2 reads as rewritten:

"§ 58-86-2. Definitions.

The following words and phrases as used in this Article, unless a different meaning is plainly required by the context, shall have the following meanings:

...

(5) "Eligible firefighter" means all persons 18 years of age or older who are firefighters of the State of North Carolina or any political subdivision thereof, including those performing such functions in the protection of life and property through firefighting within a county or city governmental unit. "Eligible firefighter" shall also mean an employee of a county whose sole duty is to act as fire marshal, deputy fire marshal, assistant fire marshal, or firefighter of the county. "Eligible firefighter" shall also mean those persons meeting ~~the other qualifications of this Article, the requirements set forth in~~ G.S. 58-86-5(3a), not exceeding 25 volunteer firefighters plus one additional volunteer firefighter per 100 population in the area served by their respective departments.

...."

SECTION 3. G.S. 58-86-25 reads as rewritten:

"§ 58-86-25. Determination and certification of eligible firefighters.

~~Eligible~~ For purposes of this Article, eligible firefighters must attend 36 hours of training sessions in each calendar year. Each eligible fire department shall annually determine and ~~report~~ file a certified roster of the names of those firefighters meeting the eligibility qualifications of this Article to its respective governing body, which upon determination of the validity and accuracy of the qualification shall promptly certify the list to with the North Carolina State Firemen's Association. The Firemen's Association shall provide a list of those persons meeting the eligibility requirements of this Article to the State Treasurer by January 31 of each year. ~~For the purposes of the preceding sentence, the governing body of a fire department operated: by a county is the county board of commissioners; by a city is the city council; by a sanitary district is the sanitary district board; by a corporation, whether profit or nonprofit, is the corporation's board of directors; and by any other entity is that group designated by the board.~~ An "eligible firefighter" may not also qualify as an "eligible rescue squad worker" in order to receive double benefits available under this Article."

SECTION 4. G.S. 143-166.2(d) reads as rewritten:

"(d) The term "law-enforcement officer", "officer", or "fireman" shall mean a sheriff and all law-enforcement officers employed full-time, permanent part-time, or temporarily by a sheriff, the State of North Carolina or any county or municipality thereof, whether paid or unpaid; and all full-time custodial employees and probation and parole officers of the Division of Adult Correction of the Department of Public Safety; and all full time institutional and full-time, permanent part-time, and temporary detention employees of the Division of Juvenile Justice of the Department of Public Safety and full-time, permanent part-time, and temporary detention officers employed by any sheriff, county or municipality, whether paid or unpaid. The term "firemen" shall mean both "eligible firemen" as defined in Article 86 of Chapter 58 of the General Statutes, notwithstanding any age requirements set out in that Article, firefighters or firemen as defined in G.S. 58-84-5(5) and all full-time, permanent part-time and temporary employees of the North Carolina Forest Service of the Department of Agriculture and Consumer Services during the time they are actively engaged in firefighting activities; or engaged in emergency response activities pursuant to G.S. 166A-19.77; and shall mean all full-time employees of the North Carolina Department of Insurance during the time they are

1 actively engaged in firefighting activities, during the time they are training firefighters or
2 rescue squad workers, and during the time they are engaged in activities as members of the
3 State Emergency Response Team, when the Team has been activated; and shall mean all
4 otherwise eligible persons who, while actively engaged as firefighters or rescue squad workers,
5 are acting in the capacity of a fire or rescue instructor outside their own department or squad.
6 The term "rescue squad worker" shall mean a person who is dedicated to the purpose of
7 alleviating human suffering and assisting anyone who is in difficulty or who is injured or
8 becomes suddenly ill by providing the proper and efficient care or emergency medical services.
9 In addition, this person must belong to an organized rescue squad which is eligible for
10 membership in the North Carolina Association of Rescue and Emergency Medical Services,
11 Inc., and the person must have attended a minimum of 36 hours of training in the last calendar
12 year. Each rescue squad belonging to the North Carolina Association of Rescue and Emergency
13 Medical Services, Inc., must file a roster of those members meeting the above requirements
14 with the State Treasurer on or about January 31 of each year, and this roster must be certified to
15 by the secretary of said association. In addition, the term "rescue squad worker" shall mean a
16 member of an ambulance service certified by the Department of Health and Human Services
17 pursuant to Article 7 of Chapter 131E of the General Statutes. The Department of Health and
18 Human Services shall furnish a list of ambulance service members to the State Treasurer on or
19 about January 31 of each year. The term "Civil Air Patrol members" shall mean those senior
20 members of the North Carolina Wing-Civil Air Patrol 18 years of age or older and currently
21 certified pursuant to G.S. 143B-1031. The term "fireman" shall also mean county fire marshals
22 when engaged in the performance of their county duties. The term "rescue squad worker" shall
23 also mean county emergency services coordinators when engaged in the performance of their
24 county duties."

25 **SECTION 5.** This act becomes effective July 1, 2015.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 99
PROPOSED COMMITTEE SUBSTITUTE S99-CSSH-1 [v.11]

4/22/2015 7:01:53 PM

Short Title: Fire, Rescue, & Safety Worker System Changes.

(Public)

Sponsors:

Referred to:

February 23, 2015

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A DEFINITION OF FIREFIGHTER FOR PURPOSES OF THE LOCAL FIREFIGHTERS' RELIEF FUND, THE STATEWIDE FIREFIGHTERS' RELIEF FUND, THE STATE FIRE PROTECTION GRANT FUND, VOLUNTEER SAFETY WORKERS ASSISTANCE, AND THE RESCUE SQUAD WORKERS' RELIEF FUND; TO AMEND THE PROCESS FOR FILING CERTIFIED ROSTERS WITH THE NORTH CAROLINA STATE FIREMEN'S ASSOCIATION AND THE NORTH CAROLINA ASSOCIATION OF RESCUE AND EMERGENCY MEDICAL SERVICES, INC.; TO AMEND THE RESCUE SQUAD WORKERS' RELIEF FUND; TO AMEND THE LAW-ENFORCEMENT OFFICERS', FIREMEN'S, RESCUE SQUAD WORKERS' AND CIVIL AIR PATROL MEMBERS' DEATH BENEFITS ACT; AND TO SPECIFY LOCAL GOVERNMENT AUTHORITY AS IT PERTAINS TO A FIRE DEPARTMENT BOARD AND PARTICIPATION IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-84-5 reads as rewritten:

"§ 58-84-5. Definitions.

The following definitions apply in Articles ~~84 through 88~~ 84, 85, 85A, 87, and 88 of this Chapter:

- (1) City. - A fire district.
- (2) Clerk. - The clerk of a fire district or, if there is no clerk, the person so designated by the governing body of the fire district.
- (3) Fire district. - Any political subdivision of the State or federally recognized Native American tribe within the State that meets all of the following conditions:
 - a. It has an organized fire department under the control of its governing body.
 - b. Its fire department has apparatus and equipment that is in serviceable condition for fire duty and is valued at one thousand dollars (\$1,000) or more.
 - c. It is rated and certified by the Commissioner.
 - d. Its response area has been approved by the local municipal government or, if there is no local municipal government, by the local board of county commissioners.

(3a) Firefighter or Fireman. - Any person who meets all of the following requirements:



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- a. Is a volunteer, employee, contractor, or member of a rated and certified fire department.
- b. Performs work or training connected with fire protection, fire prevention, fire control, fire education, fire inspection, fire investigation, rescue, Emergency Medical Services, special operations, or performs the statutory duties and responsibilities of the fire chief as set forth in G.S. 160A-292.
- c. Performs work or training at the direction of the fire chief.
- d. Is included on the certified roster submitted to the North Carolina State Firemen's Association pursuant to G.S. 58-86-25.

(4) Town. – A fire district."

SECTION 2. G.S. 58-86-10 reads as rewritten:

"§ 58-86-10. Powers and duties of the board.

The Board of Trustees of the North Carolina Local Governmental Employees' Retirement System shall administer the Pension Fund. The board shall request appropriations out of the general fund for administrative expenses and to provide for the financing of this pension fund, employ necessary clerical assistance, determine all applications for pensions, provide for the payment of pensions, make all necessary rules and regulations not inconsistent with law for the governance of this fund, prescribe rules and regulations of eligibility of persons to receive pensions, expend funds in accordance with the provisions of this Article, and generally exercise all other powers necessary for the administration of the fund created by this Article. Should any change or error due to the submission of fraudulent information result in any member or beneficiary receiving from the Retirement System more or less than he or she would have been entitled to receive had their records been correct, the Board of Trustees shall correct such error, and as far as practicable, shall adjust the payment in such a manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid."

SECTION 3. G.S. 58-86-25 reads as rewritten:

"§ 58-86-25. Determination and certification of eligible firefighters.

~~Eligible~~ For purposes of this Article, eligible firefighters must attend 36 hours of training sessions in each calendar year. Each eligible fire department shall annually determine and report a certified roster of the names of those firefighters meeting the eligibility qualifications of this Article to its respective governing body, which upon determination of the validity and accuracy of the qualification-qualification, the department shall promptly certify-submit the list to the North Carolina State Firemen's Association. Submission of such information by a department to the North Carolina State Firemen's Association constitutes a certification of its accuracy under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation. The Firemen's Association shall provide a list of those persons meeting the eligibility requirements of this Article to the State Treasurer by January 31 of each year. For the purposes of the preceding ~~sentence, sentences,~~ the governing body of a fire department operated: by a county is the county board of commissioners; by a city is the city council; by a sanitary district is the sanitary district board; by a corporation, whether profit or nonprofit, is the corporation's board of directors; and by any other entity is that group designated by the board. An "eligible firefighter" may not also qualify as an "eligible rescue squad worker" in order to receive double benefits available under this Article."

SECTION 4. G.S. 58-86-30 reads as rewritten:

"§ 58-86-30. Determination and certification of "eligible rescue squad worker."

Eligible rescue squad workers must attend at least 36 hours of training sessions in each calendar year. Each rescue or emergency medical services squad eligible for membership in the North Carolina Association of Rescue and Emergency Medical Services, Inc., must file a roster certified by the secretary of the association of those rescue or emergency medical services

squad workers meeting the requirements of this section with the State Treasurer by January 31 of each calendar year. Submission of such information by a department to the North Carolina Association of Rescue and Emergency Medical Services, Inc., constitutes a certification of its accuracy under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation.

An "eligible rescue squad worker" may not qualify also as an "eligible firefighter" in order to receive double benefits available under this Article."

SECTION 5. G.S. 58-88-5 reads as rewritten:

"§ 58-88-5. Rescue Squad Workers' Relief Fund; trustees; disbursement of funds.

(a) The "Rescue Squad Workers' Relief Fund" is created. It consists of the revenue credited to the Fund under G.S. 20-183.7(c) and shall be used for the purposes set forth in this Article.

(b) The Executive Committee of the Association shall be the Board of Trustees of the Fund. The Board shall consist of the Commander, Vice-Commander, Secretary-Treasurer, and two past Commanders of the Association. The Commander shall be the Chairman of the Board. The Commander, Vice-Commander, and Secretary-Treasurer shall appoint the two past Commanders of the Association, who shall serve at the pleasure of the appointing officers.

(c) The Commissioner of Insurance has exclusive control of the Fund and shall disburse revenue in the Fund to the Association only for the following purposes:

- (1) To safeguard any rescue or EMS worker in active service from financial loss, occasioned by sickness contracted or injury received while in the performance of his or her duties as a rescue or EMS worker.
- (2) To provide a reasonable support for those persons actually dependent upon the services of any rescue or EMS worker who may lose his or her life in the service of his or her town, county, city, or the State, either by accident or from disease contracted or injury received by reason of such service. The amount is to be determined according to the earning capacity of the deceased.
- (3) To award scholarships to children of members, deceased members or retired members in good standing, for the purpose of attending a two year or four year college or university, and for the purpose of attending a two year course of study at a community college or an accredited trade or technical school, any of which is located in the State of North Carolina. Continuation of the payment of educational benefits for children of active members shall be conditioned on the continuance of active membership in the rescue or EMS service by the ~~parent or parents~~ parent, parents, legal guardian, or legal guardians.
- (4) To pay death benefits to those persons who were actually dependent upon any member killed in the line of duty.
- (4a) To pay additional benefits approved by the Board of Trustees of the Fund to rescue and EMS workers who are eligible pursuant to G.S. 58-88-10 and who are members of the Association.
- (5) Notwithstanding any other provision of law, no expenditures shall be made pursuant to subdivisions (1), (2), (3), (4), and (4a) of this subsection unless the Board has certified that the expenditures will not render the Fund financially unsound for the purpose of providing the benefits set forth in subdivisions (1), (2), (3), (4), and (4a). If, for any reason, funds made available for subdivisions (1), (2), (3), (4), and (4a) are insufficient to pay in full any benefit, the benefits pursuant to subdivisions (1), (2), (3), (4), and (4a) shall be reduced pro rata for as long as the amount of insufficient funds

exists. No claims shall accrue with respect to any amount by which a benefit under subdivisions (1), (2), (3), (4), and (4a) has been reduced."

SECTION 6. G.S. 58-88-10 reads as rewritten:

"§ 58-88-10. Membership eligibility.

(a) Any member of a rescue squad or EMS service who is eligible for membership in the Association and who has attended a minimum of 36 hours of training and meetings in the last calendar year; and each rescue squad or EMS service whose members are eligible for membership in the Association who has filed a roster certifying to the Secretary-Treasurer who certifies to the Commissioner of Insurance by January 1 of each calendar year that all eligible members have met the requirements, shall be eligible for the Fund. Any eligible member who, in the actual discharge of his or her duties as rescue or EMS personnel, is (1) made sick by disease contracted or (2) becomes disabled, shall be entitled to the benefits from the Fund.

(b) Any organized rescue squad or EMS service in North Carolina holding itself ready for duty may, upon compliance with the requirements of the constitution and by-laws of the Association, be eligible for membership in the Fund.

(c) The line of duty entitling one to participate in the Fund shall be so construed as to mean actual rescue or EMS duty only."

SECTION 7. G.S. 58-88-25 reads as rewritten:

"§ 58-88-25. Application for benefits.

Applications for benefits from the Fund shall be made to the Secretary-Treasurer under the following conditions and procedure: Within ~~30-180~~ days after the contracting of a disease or the occurrence of accident for which benefits are sought, the chief or chief officer of the local department shall notify the Secretary-Treasurer in writing that the person applying for benefits is a member of the Fund and request the necessary forms from the Secretary-Treasurer's office to be submitted for the benefits."

SECTION 8. G.S. 143-166.2 reads as rewritten:

"§ 143-166.2. Definitions.

(a) The term "dependent child" shall mean any unmarried child of the deceased officer, ~~fireman~~, firefighter, rescue squad worker or senior member of the Civil Air Patrol whether natural, adopted, posthumously born or whether a child born out of wedlock as entitled to inherit under the Intestate Succession Act, who is under 18 years of age and dependent upon and receiving his chief support from said officer or ~~fireman~~ firefighter or rescue squad worker or senior member of the Civil Air Patrol at the time of his death; provided, however, that if a dependent child is entitled to receive benefits at the time of the officer's or ~~fireman's~~ firefighter's or rescue squad worker's or senior Civil Air Patrol member's death as hereinafter provided, he shall continue to be eligible to receive such benefits regardless of his age thereafter; and further provided that any child over 18 years of age who is physically or mentally incapable of earning a living and any child over 18 years of age who was enrolled as a full-time student at the time of the officer's, the ~~fireman's~~, firefighter's, the rescue squad worker's or the senior Civil Air Patrol member's death shall so long as he remains a full-time student as defined in the Social Security Act be regarded as a dependent child and eligible to receive benefits under the provisions of this Article.

(b) The term "dependent parent" shall mean the parent of the deceased officer, ~~fireman~~, firefighter, rescue squad worker or senior member of the Civil Air Patrol, whether natural or adoptive, who was dependent upon and receiving his total and entire support from the officer, ~~fireman~~, firefighter, rescue squad worker or senior member of the Civil Air Patrol at the time of the injury which resulted in his death.

(c) The term "killed in the line of duty" shall apply to any law-enforcement officer, ~~fireman~~, firefighter, rescue squad worker who is killed or dies as a result of bodily injuries sustained or of extreme exercise or extreme activity experienced in the course and scope of his

1 official duties while in the discharge of his official duty or duties. When applied to a senior
2 member of the Civil Air Patrol as defined in this Article, "killed in the line of duty" shall mean
3 any such senior member of the North Carolina Wing-Civil Air Patrol who is killed or dies as a
4 result of bodily injuries sustained or of extreme exercise or extreme activity experienced in the
5 course and scope of his official duties while engaged in a State requested and approved mission
6 pursuant to Article 13 of Chapter 143B of the General Statutes. For purposes of this Article,
7 when a law enforcement officer, ~~fireman~~, firefighter, rescue squad worker, or senior Civil Air
8 Patrol member dies as the direct and proximate result of a myocardial infarction suffered while
9 on duty or within 24 hours after participating in a training exercise or responding to an
10 emergency situation, the law enforcement officer, ~~fireman~~, firefighter, rescue squad worker, or
11 senior Civil Air Patrol member is presumed to have been killed in the line of duty.

12 (d) The term "law-enforcement officer", "officer", or "~~fireman~~" "firefighter" shall mean
13 a sheriff and all law-enforcement officers employed full-time, permanent part-time, or
14 temporarily by a sheriff, the State of North Carolina or any county or municipality thereof,
15 whether paid or unpaid; and all full-time custodial employees and probation and parole officers
16 of the Division of Adult Correction of the Department of Public Safety; and all full time
17 institutional and full-time, permanent part-time, and temporary detention employees of the
18 Division of Juvenile Justice of the Department of Public Safety and full-time, permanent
19 part-time, and temporary detention officers employed by any sheriff, county or municipality,
20 whether paid or unpaid. The term "firemen" shall mean both firefighter or firemen as defined in
21 G.S. 58-84-5(3a), or "eligible firemen" as defined in Article 86 of Chapter 58 of the General
22 Statutes, notwithstanding any age requirements set out in that Article, and all full-time,
23 permanent part-time and temporary employees of the North Carolina Forest Service of the
24 Department of Agriculture and Consumer Services during the time they are actively engaged in
25 firefighting activities; or engaged in emergency response activities pursuant to
26 G.S. 166A-19.77; and shall mean all full-time employees of the North Carolina Department of
27 Insurance during the time they are actively engaged in firefighting activities, during the time
28 they are training firefighters or rescue squad workers, and during the time they are engaged in
29 activities as members of the State Emergency Response Team, when the Team has been
30 activated; and shall mean all otherwise eligible persons who, while actively engaged as
31 firefighters or rescue squad workers, are acting in the capacity of a fire or rescue instructor
32 outside their own department or squad. The term "rescue squad worker" shall mean a person
33 who is dedicated to the purpose of alleviating human suffering and assisting anyone who is in
34 difficulty or who is injured or becomes suddenly ill by providing the proper and efficient care
35 or emergency medical services. In addition, this person must belong to an organized rescue
36 squad which is eligible for membership in the North Carolina Association of Rescue and
37 Emergency Medical Services, Inc., and the person must have attended a minimum of 36 hours
38 of training in the last calendar year. Each rescue squad belonging to the North Carolina
39 Association of Rescue and Emergency Medical Services, Inc., must file a roster of those
40 members meeting the above requirements with the State Treasurer on or about January 31 of
41 each year, and this roster must be certified to by the secretary of said association. In addition,
42 the term "rescue squad worker" shall mean a member of an ambulance service certified by the
43 Department of Health and Human Services pursuant to Article 7 of Chapter 131E of the
44 General Statutes. The Department of Health and Human Services shall furnish a list of
45 ambulance service members to the State Treasurer on or about January 31 of each year. The
46 term "Civil Air Patrol members" shall mean those senior members of the North Carolina
47 Wing-Civil Air Patrol 18 years of age or older and currently certified pursuant to
48 G.S. 143B-1031. The term "~~fireman~~" "firefighter" shall also mean county fire marshals when
49 engaged in the performance of their county duties. The term "rescue squad worker" shall also

mean county emergency services coordinators when engaged in the performance of their county duties.

(c) The term "spouse" shall mean the wife or husband of the deceased officer, ~~fireman~~, ~~firefighter~~, rescue squad worker or senior Civil Air Patrol member who survives him and who was residing with such officer, ~~fireman~~, ~~firefighter~~, rescue squad worker, or senior Civil Air Patrol member at the time of and during the six months next preceding the date of injury to such officer, ~~fireman~~, ~~firefighter~~, rescue squad worker or senior Civil Air Patrol member which resulted in his or her death and who also resided with such officer, ~~fireman~~, ~~firefighter~~, rescue squad worker or senior Civil Air Patrol member from that date of injury up to and at the time of his or her death and ~~who remains unmarried during the time benefits are forthcoming~~; provided, however, the part of this section requiring the spouse to have been residing with the deceased officer, ~~fireman~~, ~~firefighter~~, rescue squad worker or senior Civil Air Patrol member for six months next preceding the date of the injury which resulted in his death shall not apply where marriage occurred during this six-month period or where the officer, ~~fireman~~, ~~firefighter~~, rescue squad worker or senior Civil Air Patrol member was absent during this six-month period due to service in the Armed Forces of the United States.

(f) The term "official duties" means those duties performed while en route to, engaged in, or returning from training, or in the course of responding to, engaged in or returning from a call by the department of which he is a member, or from a call for assistance from any department or such organization within the State of North Carolina or within a service area contiguous to the borders of the State of North Carolina, when served or aided by a department from within the State of North Carolina. While within the State of North Carolina, any eligible person, as defined in this section or in G.S. 58-86-25, who renders service or assistance, of his own volition, at the scene of an emergency, is performing his official duties when:

- (1) Reasonably apparent circumstances require prompt decisions and actions to protect persons and property; and
- (2) The necessity of immediate action is so reasonably apparent that any delay in acting would seriously worsen the property damage or endanger any person's life."

SECTION 9. G.S. 143-166.3(b) reads as rewritten:

"(b) Payment shall be made to the person or persons qualifying therefor under subsection (a) in the following amounts:

- (1) At the time of the death of an officer, ~~fireman~~, ~~firefighter~~, rescue squad worker or senior Civil Air Patrol member, ~~twenty thousand dollars (\$20,000)~~ fifty thousand dollars (\$50,000) shall be paid to the person or persons entitled thereto.
- ~~(2) Thereafter, ten thousand dollars (\$10,000) shall be paid annually to the person or persons entitled thereto until the sum of the initial payment and each annual payment reaches fifty thousand dollars (\$50,000).~~
- (3) In the event there is no person qualifying under subsection (a) of this section, fifty thousand dollars (\$50,000) shall be paid to the estate of the deceased officer, ~~fireman~~, ~~firefighter~~, rescue squad worker or senior Civil Air Patrol member at the time of death.

(c) ~~In the event that any person or persons eligible for payments under subsection (a) of this section shall become ineligible, and other eligible person or persons qualify for said death benefit payments under subsection (a), then they shall receive the remainder of any payments up to the limit of fifty thousand dollars (\$50,000) in the manner set forth in subsection (b) of this section.~~

(d) ~~In the event any person or persons eligible for payments under subsection (a) of this section shall become ineligible and no other person or persons qualify for payments under that~~

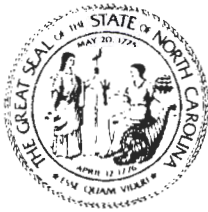
1 subsection and where the sum of the initial payment of twenty thousand dollars (\$20,000) and
2 each subsequent annual payment of ten thousand dollars (\$10,000) does not total fifty thousand
3 dollars (\$50,000), then the difference between the total of the payments made and fifty
4 thousand dollars (\$50,000) shall immediately be payable to the estate of the deceased officer,
5 fireman, rescue squad worker, or senior Civil Air Patrol member."

6 **SECTION 10.(a)** In order to participate in the Local Governmental Employees'
7 Retirement System after October 1, 2015, the charter or articles of incorporation of fire
8 departments must include a provision that provides that the governing body of the local
9 government entity that holds the contract with the highest dollar value to the fire department for
10 provision of fire services shall have the authority to remove from office up to fifty percent
11 (50%) plus one member of the Board of Trustees or Board of Directors of the fire department.
12 Before exercising this authority, the local government entity shall notify the affected fire
13 department and give the fire department the opportunity to be heard in a public meeting. When
14 any fire department board member is removed, the resulting vacancy shall be filled pursuant to
15 the bylaws of the fire department.

16 **SECTION 10.(b)** This section only applies to fire departments that commenced
17 participation in the Local Governmental Employees' Retirement System between 1977 and
18 1992 pursuant to Chapter 316 of the Session Laws of 1977, and have contracts to provide fire
19 protection to a city, county, or instrumentality of the state.

20 **SECTION 11.** This act becomes effective July 1, 2015.





SENATE BILL 99: Definition of Firefighter

2015-2016 General Assembly

Committee: Senate Pensions & Retirement and Aging
Introduced by: Sens. Meredith, Daniel, Newton
Analysis of: PCS to First Edition
S99-CSSH-1

Date: April 22, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *Senate Bill 99 makes changes to the statutes for the following systems: Local Firefighters' Relief Funds; Statewide Firefighters' Relief Fund; State Fire Protection Grant Fund; Volunteer Safety Workers Assistance Fund; Rescue Squad Workers' Relief Fund; NC Firefighters' and Rescue Squad Workers' Pension Fund; Law-Enforcement Officers,' Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act, and clarifies government control of certain fire departments.*

BILL ANALYSIS: Section 1 amends definitions in G.S. 58-84-5 which apply to the following Articles:

Article 84: Local Firefighters' Relief Funds
Article 85: Statewide Firefighters' Relief Fund
Article 85A: State Fire Protection Grant Fund
Article 87: Volunteer Safety Workers Assistance Fund
Article 88: Rescue Squad Workers' Relief Fund

- The definition of "fire district" is amended to include any federally recognized Native American tribe within the State.
- A definition is added for "firefighter or fireman" to mean a person who meets all of the following requirements:
 - Is a volunteer, employee, contractor, or member of a rated and certified fire department.
 - Performs work or training connected with fire protection, fire prevention, fire control, fire education, fire inspection, fire investigation, rescue, Emergency Medical Services, special operations, or performs the statutory duties and responsibilities of the fire chief as set forth in G.S. 160A-292.
 - Performs work or training at the direction of the fire chief.
 - Is included on the certified roster submitted to the North Carolina State Firemen's Association pursuant to G.S. 58-86-25.

Section 2 amends the powers and duties of the Board of Trustees for the Firefighters' and Rescue Squad Workers' Pension Fund to specify that if any change or error due to the submission of fraudulent information result in any member or beneficiary receiving from the Retirement System more or less than he would have been entitled to receive had their records been correct, the Board of Trustees will correct the error, and as far as practicable, will adjust the payment in such a manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled will be paid.

Sections 3 and 4 amend the Firefighters' and Rescue Squad Workers' Pension Fund pertaining to the certification of firefighters and rescue squad workers to provide that each eligible fire department and rescue or emergency medical services squad must:

O. Walker Reagan
Director



Research Division
(919) 733-2578

Senate Bill 99

Page 2

- Annually report a certified roster of the names of those individuals meeting eligibility qualifications.
- Submit the list to the NC State Firemen's Association or NC Association of Rescue and Emergency Medical Service, Inc. Submission constitutes a certification of its accuracy under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation.

Sections 5, 6, and 7 amend the Rescue Squad Worker's Relief Fund as follows:

- Adds "legal guardian or legal guardians" to the requirement that the parent or parents must maintain active membership in the rescue or EMS service for the continuation of educational benefits.
- Amends membership eligibility to specify that the required 36 hours must be training only and not training and meetings.
- Increases the amount of time from 30 days to 180 days that the chief or chief officer of the local department has to notify the Secretary-Treasurer that the person applying for benefits is a member of the fund and request that the necessary forms be submitted for benefits.

Sections 8 and 9 amend the Law-Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act as follows:

- Changes "fireman" to "firefighter"
- Removes the requirement that surviving spouses prove that they have not re-married every year for four years after the death is certified by the Industrial Commission in order to remain eligible to receive a benefit derived from a deceased's service.
- Makes the full \$50,000 benefit payable after certification of the death instead of spreading the payments over four years.

Section 10 requires 16 nonprofit fire departments that commenced participation in the Local Governmental Employees Retirement System between 1977 and 1992 to have a charter provision allowing the local government unit with which they have their largest service contract to remove 50% plus one member of the fire department's governing board. This change is needed to support the contention that the fire departments who entered during this time period meet an IRS test for government control in order to participate in a governmental defined benefit pension

EFFECTIVE DATE: This bill would become effective July 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 77

Short Title: Increase Wilkesboro Firemen's Pension. (Local)

Sponsors: Senator Randleman (Primary Sponsor).

Referred to: Rules and Operations of the Senate.

February 12, 2015

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MONTHLY PENSION BENEFIT PAID TO MEMBERS OF
THE WILKESBORO FIREMEN'S SUPPLEMENTAL PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Section 4 of Chapter 131 of the 1985 Session Laws, as amended by
Section 1 of S.L. 1999-56 and Section 1 of S.L. 2010-23, reads as rewritten:

"Sec. 4. Any member who has served 20 years as a fireman in the Wilkesboro Fire
Department and has attained the age of 55 or who has served for five or more years and has
become totally and permanently disabled is entitled to receive a monthly pension from the
"Supplemental Pension Fund". This monthly pension shall be equal to one hundred fifty
percent (150%) of the monthly pension amount paid by the North Carolina Firemen's and
Rescue Squad Workers' Pension Fund under G.S. 58-86-55 and shall be adjusted to
match continue to equal one hundred fifty percent (150%) of that State pension amount
whenever that amount is amended. If, for any reason, the Fund shall be insufficient to pay in
full any pension benefits, or other charges, then all benefits shall be reduced pro rata for as long
as the deficiency in amount exists. No claim shall accrue with respect to any amount by which
a benefit payment shall have been reduced."

SECTION 2. This act becomes effective July 1, 2015.





GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 77
PROPOSED COMMITTEE SUBSTITUTE S77-CSSH-2 [v.1]
2/25/2015 3:16:19 PM

Short Title: Increase Wilkesboro Firemen's Pension.

(Local)

Sponsors:

Referred to:

February 12, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE MONTHLY PENSION BENEFIT PAID TO MEMBERS OF
3 THE WILKESBORO FIREMEN'S SUPPLEMENTAL PENSION FUND.
4 The General Assembly of North Carolina enacts:
5 SECTION 1. Section 4 of Chapter 131 of the 1985 Session Laws, as amended by
6 Section 1 of S.L. 1999-56 and Section 1 of S.L. 2010-23, reads as rewritten:
7 "Sec. 4. Any member who has served 20 years as a fireman in the Wilkesboro Fire
8 Department and has attained the age of 55 or who has served for five or more years and has
9 become totally and permanently disabled is entitled to receive a monthly pension from the
10 "Supplemental Pension Fund". This monthly pension shall be equal to one hundred fifty
11 percent (150%) of the monthly pension amount paid by the North Carolina Firemen's
12 Firefighters' and Rescue Squad Workers' Pension Fund under G.S. 58-86-55 and shall be
13 adjusted to match continue to equal one hundred fifty percent (150%) of that State pension
14 amount whenever that amount is amended. If, for any reason, the Fund shall be insufficient to
15 pay in full any pension benefits, or other charges, then all benefits shall be reduced pro rata for
16 as long as the deficiency in amount exists. No claim shall accrue with respect to any amount by
17 which a benefit payment shall have been reduced."
18 SECTION 2. This act becomes effective July 1, 2015.



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SENATE BILL 77: Increase Wilkesboro Firemen's Pension

2015-2016 General Assembly

Committee: Senate Pensions & Retirement and Aging
Introduced by: Sen. Randleman
Analysis of: PCS to First Edition
S77-CSSH-2

Date: April 22, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *Senate Bill 77 amends the laws for the Wilkesboro Firemen's Supplemental Pension Fund to increase the monthly pension so that it will be equal to 150% of the monthly pension amount paid by the NC Firefighter's and Rescue Squad Workers' Pension Fund.*

The PCS changes "Firemen's" to "Firefighters" to reflect the correct name of the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.

BILL ANALYSIS:

Senate Bill 77 amends the Session Laws for the Wilkesboro Firemen's Supplemental Pension Fund to allow the monthly pension to be equal to 150% of the monthly pension amount paid by the North Carolina Firefighters' and Rescue Squad Workers' Pension Funder under G.S. 58-86-55.

EFFECTIVE DATE: This bill would become effective July 1, 2015.

BACKGROUND:

The current monthly pension amount for the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund is \$170.

O. Walker Reagan
Director



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Research Division
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VISITOR REGISTRATION SHEET

SENATE PROGRAM EVALUATION

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE
CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Flint Benson	SEANC
Anorew Toir	Staff
Jennifer Gasperin	NCMS
Tim Mee	EW
RAY EVANS	NCRB
Rebekah Bradley	Lt. Governor's Office
ATC STAN	ATC STAN
Cheryl Yakey	Kemper Corp'n, Chicago IL
Robert Woolley	Adams and Reese LLP / Baton Rouge LA
Timberley Moore	NC Mutual Life Ins
Donna Barclay	UNC Dept Gov.
Starnes	Treasurer
Solari	DST
WATTS	DST



VISITOR REGISTRATION SHEET

SENATE PROGRAM EVALUATION

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Joel Faircloth	NC Assoc Rescue EMS
Jul Bone	Bone Jaso
David Starling	NC DST
Steve Tork	DST - Retirement
James Rose	DST - Retirement
Donna Boyette	DST - RSD
Tim Bradlee	NCSFA
Dub Clary	NESP / NCSF
Chris A. Mills	NCAEL



MINUTES

Pensions & Retirement and Aging

May 27, 2015

The Senate Pensions & Retirement and Aging committee met on Wednesday, May 27th, 2015 at 11:00 a.m. The meeting was held in room 1124/1224 of the Legislative Building. Twelve Senate members of the committee were present. Senator Tom Apodaca presided.

Senator Apodaca introduced the Pages and the Sergeant at Arms.

Senator Apodaca brought forth the items on the agenda:

HB70- Charlotte Firefighters' Retirement- Representative Bishop explained the bill. Senator Daniel moved for a favorable report. Motion carried.

HB274- Retirement Technical Corrections Act of 2015.-AB- Representative Gill explained the bill. Senator Tarte moved for a favorable report. Motion carried.

HB291-Haz. Materials in Safe Deposit Box.-AB- Representative Hurley explained the bill. Senator Smith moved for a favorable report. Motion carried.

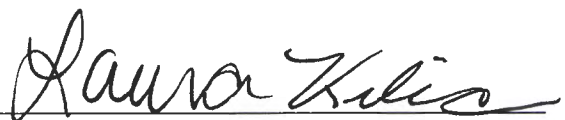
HB495- OSHR Modernization/Technical Changes- Senator Gunn moved to explain an amendment. Amendment passed. Representative Collins explained the bill. Senator Apodaca opened up the floor for questions. Neil Alexander, Director of OSHR, further explained parts of the bill. Sen. Lowe sent forth an amendment. Amendment failed. Sen. Wells sent forth a 3rd amendment. Amendment failed. Sen. Smith sent forth a 4th amendment. Amendment failed. Sen. Rabin sent forth a 5th amendment. Amendment failed. Sen. Gunn moved for a favorable report. Bill passed as amended/motion carried.

The meeting adjourned at 12:15 p.m.





Senator Tom Apodaca, Presiding



Laura Kilian, Committee Assistant



Senate Committee on Pensions & Retirement and Aging
Wednesday, May 27, 2015, 11:00 AM
1124/1224 Legislative Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 70	Charlotte Firefighters' Retirement.	Representative Bishop
		Representative Bradford
HB 274	Retirement Technical Corrections Act of 2015.-AB	Representative Gill
		Representative L. Bell
		Representative Elmore
		Representative Waddell
HB 495	OSHR Modernization/Technical Changes.	Representative Collins
		Representative Hurley
		Representative Floyd
HB 291	Haz. Materials in Safe Deposit Box.-AB	Representative Hurley
		Representative McNeill

Presentations

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

**Senator Apodaca, Co-Chair
Senator Gunn, Co-Chair**

Wednesday, May 27, 2015

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

FAVORABLE

HB 70 (CS#1)

Charlotte Firefighters Retirement.

Draft Number: None
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

HB 274 (CS#1)

Retirement Technical Corrections Act of 2015.-AB

Draft Number: None
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

HB 291 (CS#1)

Haz. Materials in Safe Deposit Box.-AB

Draft Number: None
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

TOTAL REPORTED: 3

Senator Jeffery Tarte will handle HB 70
Senator Joyce Waddell will handle HB 274
Senator Shirley Randleman will handle HB 291



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**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

Senator Apodaca, Co-Chair

Senator Gunn, Co-Chair

Wednesday, May 27, 2015

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

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

HB 495 (CS#2)

OSHR Modernization/Technical Changes.

Draft Number: H495-PCS20361-RO-13

Sequential Referral: None

Recommended Referral: None

Long Title Amended: No

TOTAL REPORTED: 1

Senator Tom Apodaca will handle HB 495



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GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

H

3

HOUSE BILL 70

Committee Substitute Favorable 3/24/15

Third Edition Engrossed 3/31/15

Short Title: Charlotte Firefighters' Retirement.

(Local)

Sponsors:

Referred to:

February 12, 2015

A BILL TO BE ENTITLED

AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. Section 12 of Chapter 926 of the 1947 Session Laws, as amended by Chapter 506 of the 1987 Session Laws, Chapter 1033 of the 1987 Session Laws, Chapter 248 of the 1989 Session Laws, Chapter 830 of the 1991 Session Laws, S.L. 1999-100, and S.L. 2001-22, reads as rewritten:

"Sec. 12. **Failure to Return From Active Military Duty.**

(a) Generally. Should any Member of this Retirement System who entered the Armed Forces of the United States of America pursuant to the provisions of Section 6 of this act fail to return to employment with the Charlotte Fire Department within the period for which his reemployment rights are guaranteed by law, said Member shall thereupon cease membership and shall be entitled to a deferred benefit or reimbursement of his contributions in the same manner and in all respects as provided for in Section 10 or 11 of this act, whichever is applicable.

Such former Member shall not receive Membership Service Credit for the period of active military duty or any period after discharge or release from active duty from the Armed Forces for which his reemployment rights had been guaranteed by law.

(b) Death or Disability. In the case of a death or disability occurring on or after January 1, 2007, if a Member dies while performing qualified military service (as defined in section 414(u) of the Code), the survivors of the Member are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the System as if the Member had resumed and then terminated employment on account of death.

(c) Benefit Accrual. For benefit accrual purposes, the System treats an individual who, on or after January 1, 2007, dies or becomes disabled (as defined under the terms of the System) while performing qualified military service with respect to the Charlotte Fire Department as if the individual had resumed employment in accordance with the individual's reemployment rights under USERRA, on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. The System will determine the amount of Member contributions of an individual treated as reemployed under this section for purposes of applying section 414(u)(8)(C) of the Code on the basis of the individual's average actual employee contributions for the lesser of (i) the 12-month period of service with the Sponsor immediately prior to qualified military service or (ii) if service with



* H 7 0 - V - 3 *



the Sponsor is less than such 12-month period, the actual length of continuous service with the Sponsor.

(d) Differential Wage Payments. For years beginning after December 31, 2008, (i) an individual receiving a differential wage payment, as defined by section 3401(h)(2) of the Code, shall be treated as a Member of the Sponsor making the payment; (ii) the differential wage payment shall be treated as compensation; and (iii) the System shall not be treated as failing to meet the requirements of any provision described in section 414(u)(1)(C) of the Code by reason of any contribution or benefit that is based on the differential wage payment."

SECTION 2. Section 13.1 of Chapter 926 of the 1947 Session Laws, as amended by Chapter 506 of the 1987 Session Laws, Chapter 1033 of the 1987 Session Laws, Chapter 248 of the 1989 Session Laws, Chapter 830 of the 1991 Session Laws, Chapter 640 of the 1993 Session Laws, Chapter 171 of the 1995 Session Laws, S.L. 1999-100, S.L. 2001-22, S.L. 2002-43, and S.L. 2006-117, reads as rewritten:

"Sec. 13.1. **Direct Rollover of Eligible Rollover Distributions.** (a) This Section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

(1) Eligible rollover distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and any hardship ~~distribution described in section 401(k)(2)(B)(i)(IV) distribution~~. A portion of a distribution shall not fail to be an eligible rollover distribution merely because a portion consists of after-tax employee contributions that are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(2) Eligible retirement plan. An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. With respect to distributions made after December 31, 2001, an eligible retirement plan shall also mean (i) an annuity contract described in section 403(b) of the Code and (ii) an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in



the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code.

(3) Distributee. A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(4) Direct rollover. A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

(5) Non-spouse beneficiary rollover right. For distributions after December 31, 2009, a non-spouse beneficiary who is a "designated beneficiary" under section 401(a)(9)(E) of the Code and the regulations thereunder, by a direct trustee-to-trustee transfer (direct rollover), may roll over all or any portion of his or her distribution to an Individual Retirement Account (IRA) the beneficiary establishes for purposes of receiving the distribution. In order to be able to roll over the distribution, the distribution otherwise must satisfy the definition of an "eligible rollover distribution" under section 401(a)(31) of the Code. If a non-spouse beneficiary receives a distribution from the System, the distribution is not eligible for a 60-day (non-direct) rollover. If the Participant's named beneficiary is a trust, the System may make a direct rollover to an IRA on behalf of the trust, provided the trust satisfies the requirements to be a designated beneficiary within the meaning of section 401(a)(9)(E) of the Code. A non-spouse beneficiary may not roll over an amount that is a required minimum distribution, as determined under applicable Regulations and other Internal Revenue Service guidance. If the Participant dies before his or her required beginning date and the non-spouse beneficiary rolls over to an IRA the maximum amount eligible for rollover, the beneficiary may elect to use either the 5-year rule or the life expectancy rule, pursuant to Regulations Section 1.401(a)(9)-3, A-4(c), in determining the required minimum distributions from the IRA that receives the non-spouse beneficiary's distribution.

(6) Roth IRA rollover. For distributions made after December 31, 2007, a Participant or beneficiary may elect to roll over directly an "eligible rollover distribution" to a Roth IRA described in section 408A(b) of the Code.

(c) In the event of a mandatory distribution greater than one thousand dollars (\$1,000) that is made without the Member's consent and is made to the Member before the Member attains the later of age 62 or Normal Retirement Age, if the Member does not elect to have such distribution paid directly to an eligible retirement plan specified by the Member in a direct rollover or to receive the distribution from the Plan, the Administrator shall pay the distribution in a direct rollover to an individual retirement plan designated by the Administrator."

SECTION 3. Section 1 of Chapter 830 of the 1991 Session Laws, as amended by Chapter 640 of the 1993 Session Laws, Chapter 171 of the 1995 Session Laws, S.L. 1999-100, and S.L. 2001-22, is amended by adding a new section to read:

"Sec. 23.1 Retiree Health Insurance Premiums. Effective January 1, 2007, a Member who is an "eligible retired public safety officer" as defined in section 402(l)(4)(B) of the Code who retired pursuant to Section 15, Section 19, or Section 20 of this act may elect to receive a distribution from the System in an amount not to exceed the lesser of the following:



(1) The amount paid by such Member for qualified health insurance premiums of the Member, the Member's spouse, or dependents (as defined in section 152 of the Code) for such taxable year; or

(2) Three thousand dollars (\$3,000) for the taxable year.

Any distribution pursuant to this section shall reduce the benefit payable to the Member for the taxable year from the System. Such distribution shall be paid directly to the provider of the accident or health insurance. All distributions under this section shall be made in compliance with section 402(1) of the Code and any guidance issued thereunder."

SECTION 4. This act applies only to the City of Charlotte.

SECTION 5. This act becomes effective July 1, 2015.





HOUSE BILL 70: Charlotte Firefighters' Retirement

2015-2016 General Assembly

Committee:	Senate Pensions & Retirement and Aging	Date:	May 26, 2015
Introduced by:	Reps. Bishop, Bradford	Prepared by:	Theresa Matula
Analysis of:	Third Edition		Committee Staff

SUMMARY: *House Bill 70 makes various changes to the Charlotte Firefighters' Retirement System pertaining to credit for military service, rollovers, and retiree health benefits.*

[As introduced, this bill was identical to S137, as introduced by Sens. Tarte, Ford, which is currently in Senate Pensions & Retirement and Aging.]

BACKGROUND:

According to the City of Charlotte, the changes in House Bill 70 to the Charlotte Firefighters' Retirement System (CFRS) are in response to following Federal Acts: Pension Protection Act of 2006 (PPA), HEROES Earnings and Assistance Relief Tax Act of 2008 (HEART), and the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA). The City reports that the Charlotte Firefighters' Retirement System has been operating in accordance with these federal laws but had not updated the CFRS laws until now.

BILL ANALYSIS:

Section 1 amends the Charlotte Firefighters' Retirement System (CFRS) as it pertains to credit for military service and failure to return from active military duty due to death or disability on or after January 1, 2007; benefit accrual; and differential wage payments. If a member of the CFRS dies while performing qualified military service, the Member's survivors are entitled to any additional benefits provided under the System, as if the Member had resumed and then terminated employment. For benefit accrual purposes, a member who dies or becomes disabled while performing qualified military service will be treated as if the Member resumed employment in accordance with USERRA¹ reemployment rights on the day preceding death or disability and terminated employment on the actual date of death or disability. Member contributions will be treated in accordance with federal law on the basis of the individual's average actual employee contributions for the lesser of: (i) the 12-month period of service with the Sponsor immediately prior to qualified military service, or (ii) if service with the Sponsor is less than such 12-month period, the actual length of continuous service with the Sponsor. For years beginning after December 31, 2008, (i) an individual receiving a differential wage payment must be treated as a Member of the Sponsor making the payment; (ii) the differential wage payment must be treated as compensation; and (iii) the System must not be treated as failing to meet the requirements of any provision described in federal law by reason of any contribution or benefit based on the differential wage payment.

Section 2 amends the CFRS law related to rollovers. A new subdivision is added providing for distributions after December 31, 2009, for a non-spouse beneficiary who is a designated beneficiary. A

¹ Uniform Services Employment and Reemployment Rights Act



House Bill 70

Page 2

new subdivision is also added providing that after December 31, 2007, a participant or beneficiary may elect to rollover directly an "eligible rollover distribution" to a Roth IRA.

Section 3 adds a section on retiree health insurance premiums providing that effective January 1, 2007, a member who is an "eligible retired public safety officer" may elect to receive a distribution from the system in an amount not to exceed the lesser of the following:

1. The amount paid by such Member for qualified health insurance premiums of the Member, the Member's spouse, or dependents (as defined in section 152 of the Code) for the taxable year; or
2. \$3,000 for the taxable year.

Any distribution pursuant to this section will reduce the benefit payable from the System to the Member for the taxable year. The distributions are paid directly to the provider of the accident or health insurance and must be in compliance with section 402(1) of the Code and any guidance issued thereunder.

Section 4 specifies that this act applies only to the City of Charlotte.

EFFECTIVE DATE: This bill would become effective July 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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2

HOUSE BILL 274
Committee Substitute Favorable 3/31/15

Short Title: Retirement Technical Corrections Act of 2015.-AB

(Public)

Sponsors:

Referred to:

March 19, 2015

A BILL TO BE ENTITLED

AN ACT TO ENACT THE RETIREMENT TECHNICAL CORRECTIONS ACT OF 2015.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-1(10) reads as rewritten:

"(10) "Employee" shall mean all full-time employees, agents or officers of the State of North Carolina or any of its departments, bureaus and institutions other than educational, whether such employees are elected, appointed or employed: Provided that the term "employee" shall not include any person who is a member of the Consolidated Judicial Retirement System, any member of the General Assembly or any part-time or temporary employee. Notwithstanding any other provision of law, "employee" shall include all employees of the General Assembly except participants in the Legislative Intern Program, pages, and beneficiaries in receipt of a monthly retirement allowance under this Chapter who are reemployed on a temporary basis. "Employee" also includes any participant whose employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, if that participant was an employee at the time of the interruption; if the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from his or her involuntary military service. In all cases of doubt, the Board of Trustees shall determine whether any person is an employee as defined in this Chapter. "Employee" shall also mean every full-time civilian employee of the North Carolina National Guard who is employed pursuant to section 709 of Title 32 of the United States Code and paid from federal appropriated funds, but held by the federal authorities not to be a federal employee: Provided, however, that the authority or agency paying the salaries of such employees shall deduct or cause to be deducted from each employee's salary the employee's contribution in accordance with applicable provisions of G.S. 135-8 and remit the same, either directly or indirectly, to the Retirement System; coverage of employees described in this sentence shall commence upon the first day of the calendar year or fiscal year; whichever is earlier, next following the date of execution of an agreement between the Secretary of Defense of the United States and the Adjutant General of the State acting





for the Governor in behalf of the State, but no credit shall be allowed pursuant to this sentence for any service previously rendered in the above-described capacity as a civilian employee of the North Carolina National Guard: Provided, further, that the Adjutant General, in the Adjutant General's discretion, may terminate the Retirement System coverage of the above-described North Carolina National Guard employees if a federal retirement system is established for such employees and the Adjutant General elects to secure coverage of such employees under such federal retirement system. Any full-time civilian employee of the North Carolina National Guard described above who is now or hereafter may become a member of the Retirement System may secure Retirement System credit for such service as a North Carolina National Guard civilian employee for the period preceding the time when such employees became eligible for Retirement System coverage by paying to the Retirement System an amount equal to that which would have constituted employee contributions if the employee had been a member during the years of ineligibility, plus interest. Employees of State agencies, departments, institutions, boards, and commissions who are employed in permanent job positions on a recurring basis ~~and who must work at least 30 or more hours per week for nine or more months per calendar year~~ are in order to be covered by the provisions of this subdivision. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa."

SECTION 2. G.S. 135-106(b) reads as rewritten:

"(b) After the commencement of benefits under this section, the benefits payable under the terms of this section during the first 36 months of the long-term disability period shall be equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period as may be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by any primary Social Security disability benefits to which the beneficiary may be entitled, effective as of the first of the month following the month of initial entitlement, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. When primary Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit. The monthly benefit shall be further reduced by the amount of any monthly payments from the federal Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided, in any event, the benefit payable shall be no less than ten dollars (\$10.00) a month. However, a disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in lieu of long-term disability benefits; provided such election shall not extend the first 36 consecutive calendar months of the long-term disability period. An election to receive any salary continuation for any part of any given day shall be in lieu of any long-term benefit payable for that day, provided further, any lump-sum payout for vacation leave shall be treated as if the beneficiary or participant had exhausted the leave and shall be in lieu of any long-term benefit otherwise payable. Provided that, in any event, a beneficiary's benefit shall be reduced during the first 36 months of the long-term disability period by an amount, as determined by the Board of Trustees, equal to a primary Social Security retirement



benefit to which the beneficiary might be ~~entitled~~entitled, effective as of the first of the month following the month of initial entitlement.

After 36 months of long-term disability, no further benefits are payable under the terms of this section unless the member has been approved and is in receipt of primary Social Security disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period as may be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security disability benefits to which the beneficiary may be entitled, effective as of the first of the month following the month of initial entitlement, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. When primary Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit. The monthly benefit shall be further reduced by the amount of any monthly payments from the federal Department of Veterans Affairs, for payments from any other federal agency, or for any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided, in any event, the benefit payable shall be no less than ten dollars (\$10.00) a month.

Notwithstanding the foregoing, the long-term disability benefit is payable so long as the beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the earliest date at which the beneficiary is eligible for an unreduced service retirement allowance from the Retirement System, at which time the beneficiary would receive a retirement allowance calculated on the basis of the beneficiary's average final compensation at the time of disability as adjusted to reflect compensation increases subsequent to the time of disability and the creditable service accumulated by the beneficiary, including creditable service while in receipt of benefits under the Plan. In the event the beneficiary has not been approved and is not in receipt of a primary Social Security disability benefit, the long-term disability benefit shall cease after the first 36 months of the long-term disability period. When such a long-term disability recipient begins receiving this unreduced service retirement allowance from the System, that recipient shall not be subject to the six-month waiting period set forth in G.S. 135-1(20). However, a beneficiary shall be entitled to a restoration of the long-term disability benefit in the event the Social Security Administration grants a retroactive approval for primary Social Security disability benefits with a benefit effective date within the first 36 months of the long-term disability period. In such event, the long-term disability benefit shall be restored retroactively to the date of cessation."

SECTION 3.(a) G.S. 135-151(e) reads as rewritten:

"(e) Treatment of Unused Assets. – Any assets of the QEBA plan not used to pay benefits in the current ~~fiscal~~calendar year shall be used for payment of the administrative expenses of the QEBA for the current or future ~~fiscal~~calendar years or shall be paid to the Retirement System as an additional employer contribution."

SECTION 3.(b) G.S. 128-38.10(f) reads as rewritten:

"(f) Treatment of Unused Assets. – Any assets of the QEBA plan not used to pay benefits in the current ~~fiscal~~calendar year shall be used for payment of the administrative expenses of the QEBA for the current or future ~~fiscal~~calendar years or shall be paid to the Retirement System as an additional employer contribution."

SECTION 4. G.S. 128-29.1 is repealed.

SECTION 5. G.S. 114-2.4A(c) reads as rewritten:

"(c) Exception. – Subsections (b) and (e) of this section shall not apply to ~~funds to~~



1 (1) Funds received by the Department of Health and Human Services to the
2 extent those funds represent the recovery of previously expended Medicaid
3 funds.

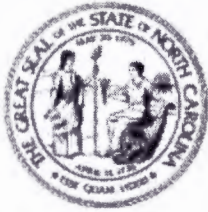
4 (2) Funds received by the Escheat Fund and benefit plans administered by the
5 Department of State Treasurer."

6 **SECTION 6.** G.S. 135-4(g) reads as rewritten:

7 "(g) Teachers and other State employees who served in the uniformed services as
8 defined in the Uniformed Services Employment and Reemployment Rights Act of 1994, 38
9 U.S.C. § 4303, who were not dishonorably discharged, and ~~who, after being honorably~~
10 ~~discharged,~~who returned to the service of the State within a period of two years from date of
11 discharge shall be credited with prior service for such period of service in the uniformed
12 services for the maximum period that they are entitled to reemployment under the Uniformed
13 Services Employment and Reemployment Rights Act of 1994, 38 U.S.C. § 4301, et seq., or
14 other federal law, and the salary or compensation of such a teacher or State employee during
15 that period of service is deemed to be that salary or compensation the employee would have
16 received but for the period of service had the employee remained continuously employed, if the
17 determination of that salary or compensation is reasonably certain. If the determination of the
18 salary or compensation is not reasonably certain, then it is deemed to be that employee's
19 average rate of compensation during the 12-month period immediately preceding the period of
20 service. When a member who has served in the uniformed services returns to work in
21 compliance with the conditions of this subsection, that member's employer shall remit to the
22 System all employer and employee contributions for the full period of that member's military
23 service."

24 **SECTION 7.** This act becomes effective July 1, 2015.





HOUSE BILL 274: Retirement Technical Corrections Act of 2015.- AB

2015-2016 General Assembly

Committee: Senate Pensions & Retirement and Aging
Introduced by: Reps. Gill, L. Bell, Elmore, Waddell
Analysis of: Second Edition

Date: May 26, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 274 makes minor changes pertaining to the following: Teachers and State Employees Retirement System (TSERS), Local Governmental Employees Retirement System (LGERS), Disability Income Plan (DIP), Qualified Excess Benefit Arrangement (QEBA) plans, and funds from a settlement or other final order or judgment of the court received by the Escheat fund and benefit plans administered by the Department of State Treasurer.*

BILL ANALYSIS: Section 1 of HB 274 makes a minor clarification to the definition of an employee in G.S. 135-1 for purposes of the Teachers' and State Employees' Retirement System (TSERS). The bill provides that employees who are employed in permanent job positions on a recurring basis must work *at least 30 hours per week for nine or more months per calendar year in order to be covered by the provisions of the subdivision.*

Section 2 of the bill amends G.S. 135-106(b) which pertains to long-term disability benefits under the Disability Income Plan. The amendment clarifies that when a beneficiary's benefit is reduced during the first 36 months of the long-term disability period by an amount equal to a primary Social Security retirement benefit, this is *effective as of the first of the month following the month of initial entitlement.*

Section 3 of the bill changes "fiscal year" to "calendar year" in G. S. 135-151(e) for TSERS, and G.S. 128-38.10(f) for the Local Governmental Employee's Retirement System (LGERS), as it relates to treatment of unused assets of the Qualified Excess Benefit Arrangement (QEBA) plan.

Section 4 repeals G.S. 128-29.1 which provides the LGERS Board of Trustees authority to invest in certain common and preferred stocks.

Section 5 amends G.S. 114-2.4A(c) which was enacted by S.L. 2014-100, Section 6.6, and provides for the disposition of funds received by the State or a State agency from a settlement or other final order or judgment of the court. The change adds language to provide that *Subsections (b) and (e) of G.S. 114-2.4A, which restrict the transfer or expenditure of funds and overrealized receipts, do not apply to funds received by the Escheat Fund and benefits plans administered by the Department of State Treasurer.*

Section 6 amends G.S. 135-4(g) as it relates to creditable service in the TSERS for teachers and other State employees who served in the uniformed services as defined in the Uniformed Services Employment and Reemployment Rights Act (USERRA). The amendment changes, "honorably discharged" to "who were not dishonorably discharged." Currently the Code defines a veteran as a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable. It also adds language specifying that *when a member who has served in the uniformed services returns to work in compliance with the conditions of this subsection, that member's employer shall remit to the System all employer and employee contributions for the full period of that member's military service.*

EFFECTIVE DATE: House Bill 274 would become effective July 1, 2015.

O. Walker Reagan
Director



Research Division
(919) 733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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3

HOUSE BILL 291
Committee Substitute Favorable 3/31/15
Third Edition Engrossed 4/1/15

Short Title: Haz. Materials in Safe Deposit Box.-AB

(Public)

Sponsors:

Referred to:

March 19, 2015

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THE DEPARTMENT OF STATE TREASURER AUTHORITY IN THE HANDLING OF UNCLAIMED PROPERTY DETERMINED TO BE OF A HAZARDOUS NATURE OR WHICH IS OTHERWISE REGULATED, ILLEGAL, OR WHICH HAS NO SUBSTANTIAL COMMERCIAL VALUE AND TO PROVIDE GUIDANCE FOR THE PROPER HANDLING AND DISPOSITION OF THESE MATERIALS ON THE PART OF FINANCIAL ORGANIZATIONS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 116B-55 reads as rewritten:

"§ 116B-55. Contents of safe deposit box or other safekeeping depository.

(a) Contents of a safe deposit box or other safekeeping depository held by a financial organization is presumed abandoned if the apparent owner has not claimed the property within the period established by G.S. 53C-6-13 and shall be delivered to the Treasurer as provided by that section. If the contents include property described in G.S. 116B-53, the Treasurer shall hold the property for the remainder of the applicable period set forth in that section before the property is deemed to be received for purpose of sale under G.S. 116B-65.

(b) Notwithstanding any other provision of law in this Chapter or Chapter 53C of the General Statutes, the contents of a safe deposit box or other safekeeping depository shall not be delivered to the Treasurer if the Treasurer determines any of the following:

(1) The contents pose a potential public safety issue.

(2) The contents are specifically regulated by another agency or authority.

(3) The contents are illegal contraband.

(4) The contents do not have substantial commercial value.

(c) Each financial organization must complete, verify, and return a form prescribed by the Treasurer that provides identifying information for each item of property, including a good-faith estimated value. If the Treasurer determines that an item of property satisfies one or more of the factors listed in subsection (b) of this section, the Treasurer will either instruct the financial organization to place the property in the custody of the appropriate local, State or federal authority, or instruct the financial organization to destroy or otherwise dispose of the property. If property is delivered to the Treasurer and is later determined to satisfy one or more of the factors listed in subsection (b) of this section, the Treasurer shall deliver the property to the appropriate authority or instruct the appropriate authority to retrieve the property from the Treasurer or the Treasurer may destroy or otherwise store or dispose of the property.





1 (d) None of the following shall be liable for any loss due to the disposal of any
2 materials identified under subsection (b) of this section unless the loss is due to intentional
3 misconduct:

4 (1) The State, the Treasurer, or any officer, employee, or agent of the State or
5 the Treasurer, acting in the person's individual and official capacity.

6 (2) A financial organization or any officer, employee, or agent of the financial
7 organization."

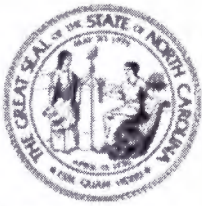
8 SECTION 2. G.S. 116B-70 reads as rewritten:

9 ~~"§ 116B-70. Destruction or disposition of property having no substantial commercial~~
10 ~~value; immunity from liability; property of historical significance.~~ Property of
11 historical significance.

12 (a) ~~If the Treasurer determines after investigation that property delivered under this~~
13 ~~Chapter has no substantial commercial value, the Treasurer may destroy or otherwise dispose~~
14 ~~of the property at any time. An action or proceeding may not be maintained against the State or~~
15 ~~any officer, employee, or agent of the State, both past and present, in the person's individual~~
16 ~~and official capacity, or against the holder for or on account of an act of the Treasurer under~~
17 ~~this subsection, except for intentional misconduct.~~

18 (b) ~~Notwithstanding the provisions of G.S. 116B-65, the Treasurer may retain any~~
19 ~~tangible property delivered to the Treasurer, if the property has recognized historic~~
20 ~~significance. The historic significance shall be certified by the Treasurer, with the advice of the~~
21 ~~Secretary of Cultural Resources; and a statement of the appraised value of the property shall be~~
22 ~~filed with the certification. Historic property retained under this subsection may be stored and~~
23 ~~displayed at any suitable location."~~

24 SECTION 3. This act becomes effective October 1, 2015.



HOUSE BILL 291: Haz. Materials in Safe Deposit Box.-AB

2015-2016 General Assembly

Committee: Senate Pensions & Retirement and Aging
Introduced by: Reps. Hurley, McNeill
Analysis of: Third Edition

Date: May 26, 2015
Prepared by: Karen Cochrane-Brown
Committee Counsel

SUMMARY: *House Bill 291 gives the State Treasurer authority in the handling of unclaimed property determined to be of a hazardous nature or otherwise regulated, illegal, or which has no substantial commercial value and provides guidance for the proper disposition of these materials on the part of financial organizations.*

CURRENT LAW: The Department of State Treasurer oversees and maintains the State's database of unclaimed property. By law, these funds are escheated, or turned over, to the Department for safekeeping. The State Treasurer is the Escheat Officer for the State of North Carolina with the responsibility for collection, management, and investment of moneys in the Escheat Fund.

Under current law, contents of a safe deposit box or other safekeeping depository held by a financial organization is presumed abandoned if the apparent owner has not claimed the property within statutorily prescribed time limits and must be delivered to the Treasurer. The Treasurer may decline to receive property reported which the Treasurer considers to have a value less than the expenses of notice and sale. Also, the Treasurer may destroy or otherwise dispose of property that has been delivered to the Treasurer that has no substantial commercial value.

BILL ANALYSIS: House Bill 291 provides that notwithstanding any other provision of law in Chapter 116B or Chapter 53C (the Banking Law), the contents of a safe deposit box or other safekeeping depository must not be delivered to the State Treasurer if the Treasurer determines any of the following:

- The contents pose a potential public safety issue.
- The contents are specifically regulated by another agency or authority.
- The contents are illegal contraband.
- The contents do not have substantial commercial value.

The bill requires each financial institution to complete a form prescribed by the Treasurer that provides identifying information for each item of property, including a good faith estimated value. If an item of property satisfies one or more of the factors above, then the Treasurer will instruct the financial organization to place the property in the custody of the appropriate authority or instruct the financial organization to destroy or otherwise dispose of the property.

If the Treasurer accepts the property, but later determines that it satisfies one or more of the factors above, then it (1) must deliver the property to the appropriate authority or instruct the appropriate authority to retrieve the property from the Treasurer or (2) the Treasurer may destroy, store, or otherwise dispose of the property.

The bill provides that none of the following shall be liable for any loss due to the disposal of materials unless the loss is due to intentional misconduct:

O. Walker Reagan
Director



Research Division
(919) 733-2578



House Bill 291

Page 2

- The State, the Treasurer, or any officer, employee, or agent of the State or the Treasurer, acting in the person's individual and official capacity.
- A financial organization or any officer, employee, or agent of the financial organization.

The bill removes the Treasurer's authority to destroy or otherwise dispose of property delivered under this law that has no substantial commercial value.

EFFECTIVE DATE: This act would become effective October 1, 2015.

Brad Krehely, counsel to House Judiciary II, substantially contributed to this summary.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

4

HOUSE BILL 495*
Committee Substitute Favorable 4/22/15
Committee Substitute #2 Favorable 4/29/15
Fourth Edition Engrossed 4/29/15

Short Title: OSHR Modernization/Technical Changes.

(Public)

Sponsors:

Referred to:

April 2, 2015

1 A BILL TO BE ENTITLED
2 AN ACT ENHANCING THE EFFECTIVENESS AND EFFICIENCY OF STATE
3 GOVERNMENT BY MODERNIZING THE STATE'S SYSTEM OF HUMAN
4 RESOURCES MANAGEMENT.

5 The General Assembly of North Carolina enacts:

6
7 **PART I. CAREER STATE EMPLOYEES**

8 **SECTION 1.** G.S. 126-1.1(a) reads as rewritten:

9 "(a) For the purposes of this Chapter, unless the context clearly indicates otherwise,
10 "career State employee" means a State employee or an employee of a local entity who is
11 covered by this Chapter pursuant to G.S. 126-5(a)(2) who:

- 12 (1) Is in a permanent ~~position~~, position with a permanent appointment, and
13 (2) Has been continuously employed by the State of North Carolina or a local
14 entity as provided in G.S. 126-5(a)(2) in a position subject to the North
15 Carolina Human Resources Act for the immediate ~~24~~ 12 preceding months."
16

17 **PART II. STATE HUMAN RESOURCES COMMISSION CHANGES**

18 **SECTION 2.** G.S. 126-4 reads as rewritten:

19 **"§ 126-4. Powers and duties of State Human Resources Commission.**

20 Subject to the approval of the Governor, the State Human Resources Commission shall
21 establish policies and rules governing each of the following:

- 22 ...
23 (10) Programs of employee assistance, productivity incentives, equal opportunity,
24 safety and health as required by Part 1 of Article 63 of Chapter 143 of the
25 General Statutes, and such other programs and procedures as may be
26 necessary to promote efficiency of administration and provide for a fair and
27 modern system of personnel administration. ~~This subdivision may not be~~
28 ~~construed to authorize the establishment of an incentive pay program.~~
29 ...

30
31 **PART IV. OTHER MODERNIZING AND CONFORMING CHANGES**

32 **SECTION 4.** G.S. 126-6.2(a) reads as rewritten:





1 "(a) Beginning January 1, 1998, and ~~quarterly~~ annually thereafter, the head of each State
2 agency, department, or institution employing State employees subject to the North Carolina
3 Human Resources Act shall report to the Office of State Human Resources on the following:

- 4 (1) The costs associated with the defense or settlement of administrative
5 grievances and lawsuits filed by current or former State employees and
6 applicants for State employment, including the costs of settlements,
7 attorneys' fees, litigation expenses, damages, or awards incurred by the
8 respective State agencies, departments, and institutions. The report shall
9 include an explanation of the fiscal impact of these costs upon the operations
10 of the State agency, department, or institution.
11 (2) Any other human resources functions or actions as may be requested by the
12 Director of the Office of State Human Resources in order for the Office to
13 evaluate the efficiency, productivity, and compliance of a State agency,
14 department, or institution with policies, including, but not limited to, the
15 compensation of State employees, voluntary shared-leave programs, equal
16 employment opportunity plans and programs, and work options programs."

18 **PART V. ORGANIZATIONAL AND EMPLOYEE POLICY CHANGES**

19 **SECTION 5.1.** G.S. 126-7.1 reads as rewritten:

20 **"§ 126-7.1. Posting requirement; State employees receive priority consideration;
21 reduction-in-force; Work First hiring-hiring; reorganization through
22 reduction.**

23 (a) All vacancies for which any State agency, department, or institution openly recruit
24 shall be posted in a place readily accessible to employees within at least the following:

- 25 (1) The personnel office of the agency, department, or institution having the
26 vacancy; and
27 (2) The particular work unit of the agency, department, or institution having the
28 vacancy.

29 If the decision is made, initially or at any time while the vacancy remains open, to receive
30 applicants from outside the recruiting agency, department, or institution, the vacancy shall also
31 be listed on a website maintained by the Office of State Human Resources for the purpose of
32 informing current State employees and the public of such vacancy. The State agency,
33 department, or institution may not receive approval from the Office of State Human Resources
34 to fill a job vacancy if the agency, department, or institution cannot prove to the satisfaction of
35 the Office of State Human Resources that it complied with these posting requirements. The
36 agency, department, or institution which hires any person in violation of these posting
37 requirements shall pay such person when employment is discontinued as a result of such
38 violation for the work performed during the period of time between his initial employment and
39 separation.

40 (b) State employees to be affected by a reduction in force shall be notified of the
41 reduction in force as soon as practicable, and in any event, no less than 30 days prior to the
42 effective date of the reduction in force.

43 (c) The State Human Resources Commission shall adopt rules ~~to provide that and~~
44 policies governing the priority and salary rights of State employees separated from State
45 employment as the result of reductions in force who accept a position in State government shall
46 be paid a salary no higher than the maximum of the salary grade of the position accepted.

47 (d) Subsection (a) of this section does not apply to vacancies which must be filled
48 immediately to prevent work stoppage or the protection of the public health, safety, or security.

49 (e) If a State employee subject to this section:

- 50 (1) Applies for another position of State employment that would constitute a
51 promotion; and



(2) Has substantially equal qualifications as an applicant who is not a State employee;
then the State employee shall receive priority consideration over the applicant who is not a State employee. This priority consideration shall not apply when the only applicants considered for the vacancy are current State employees.

(f) If a State employee who has been separated due to reduction in force or who has been given notice of imminent separation due to reduction in force:

(1) Applies for another position of State employment equal to or lower in salary grade than the position held by the employee at the time of notification or separation; and

(2) Has substantially equal qualifications as any other applicant;
then within all State agencies, the State employee who has been notified of or separated due to a reduction in force shall receive priority consideration over all other applicants. This priority shall remain in effect for a period of 12 months from the date the employee receives notification of separation by reduction in force. State employees separated due to reduction in force shall receive higher priority than other applicants with employment or reemployment priorities, except that the reemployment priority created by G.S. 126-5(e)(1) shall be considered as equal.

(f1) If a State employee who has been separated due to reduction in force or who has been given notice of imminent separation due to reduction in force accepts or rejects an offer for a position of State employment that is equal to or higher than the position held or equal to or higher than the salary earned by the employee at the time of separation or notification, then the employee's acceptance or rejection of that offer shall satisfy and terminate the one-time, 12-month priority granted by subsection (f) of this section.

(f2) If a State employee who has been separated due to reduction in force or who has been given notice of imminent separation due to reduction in force and who applies for a position equal to or higher than the position held by the employee at the time of separation or notification, but declines an interview for the position for which the employee applied, then the employee's rejection of an offer of the interview for the position shall satisfy and terminate the one-time, 12-month priority granted by subsection (f) of this section. The State Human Resources Commission shall adopt a policy to carry out this subsection.

(g) "Qualifications" within the meaning of subsection (e) of this section shall consist of:

(1) Training or education;

(2) Years of experience; and

(3) Other skills, knowledge, and abilities that bear a reasonable functional relationship to the abilities and skills required in the job vacancy applied for.

(h) Each State agency, department, and institution is encouraged to hire into State government employment qualified applicants who are current or former Work First Program participants.

(i) Each State agency, department, institution, university, community college, and local education agency shall verify, in accordance with the Basic Pilot Program administered by the United States Department of Homeland Security pursuant to 8 U.S.C. § 1101, et seq, each individual's legal status or authorization to work in the United States after hiring the individual as an employee to work in the United States.

(j) A department or office listed in G.S. 126-5(d)(1) or (2) may reorganize and restructure its positions through a voluntary separation process, in accordance with a policy approved by the State Human Resources Commission and subject to funding and approval by the Office of State Budget and Management."

SECTION 5.2. G.S. 126-8.1(c) reads as rewritten:



"(c) The ~~Department of Administration~~ Office of State Human Resources may adopt such rules and regulations as are reasonable and necessary to carry out the provisions of this section, with the approval of the Governor."

SECTION 5.3. G.S. 126-14.2 reads as rewritten:

"§ 126-14.2. Political hirings limited.

(a) It is the policy of this State that State departments, agencies, and institutions select ~~from the pool of~~ the most qualified persons for State government employment based upon job-related qualifications of applicants for employment using fair and valid selection criteria.

(b) All State departments, agencies, and institutions shall select from the pool of ~~the most-qualified~~ persons for State government employment without regard to political affiliation or political influence. For the purposes of this section, ~~the "most-qualified"~~ "qualified persons" shall mean each of the State employees or applicants for initial State employment who:

- (1) Have timely applied for a position in State government;
- (2) Have the essential qualifications for that position; and
- (3) Are determined to be substantially more qualified as compared to other applicants for the position, after applying fair and valid job selection criteria, in accordance with G.S. 126-5(e), G.S. 126-7.1, Articles 6 and 13 of this Chapter, and State personnel policies approved by the State Human Resources Commission.

(c) It is a violation of this section if:

- (1) The complaining State employee or applicant for initial State employment timely applied for the State government position in question;
- (2) The complaining State employee or applicant for initial State employment was not hired into the position;
- (3) The complaining State employee or applicant for initial State employment was among ~~the most-qualified~~ persons applying for the position as defined in this Chapter;
- (4) The successful applicant for the position was not among ~~the most-qualified~~ persons applying for the position; and
- (5) The hiring decision was based upon political affiliation or political influence.

(d) The provisions of this section shall not apply to positions exempt from this Chapter, except that this section does apply to exempt managerial positions as defined by G.S. 126-5(b)(2)."

SECTION 5.4. G.S. 126-23(a) reads as rewritten:

"(a) Each department, agency, institution, commission and bureau of the State shall maintain a record of each of its employees, showing the following information with respect to each such employee:

- (1) Name.
- (2) ~~Age.~~
- (3) Date of original employment or appointment to State service.
- (4) The terms of any contract by which the employee is employed whether written or oral, past and current, to the extent that the agency has the written contract or a record of the oral contract in its possession.
- (5) Current position.
- (6) Title.
- (7) Current salary.
- (8) Date and amount of each increase or decrease in salary with that department, agency, institution, commission, or bureau.



- (9) Date and type of each promotion, demotion, transfer, suspension, separation, or other change in position classification with that department, agency, institution, commission, or bureau.
- (10) Date and general description of the reasons for each promotion with that department, agency, institution, commission, or bureau.
- (11) Date and type of each dismissal, suspension, or demotion for disciplinary reasons taken by the department, agency, institution, commission, or bureau. If the disciplinary action was a dismissal, a copy of the written notice of the final decision of the head of the department setting forth the specific acts or omissions that are the basis of the dismissal.
- (12) The office or station to which the employee is currently assigned."

SECTION 5.5. G.S. 126-24 reads as rewritten:

"§ 126-24. Confidential information in personnel files; access to such information.

All other information contained in a personnel file is confidential and shall not be open for inspection and examination except to the following persons:

- (1) The employee, applicant for employment, former employee, or his properly authorized agent, who may examine his own personnel file in its entirety except for (i) letters of reference solicited prior to employment, or (ii) information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. An employee's medical record may be disclosed to a licensed physician designated in writing by the employee;
- (2) The supervisor of the employee;
- (2a) A potential State or local government supervisor, during the interview process, only with regard to performance management documents;
- (3) Members of the General Assembly who may inspect and examine personnel records under the authority of G.S. 120-19;
- (4) A party by authority of a proper court order may inspect and examine a particular confidential portion of a State employee's personnel file; and
- (5) An official of an agency of the federal government, State government or any political subdivision thereof. Such an official may inspect any personnel records when such inspection is deemed by the department head of the employee whose record is to be inspected or, in the case of an applicant for employment or a former employee, by the department head of the agency in which the record is maintained as necessary and essential to the pursuance of a proper function of said agency; provided, however, that such information shall not be divulged for purposes of assisting in a criminal prosecution, nor for purposes of assisting in a tax investigation.

Notwithstanding any other provision of this Chapter, any department head may, in his discretion, inform any person or corporation of any promotion, demotion, suspension, reinstatement, transfer, separation, dismissal, employment or nonemployment of any applicant, employee or former employee employed by or assigned to his department or whose personnel file is maintained in his department and the reasons therefor and may allow the personnel file of such person or any portion thereof to be inspected and examined by any person or corporation when such department head shall determine that the release of such information or the inspection and examination of such file or portion thereof is essential to maintaining the integrity of such department or to maintaining the level or quality of services provided by such department; provided that prior to releasing such information or making such file or portion thereof available as provided herein, such department head shall prepare a memorandum setting forth the circumstances which the department head deems to require such disclosure and the



1 information to be disclosed. The memorandum shall be retained in the files of said department
2 head and shall be a public record."
3

4 **PART VI. EFFECTIVE DATE**

5 **SECTION 6.** Part V of this act becomes effective October 1, 2015, and applies to
6 employees separated on or after that date. The remainder of this act is effective when it
7 becomes law.





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**NORTH CAROLINA
OFFICE OF STATE HUMAN RESOURCES**



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VISITOR REGISTRATION SHEET

Senate Committee on Pensions Retirement + Aging
(Committee Name)

5/27/15

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY</u>
Ray Presnell Jr.	NCRSP
Emily Ellis	DST
Sam Waples	DST
Sarah Kunce	NCIDOL
Sean McLane	NCIDOL
Robert E. Lee	R. Lee & Assoc.
Cartney Lockamy	R. Cloud & Assoc.
Starnes	Treasurer
Caroline Wamble	Ost
Pam Deardorff	NCRSP
R Rogers	WLG&A.
MICHAEL BIRNE	ATTORNEY
Tonya Horton	TSS
Robert	MWR
Phoebe Landon	Brooks Pierce
Mary Stephenson	NCRPS
Michael	OSHR

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VISITOR REGISTRATION SHEET

Senate Committee on Pensions, Retirement, and Aging
(Committee Name)

5/27/15

Date

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Douglas Holbrook	NCSBA
Bruce Muldrew	NCSBA
Adam Providence	NCSBA
Bubba White	New Frame
Jim Joyner	New Frame
Chris McArthur	ESS
Mike Odom	NC State Office
Susan Vich	Duke Energy
John DeBorja	Burbank Assoc.
Flint Benson	SEANC
Susan Harrison	NCSSIA
Nathan Batts	NCBA
Brianne Gill	NCBA Intern
Stine Troh	DST
Kelly Chambers	DOT
Brenda Williams	DST
Chris Ague	DOT

2000 Committee on Pensions, Retirement, and Aging

2/5/12

VISITOR REGISTRATION SHEET

Senate Committee on Pensions, Retirement & Aging
(Committee Name)

5-27-15

Date

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<u>NAME</u>	<u>FIRM OR AGENCY</u>
Sarah Collins	NCLM
Marquett Duke	OSHP
Jon Carr	Jordan Pica
Dick Carlson	W. H. R. R. R.
Marge Roman	NCAE
Andy Brandon	DPS
Matthew McConnell	Carolina's Healthcare
Sheria Reid	TOB - LRS





MINUTES

Pensions & Retirement and Aging

June 16, 2015

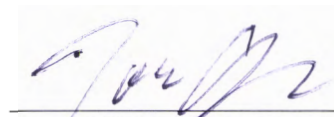
The Senate Pensions & Retirement and Aging committee met on June 16th, 2015, at 4:00 p.m. The meeting was held in room 1027/1028 of the Legislative Building. Thirteen members of the committee were present. Senator Tom Apodaca presided.

Senator Apodaca introduced the Pages and the Sergeant at Arms.

Senator Apodaca brought forth the items on the agenda:

HB97: 2015 Appropriations Act- David Vanderwide with Fiscal Research Division, explained the sections of the bill pertaining to the committee. See attached documents. Senator Gunn moved for an unfavorable report as to the original bill and a favorable report as to the Appropriations/Base Budget Committee proposed Senate committee substitute, as amended, with amendments to be rolled into a new PCS, and with leave for staff to make technical corrections and conforming changes. Motion carried.

The meeting adjourned at 4:27 p.m.



Senator Tom Apodaca, Presiding

Laura Kilian, Committee Assistant



Senate Committee on Pensions & Retirement and Aging
Tuesday, June 16, 2015, 4:00 PM
1027/1128 Legislative Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Presentations

The committee expects to consider the Senate Committee Substitute to HB 97, "2015 Appropriations Act," upon its re-referral from the Senate Committee on Finance

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

Senator Apodaca, Co-Chair

Senator Gunn, Co-Chair

Tuesday, June 16, 2015

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

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

HB 97 (SCS#1)	2015 Appropriations Act.	
	Draft Number:	H97-PCS20371-MDxfr-13
	Sequential Referral:	None
	Recommended Referral:	None
	Long Title Amended:	No

TOTAL REPORTED: 1

Senator Harry Brown will handle HB 97



* C M R 4 6 0 - V - 5 *



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: Proposed Committee Substitute to House Bill 97
(H97-PCS40471-MDxfr-12)

SHORT TITLE: 2015 Appropriations Act.

SPONSOR(S):

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS) and Consolidated Judicial Retirement System (CJRS).

BILL SUMMARY:

Section 30.29: Requires the Board of Trustees that oversees TSERS and CJRS to use an interest rate assumption of 7.20% for calculating the employer contribution rate in the December 31, 2013 valuation, which determines the contribution for FY 2015-16. The current assumption is 7.25%. This section requires the Board to further reduce the interest rate assumption by 0.05% in each subsequent annual valuation. The Board retains any existing authority to set interest rate assumptions for purposes other than calculating the employer contribution rate.

Section 30.30: Amends G.S. 135-8(b)(5), the statute governing service credit for educational leave in TSERS, to establish the following conditions for granting educational leave credit when the member is not working in a charter school:

- (i) During the period of leave the member must be enrolled in a full-time degree program at an accredited institution of higher education, and
- (ii) The member cannot be paid for the activity that qualifies for educational leave, and
- (iii) During any month in which retirement credit is granted, the member may not perform services for any organization listed in G.S. 135-27(a) or (f), or a successor to those organizations. The organizations listed in these statutes are non-governmental organizations that once participated in TSERS, but are not currently allowed to participate in a governmental plan under federal tax law.

No other sections of the proposed legislation modify retirement benefits or statutes.

EFFECTIVE DATE: Both sections are effective July 1, 2015

ESTIMATED IMPACT ON STATE:

Section 30.29

Buck Consultants, the actuary for the Retirement Systems, and Hartman & Associates, the actuary for the General Assembly, estimate the following increases in the FY 2015-16 contribution rate due to lowering the interest rate assumption:

	Buck Consultants	Hartman & Associates
TSERS	0.45% of pay	0.45% of pay
CJRS	0.71% of pay	0.60% of pay

Changing the interest rate assumption does not change the total contributions, adjusted for timing, over the lifespan of the Systems. The assumption change increases contributions in the early years and decreases contributions in the later years.

Section 30.30

Buck Consultants estimate that this section will change the required contribution by less than 0.01% of pay. Hartman & Associates estimate that this section will have a negligible impact on TSERS.

Appropriations

The proposed legislation appropriates funds and sets contribution rates sufficient to cover the impact of these sections and contribute the amount recommended by the actuary to properly fund existing benefits.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)		
	TSERS	CJRS
Active Members		
Count	310,370	566
General Fund Compensation	\$9,914M	\$71M
Valuation Compensation (Total)	\$13,608M	\$71M
Average Age	45	55
Average Service	10.6	13.1
Inactive Members		
Count	125,513	53

Retired Members		
Count	187,448	584
Annual Benefits	\$3,871M	\$35M
Average Age	70	72
New Retirees During 2014	11,500	30

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)		
	TSERS	CJRS
Accrued Liability (AL)	\$65,806M	\$549M
Actuarial Value of Assets (AVA)	\$62,364M	\$507M
Market Value of Assets (MVA)	\$62,789M	\$512M
Unfunded Accrued Liability (AL - AVA)	\$3,442M	\$43M
Funded Status (AVA / AL)	95%	92%
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	26.37%
Assumed Rate of Investment Return	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	5.00% - 5.95%
Cost Method	Entry Age Normal	Projected Unit Credit
Amortization	12 year, closed, flat \$	12 year, closed, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA		

Benefit Provisions		
	TSERS	CJRS
Formula	1.82% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5
Employee contribution (as % of pay)	6%	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Purchase of Service for Educational Leave (Special Provision 2015-RET-S8)", June 15, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Special Provision 2015-RET-S8: Clarify and Amend the Law Providing for Purchase of Service by Members of the TSERS for Educational Leave", June 12, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Buck Consultants, "Decrease in Assumed Interest Rate", May 27, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "ARC Using 7.20% Interest Rate in the TSERS and CJRS", May 26, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide



APPROVED BY:



Mark Trogon, Director
Fiscal Research Division

DATE: June 15, 2015

(1a) All retirees who (i) are employed by an employing unit, (ii) do not qualify for coverage under subdivision (1) of this subsection, and (iii) are determined to be "full-time" by their employing unit in accordance with section 4980H of the Internal Revenue Code and the applicable regulations, as amended. The employing unit shall pay the employer premiums for retirees who enroll under this subdivision.

...

(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), (1a), (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 30.25.(b) G.S. 135-48.41(j) reads as rewritten:

"(j) If a retiree has been hired by an employing unit and is eligible for coverage under subdivision (1), (1a), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b) or under G.S. 135-48.40(e), then the hired retiree shall not, during the time of employment, be eligible for retiree coverage under G.S. 135-48.40(a)(1), G.S. 135-48.40(b)(3), G.S. 135-48.40(c)(2), or G.S. 135-48.40(d)(11)."

INTEREST RATE USED TO CALCULATE EMPLOYER CONTRIBUTION RATES

SECTION 30.29.(a) G.S. 135-6(o) reads as rewritten:

"(o) On the basis of such tables and interest assumption rate as the Board of Trustees shall adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the System created by this Chapter. Notwithstanding the Board's general authority to set interest assumption rates for the annual valuation, for purposes of the calculation of employer contribution rates, the Board shall use an interest rate of seven and twenty-hundredths percent (7.20%) in the valuation prepared as of December 31, 2013, and shall reduce that interest rate in each subsequent annual valuation by five-hundredths percent (0.05%) relative to the previous year's valuation."

SECTION 30.29.(b) G.S. 135-69(e) reads as rewritten:

"(e) The normal contribution rate and the accrued liability contribution rate shall be determined after each annual valuation of the Retirement System and shall remain in effect until a new valuation is made. In setting the contribution rates under this section, the Board shall use the same interest rate as that required under G.S. 135-6(o)."

CLARIFY AND AMEND THE LAW PROVIDING FOR PURCHASE OF SERVICE BY MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM FOR EDUCATIONAL LEAVE

SECTION 30.30. G.S. 135-8(b)(5) reads as rewritten:

"(5) The Board of Trustees may approve the purchase of creditable service by any member for leaves of absence or for interrupted service to an employer for the sole ~~purpose~~purposes of acquiring knowledge, talents, or abilities and ~~to increase~~increasing the efficiency of service to the ~~employer~~employer, subject to the provisions of this subdivision. A leave of absence or interrupted service may be approved for purchase under this subdivision for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service shall qualify for purchase under this subdivision only if (i) during the time of the leave or interrupted service the member is enrolled and participates in a full-time degree program at an accredited institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations. This approval Approval by the Board under this subdivision shall be made prior to the purchase of the creditable service, is limited to a career total of six years for each member, and may be obtained in the following manner:

- a. Approved leave of absence. – Where the employer grants an approved leave of absence, a member may make monthly contributions to the annuity savings fund on the basis of compensation the member was earning immediately prior to such leave of absence. The employer shall make monthly contributions equal to the normal and accrued liability contribution on such compensation or, in lieu thereof, the member may pay into the annuity savings fund monthly an amount equal to the employer's normal and accrued liability contribution when the policy of the employer is not to make such payment.
- b. No educational leave policy. – Where the employer has a policy of not granting educational leaves of absence or the member has unsuccessfully petitioned for leave of absence and the member has interrupted service for educational purposes, the member may make monthly contributions into the annuity savings fund in an amount equal to the employee contribution plus the employer normal and accrued liability contribution on the basis of the compensation the member was earning immediately prior to the interrupted service.
- c. Educational program prior to July 1, 1981. – Creditable service for leaves of absence or interrupted service for educational purposes prior to July 1, 1981, may be purchased by a member, before or after retirement, who returned as a contributing employee or teacher within 12 months after completing the educational program and completed 10 years of subsequent membership service, by making a lump sum payment into the annuity savings fund equal to the full cost of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities and shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance as determined by the Board of Trustees upon the advice of the consulting actuary, plus a fee to be determined by the Board of Trustees.

VISITOR REGISTRATION SHEET

(Committee Name)

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY</u>
<i>[Signature]</i>	mwc
Larry Presnell Jr	NC Retired School Pers
Pam Heardoff	NCRSP
R Rogers	NLMGA
Hack Cozart	NCRBFA
<i>[Signature]</i>	law off / Ritz
Douglas Holbrook	NC SBA
Emily Hawthorne	ETOR
Rachel Bealin	NC DPI
Shelby Jones	NC DOC
Kara Weishaar	JA
Monte [Signature]	NMRS
Lucy Gillmunder	STAFF



VISITOR REGISTRATION SHEET

(Committee Name)

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY</u>
Sam Wang	DST
Solaris	DST
Christina Strickland	DST
John Sparrow	OSBM
GERRY COHEN	Nelson Mullins
Drew Muretz	UNCGA
Adam Pridermore	NCHSR
Tom West	NCICU
Lanier Swann Hodgson	UNC Health Care
Sarah Collins	NCLR
Amanda Hoxaker	TSS
Trent Womble	DHIS



MINUTES

Pensions & Retirement and Aging

July 15, 2015

The Senate Pensions & Retirement and Aging committee met on July 15, 2015, at 10:00 a.m. The meeting was held in room 1027/1028 of the Legislative Building. Twelve members of the committee were present. Senator Tom Apodaca presided.

Senator Apodaca introduced the Pages and the Sergeant at Arms.

Senator Apodaca brought forth the items on the agenda:

HB264: Community Colleges 403(b) Plan. -AB- Senator Curtis moved to bring the PCS before the committee. Motion carried. Representative McNeill explained the PCS. Senator Apodaca opened up the floor for questions. Sam Watts, with the NC Treasurer's office, clarified a few questions from the committee members. Senator Lowe moved for a favorable report to the PCS, unfavorable to the original bill. Motion carried.

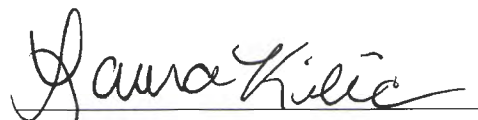
HB276: Agency Participation Procedures Act of 2015- Senator Gunn moved to bring the PCS before the committee. Motion carried. Representative Ross explained the bill. Senator Randleman sent forth an amendment. Amendment passed. Senator Lowe moved for a favorable report to the PCS, unfavorable to the original bill. Motion carried.

HB277: Retirement Admin. Changes Act of 2015. -AB- Representative Ross explained the bill. Senator Waddell moved for a favorable report. Motion carried.

The meeting adjourned at 10:25 a.m.



Senator Tom Apodaca, Presiding



Laura Kilian, Committee Assistant



Senate Committee on Pensions & Retirement and Aging
Wednesday, July 15, 2015, 10:00 AM
1027/1128 Legislative Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 264	Community Colleges 403(b) Plan.-AB	Representative McNeill
HB 276	Agency Participation Procedures Act of 2015.	Representative Ross Representative Gill Representative Goodman Representative McNeill
HB 277	Retirement Admin. Changes Act of 2015.-AB	Representative Ross Representative Gill Representative Goodman Representative McNeill

Presentations

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

Senator Apodaca, Co-Chair

Senator Gunn, Co-Chair

Wednesday, July 15, 2015

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

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

HB 264

Community Colleges 403(b) Plan.-AB

Draft Number: H264-PCS20378-SH-54
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

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

HB 276 (CS#1)

Agency Participation Procedures Act of 2015.

Draft Number: H276-PCS10410-RO-24
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

TOTAL REPORTED: 2

Senator Richard Gunn will handle HB 264
Senator W. Wells will handle HB 276



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**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

Senator Apodaca, Co-Chair

Senator Gunn, Co-Chair

Wednesday, July 15, 2015

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

FAVORABLE

HB 277 (CS#1)

Retirement Admin. Changes Act of 2015.-AB

Draft Number: None

Sequential Referral: None

Recommended Referral: None

Long Title Amended: No

TOTAL REPORTED: 1

Senator W. Wells will handle HB 277



* C M R 5 0 0 - V - 1 *



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

H

1

HOUSE BILL 264

Short Title: Community Colleges 403(b) Plan.-AB

(Public)

Sponsors: Representative McNeill (Primary Sponsor).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement, if favorable, Appropriations.

March 18, 2015

A BILL TO BE ENTITLED

AN ACT TO ALLOW COMMUNITY COLLEGES TO PARTICIPATE IN THE 403(B)
SUPPLEMENTAL RETIREMENT PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115D-25 reads as rewritten:

**"§ 115D-25. Purchase of annuity or retirement income contracts for ~~employees~~employees
by local boards of trustees.**

Notwithstanding any provision of law relating to salaries or salary schedules for the pay of faculty members, administrative officers, or any other employees of community colleges, the board of trustees of any of the above institutions may authorize the finance officer or agent of same to enter into annual contracts with any of the above officers, agents and employees which provide for reductions in salaries below the total established compensation or salary schedule for a term of one year. The financial officer or agent shall use the funds derived from the reduction in the salary of the officer, agent or employee to purchase a nonforfeitable annuity or retirement income contract for the benefit of said officer, agent or employee. An officer, agent or employee who has agreed to a salary reduction for this purpose shall not have the right to receive the amount of the salary reduction in cash or in any other way except the annuity or retirement income contract. Funds used for the purchase of an annuity or retirement income contract shall not be in lieu of any amount earned by the officer, agent or employee before his election for a salary reduction has become effective. The agreement for salary reductions referred to in this section shall be effected under any necessary regulations and procedures adopted by the State Board of Community Colleges and on forms prepared by the State Board of Community Colleges. Notwithstanding any other provisions of this section or law, the amount by which the salary of an officer, agent or employee is reduced pursuant to this section shall not be excluded, but shall be included, in computing and making payroll deductions for social security and retirement system purposes, and in computing and providing matching funds for retirement system purposes.

In lieu of the annuity and related contracts provided for under this section, interests in custodial accounts pursuant to Section 401(f), Section 403(b)(7), and related sections of the Internal Revenue Code of 1986 as amended may be purchased by local boards of trustees for the benefit of qualified employees under this section with the funds derived from the reduction in the salaries of such employees."

SECTION 2. Article 2 of Chapter 115D of the General Statutes is amended by adding a new section to read:





1 **"§ 115D-25.4. Department of State Treasurer-sponsored 403(b) option.**

2 (a) In addition to the opportunities for local boards of trustees to offer section 403(b) of
3 the Internal Revenue Code of 1986 retirement annuities and/or mutual funds to their employees
4 under G.S. 115D-25, local boards of trustees may also offer the "North Carolina Public School
5 Teachers' and Professional Educators' Investment Plan" as operated by the Department of State
6 Treasurer.

7 (b) The criteria in this subsection apply to the Department of State Treasurer's 403(b)
8 offerings to employees of local boards of trustees under this section:

9 (1) Annuity contracts, trust accounts, and/or custodial accounts shall be
10 administered by a qualified third-party administrator that shall, under written
11 agreement with the Department of State Treasurer, provide custodial,
12 record-keeping, and administrative services. The third-party administrator
13 may also be the selected vendor for the North Carolina Public School
14 Teachers' and Professional Educators' Investment Plan.

15 For employers choosing to participate in the North Carolina Public
16 School Teachers' and Professional Educators' Investment Plan, the
17 third-party administrator shall, at a minimum, provide the following:

- 18 a. Maintain a written plan document.
19 b. Review hardship withdrawal requests, loan requests, and other
20 disbursements permitted under section 403(b) of the Internal
21 Revenue Code of 1986.
22 c. Maintain specimen salary reduction agreements for the employer and
23 employees of that employer to initiate payroll deferrals.
24 d. Monitor maximum contributions.
25 e. Coordinate responses to the Internal Revenue Service in any case of
26 an IRS audit.
27 f. Generate educational communication materials to employees
28 concerning the enrollment process, program eligibility, and
29 investment options.
30 g. Maintain internal reports to ensure compliance with section 403(b) of
31 the Internal Revenue Code and Title 26 of the Code of Federal
32 Regulations.
33 h. Provide compliance monitoring/oversight for all 403(b) plans
34 established under G.S. 115D-25 within each participating local board
35 of trustees plan by creating and establishing the necessary
36 connections and processes with existing and future vendors.
37 i. Keep an updated schedule of vendor fees and commissions as to the
38 Department's statewide plan.

39 (2) Governance and oversight of the North Carolina Public School Teachers' and
40 Professional Educators' Investment Plan will be performed by the
41 Department of State Treasurer and the Board of Trustees for the North
42 Carolina Supplemental Retirement Plans established pursuant to
43 G.S. 135-96. Because of the administrative and record-keeping duties
44 enumerated in subdivision (1) of this subsection, any existing vendor of a
45 403(b) with a participating employer must either agree to share data with the
46 State's 403(b) vendor under this provision (so as to permit oversight over
47 contribution limits, loans, and hardship withdrawals) or be directed by the
48 participating employer to cease accepting new contributions, loans, and
49 hardship withdrawals.

50 (3) Investment options shall be solely determined by the Department of State
51 Treasurer and Board of Trustees for the North Carolina Supplemental



1 Retirement Plans consistent with section 403(b) of the Internal Revenue
2 Code of 1986, as amended.

3 (4) Investment staff of the Department of State Treasurer may make
4 recommendations to the State Treasurer and Board of Trustees for the North
5 Carolina Supplemental Retirement Plans as to appropriate investment
6 options. The State Treasurer and Board of Trustees shall have sole
7 responsibility for the selection of the service provider for the North Carolina
8 Public School Teachers' and Professional Educators' Investment Plan.

9 (5) All contributions made in accordance with the provisions of section 403(b)
10 of the Internal Revenue Code of 1986, as amended, and this section shall be
11 remitted directly to the administrator and held by the administrator in a
12 custodial account on behalf of each participating employee. Any investment
13 gains or losses shall be credited to those accounts. The forms of payment and
14 disbursement procedures shall be consistent with those generally offered by
15 similar annuity contracts, trust accounts, and custodial accounts and
16 applicable federal and State statutes governing those contracts and accounts.

17 (6) Any local board of trustees may elect to make contributions to the
18 employee's account on behalf of the employee. The employer shall take
19 whatever action is necessary to implement this section.

20 (7) The design and administration of annuity contracts, trust accounts, and
21 custodial accounts under this provision shall comply with all applicable
22 provisions of the Internal Revenue Code of 1986, as amended."

23 **SECTION 3.** This act becomes effective October 1, 2015.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 264
PROPOSED SENATE COMMITTEE SUBSTITUTE H264-CSSH-54 [v.1]

7/14/2015 6:06:24 PM

Short Title: Community Colleges 403(b) Plan.-AB

(Public)

Sponsors:

Referred to:

March 18, 2015

A BILL TO BE ENTITLED
AN ACT TO ALLOW COMMUNITY COLLEGES TO PARTICIPATE IN THE 403(B)
SUPPLEMENTAL RETIREMENT PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115D-25 reads as rewritten:

**"§ 115D-25. Purchase of annuity or retirement income contracts for employees-employees
by local boards of trustees.**

Notwithstanding any provision of law relating to salaries or salary schedules for the pay of faculty members, administrative officers, or any other employees of community colleges, the board of trustees of any of the above institutions may authorize the finance officer or agent of same to enter into annual contracts with any of the above officers, agents and employees which provide for reductions in salaries below the total established compensation or salary schedule for a term of one year. The financial officer or agent shall use the funds derived from the reduction in the salary of the officer, agent or employee to purchase a nonforfeitable annuity or retirement income contract for the benefit of said officer, agent or employee. An officer, agent or employee who has agreed to a salary reduction for this purpose shall not have the right to receive the amount of the salary reduction in cash or in any other way except the annuity or retirement income contract. Funds used for the purchase of an annuity or retirement income contract shall not be in lieu of any amount earned by the officer, agent or employee before his election for a salary reduction has become effective. The agreement for salary reductions referred to in this section shall be effected under any necessary regulations and procedures adopted by the State Board of Community Colleges and on forms prepared by the State Board of Community Colleges. Notwithstanding any other provisions of this section or law, the amount by which the salary of an officer, agent or employee is reduced pursuant to this section shall not be excluded, but shall be included, in computing and making payroll deductions for social security and retirement system purposes, and in computing and providing matching funds for retirement system purposes.

In lieu of the annuity and related contracts provided for under this section, interests in custodial accounts pursuant to Section 401(f), Section 403(b)(7), and related sections of the Internal Revenue Code of 1986 as amended may be purchased by local boards of trustees for the benefit of qualified employees under this section with the funds derived from the reduction in the salaries of such employees."

SECTION 2. Article 2 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"§ 115D-25.4. Department of State Treasurer-sponsored 403(b) option.



* H 2 6 4 - C S S H - 5 4 - V - 1 *



1 (a) In addition to the opportunities for local boards of trustees to offer section 403(b) of
2 the Internal Revenue Code of 1986 retirement annuities and/or mutual funds to their employees
3 under G.S. 115D-25, local boards of trustees may also offer the "North Carolina Public School
4 Teachers' and Professional Educators' Investment Plan" as operated by the Department of State
5 Treasurer.

6 (b) The criteria in this subsection apply to the Department of State Treasurer's 403(b)
7 offerings to employees of local boards of trustees under this section:

8 (1) Annuity contracts, trust accounts, and/or custodial accounts shall be
9 administered by a qualified third-party administrator that shall, under written
10 agreement with the Department of State Treasurer, provide custodial,
11 record-keeping, and administrative services. The third-party administrator
12 may also be the selected vendor for the North Carolina Public School
13 Teachers' and Professional Educators' Investment Plan.

14 For local boards of trustees as employers choosing to participate in the
15 North Carolina Public School Teachers' and Professional Educators'
16 Investment Plan, the third-party administrator shall, at a minimum, provide
17 the following:

- 18 a. Maintain a written plan document.
19 b. Review hardship withdrawal requests, loan requests, and other
20 disbursements permitted under section 403(b) of the Internal
21 Revenue Code of 1986.
22 c. Maintain specimen salary reduction agreements for the employer and
23 employees of that employer to initiate payroll deferrals.
24 d. Monitor maximum contributions.
25 e. Coordinate responses to the Internal Revenue Service in any case of
26 an IRS audit.
27 f. Generate educational communication materials to employees
28 concerning the enrollment process, program eligibility, and
29 investment options.
30 g. Maintain internal reports to ensure compliance with section 403(b) of
31 the Internal Revenue Code and Title 26 of the Code of Federal
32 Regulations.
33 h. Provide compliance monitoring/oversight for all 403(b) plans
34 established under G.S. 115D-25 within each participating local board
35 of trustees plan by creating and establishing the necessary
36 connections and processes with existing and future vendors.
37 i. Keep an updated schedule of vendor fees and commissions as to the
38 Department's statewide plan.

39 (2) Governance and oversight of the North Carolina Public School Teachers' and
40 Professional Educators' Investment Plan will be performed by the
41 Department of State Treasurer and the Board of Trustees for the North
42 Carolina Supplemental Retirement Plans established pursuant to
43 G.S. 135-96. Because of the administrative and record-keeping duties
44 enumerated in subdivision (1) of this subsection, any existing vendor of a
45 403(b) with a participating employer must either agree to share data with the
46 State's 403(b) vendor under this provision (so as to permit oversight over
47 contribution limits, loans, and hardship withdrawals) or be directed by the
48 participating employer to cease accepting new contributions, loans, and
49 hardship withdrawals.

50 (3) Investment options shall be solely determined by the Department of State
51 Treasurer and Board of Trustees for the North Carolina Supplemental



1 Retirement Plans consistent with section 403(b) of the Internal Revenue
2 Code of 1986, as amended.

3 (4) Investment staff of the Department of State Treasurer may make
4 recommendations to the State Treasurer and Board of Trustees for the North
5 Carolina Supplemental Retirement Plans as to appropriate investment
6 options. The State Treasurer and Board of Trustees shall have sole
7 responsibility for the selection of the service provider for the North Carolina
8 Public School Teachers' and Professional Educators' Investment Plan.

9 (5) All contributions made in accordance with the provisions of section 403(b)
10 of the Internal Revenue Code of 1986, as amended, and this section shall be
11 remitted directly to the administrator and held by the administrator in a
12 custodial account on behalf of each participating employee. Any investment
13 gains or losses shall be credited to those accounts. The forms of payment and
14 disbursement procedures shall be consistent with those generally offered by
15 similar annuity contracts, trust accounts, and custodial accounts and
16 applicable federal and State statutes governing those contracts and accounts.

17 (6) Any local board of trustees may elect to make contributions to the
18 employee's account on behalf of the employee. The local board of trustees
19 shall take whatever action is necessary to implement this section.

20 (7) The design and administration of annuity contracts, trust accounts, and
21 custodial accounts under this provision shall comply with all applicable
22 provisions of the Internal Revenue Code of 1986, as amended."

23 **SECTION 3.** This act becomes effective October 1, 2015.





HOUSE BILL 264: Community Colleges 403(b) Plan.-AB

2015-2016 General Assembly

Committee: Senate Pensions & Retirement and Aging
Introduced by: Rep. McNeill
Analysis of: PCS to First Edition
H264-CSSH-54

Date: July 14, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 264 amends the law governing community colleges to allow local boards of trustees to offer their employees participation in the North Carolina Public School Teachers' and Professional Educator's Investment Plan as operated by the Department of State Treasurer.*

The PCS makes conforming changes to clarify that the local boards of trustees are employers as referenced in the bill.

CURRENT LAW: Under current law, the board of trustees of a community college may authorize the purchase of annuity or retirement income contracts for the benefit of faculty members, administrative officers, or any other employees of the community college. Funds for this purchase are derived from a reduction in the officer or employee's salary.

In lieu of the annuity or related contract, interests in a custodial account pursuant to Section 401(f), Section 403(b)(7) and related sections of the Internal Revenue Code may be purchased for the benefit of qualified employees with the funds derived from the reduction in salaries of these employees.

BILL ANALYSIS:

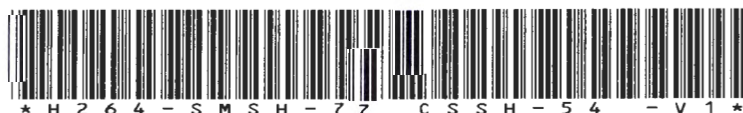
Section 1 of House Bill 264 clarifies that local boards of trustees can continue to purchase interests in custodial accounts for the benefit of their employees pursuant to sections of the Internal Revenue Code using funds derived from salary reductions.

In addition to the authority described in Section 1, Section 2 of the bill adds a new section to the law authorizing local boards of trustees to offer participation in the North Carolina Public School Teachers' and Professional Educators' Investment Plan as operated by the Department of State Treasurer. The PCS clarifies that local boards of trustees are employers.

The following criteria apply to the Department of State Treasurer's 403(b) offerings to community college employees under this section:

- Annuity contracts, trust accounts, and/or custodial accounts must be administered by a qualified third-party administrator to provide custodial, record-keeping and administrative services
- Governance and oversight of the Plan will be performed by the Department of State Treasurer and the Board of Trustees of the North Carolina Supplemental Retirement Plans.
- Investment options must be solely determined by the Department of State Treasurer and the Board of the Supplemental Retirement Plans consistent with section 403(b) of the Internal Revenue Code.

O. Walker Reagan
Director



Research Division
(919) 733-2578

* H 2 6 4 - S M S H - 7 7 C S S H - 5 4 - V 1 *

House Bill 264

Page 2

- Investment staff of the Department of State Treasurer may make recommendations as to appropriate investment options, but the State Treasurer and the Board of Trustees have sole responsibility for selection of the service provider.
- All contributions made under this section must be remitted directly to the administrator and held in a custodial account on behalf of the participating employee. Any investment gains or losses must be credited to those accounts.
- Any local board of trustees may elect to make contributions to the employee's account on behalf of the employee.
- The design and administration of annuity contracts, trust accounts, and custodial accounts under this section must comply with applicable provisions of the Internal Revenue Code.

EFFECTIVE DATE: This act becomes effective October 1, 2015.

Karen Cochrane-Brown, staff to the House Pensions Committee, substantially contributed to this summary.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 276
Committee Substitute Favorable 4/21/15
Third Edition Engrossed 4/21/15

Short Title: Agency Participation Procedures Act of 2015.

(Public)

Sponsors:

Referred to:

March 19, 2015

A BILL TO BE ENTITLED

AN ACT TO ENACT THE AGENCY PARTICIPATION PROCEDURES ACT OF 2015.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5.3 reads as rewritten:

"§ 135-5.3. Optional participation for charter schools operated by private nonprofit corporations.

(a) ~~The board of directors of each 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, shall be made no later than 30 days after this section becomes law, and shall be filed with the Retirement System and with the State Board of Education. For each charter school employee who is employed on or before the date the board makes the election to participate, membership in the System is effective as of the date the board makes the election to participate. For each charter school employee who is employed after the date the board makes the election, membership in the System is effective as of the date of that employee's entry into eligible service. This subsection applies only to charter schools that received State Board of Education approval under [former] G.S. 115C-238.29D in 1997 or 1998.~~

(b) ~~No later than 30 days after both parties have signed the written charter under G.S. 115C-218.15, 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 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 approval under [former] G.S. 115C-238.29D [or G.S. 115C-218.5] after 1998.~~

(b1) The board of directors of a charter school operated by a private nonprofit corporation and that has received State Board of Education approval under G.S. 115C-218.5 may elect to become a participating employer in the Retirement System in accordance with this Article.

(b2) A charter school desiring to participate in the Retirement System shall file with the Board of Trustees an application for participation on a form approved by the Board of Trustees. In the application, the charter school shall agree to make the contributions required of participating employers, to deduct from the salaries of employees who may become members the contributions required of members under this Chapter, and to transmit the contributions to the Board of Trustees. The charter school shall also agree to make the employer's contributions





1 for the participation in the Retirement System of all employees entering the service of the
2 employer, after the charter school's participation begins, who shall become members.

3 (b3) A charter school seeking to become a participating employer in the Retirement
4 System prior to the end of the initial year of operation shall be granted provisional entry into
5 the Retirement System for one year. In the event the employee or employer contributions
6 required under G.S. 135-8(f) are not received by the date set by the Board of Trustees, and after
7 90 days' written notice, the Board of Trustees may revoke the charter school's provisional entry
8 into the Retirement System. One year after the charter school was granted provisional entry
9 into the Retirement System, the charter school shall undergo an actuarial and financial review
10 as required by the Board of Trustees.

11 (b4) A charter school seeking to become a participating employer in the Retirement
12 System after the end of the initial year of operation shall undergo an actuarial and financial
13 review as required by the Board of Trustees prior to entry into the System.

14 (b5) The actuarial review will result in an estimate of the amount of the withdrawal
15 liability that would be required under G.S. 135-8(i) to cease participation in the System after
16 five years and the amount that would be required to cease participation after 10 years. The cost
17 of this actuarial review shall be paid by the charter school and shall not exceed two thousand
18 five hundred dollars (\$2,500). A charter school that was granted provisional entry into the
19 Retirement System shall not be required to pay the cost of this actuarial review, and this cost
20 may be classified as costs of administering investment programs under G.S. 147-69.3.

21 (b6) The financial review will be based on financial statements and independent audit
22 reports held by the Local Government Commission or functionally equivalent financial
23 statements and independent audit reports submitted to the Board of Trustees by the charter
24 school.

25 (b7) The Board of Trustees may grant final approval of the application if it finds the
26 following:

27 (1) The application meets the requirements set out in this Article.

28 (2) All members of the board of directors of the charter school have signed a
29 written statement acknowledging and accepting the estimate provided under
30 subsection (b5) of this section and the provisions of G.S. 135-8(i).

31 (3) The charter school has not been identified as inadequate by the State Board
32 of Education as provided in G.S. 115C-218.95(b).

33 (4) The charter school's most recent audited financial statements and
34 independent audit report demonstrate that it is financially sound and can
35 meet the financial obligations of participation in the Retirement System.

36 (b8) Upon acceptance by the Board of Trustees of the application to become a
37 participating employer, the charter school shall be a fully participating employer in the
38 Retirement System. The Board may make the final decision for acceptance of the application
39 contingent upon the receipt of a financially sound independent audit report for the fiscal year
40 ending prior to acceptance of the application.

41 (b9) For each charter school employee who is employed on or before the date the charter
42 school is granted entry into the System, membership in the System is effective as of the date of
43 entry. For each charter school employee who is employed after the date the charter school is
44 granted entry into the System, membership in the System is effective as of the date of that
45 employee's entry into eligible service. Provisional entry is considered entry into the System for
46 the purpose of this subsection.

47 (c) A charter school board's election to become a participating employer in the
48 Retirement System under this section is irrevocable and shall require all eligible employees of
49 the charter school to participate.

50 (d) No retirement benefit, death benefit, or other benefit payable under the Retirement
51 System shall be paid by the State of North Carolina or the Board of Trustees of the Teachers'



1 and State Employees' Retirement System on account of employment with a charter school with
2 respect to any employee, or with respect to any beneficiary of an employee, of a charter school
3 ~~whose board of directors does not elect to become~~ that is not a participating employer in the
4 Retirement System ~~under this section.~~ System.

5 (e) The board of directors of each charter school shall notify each of its employees as to
6 whether the board elected to become a participating employer in the Retirement System under
7 this section. This notification shall be in writing and shall be provided within 30 days of the
8 board's election or at the time an initial offer for employment is made, whichever occurs last. If
9 the board did not elect to join the Retirement System, the notice shall include a statement that
10 the employee shall have no legal recourse against the board or the State for any possible credit
11 or reimbursement under the Retirement System. The employee shall provide written
12 acknowledgment of the employee's receipt of the notification under this subsection.

13 (f) The board of directors of a charter school may elect to cease participation in the
14 Retirement System for all of its employees by following the procedure in G.S. 135-8(i)."

15 **SECTION 2.(a)** The catch line of G.S. 120-114 reads as rewritten:

16 "**§ 120-114. Actuarial ~~notes~~; Retirement System advisory letters and cost**
17 **estimates.**"

18 **SECTION 2.(b)** G.S. 120-114 is amended by adding a new subsection to read:

19 "(f) In addition to the other requirements of this section, if a bill or resolution
20 contemplates removing a public agency as a participating employer from the Teachers' and
21 State Employees' Retirement System or the Local Governmental Employees' Retirement
22 System, the Fiscal Research Division shall obtain an estimate of cost of the withdrawal liability
23 the agency would owe under procedures established by the Boards of Trustees of the
24 Retirement Systems."

25 **SECTION 3.(a)** G.S. 135-8 is amended by adding a new subsection to read:

26 "(i) Procedure and Payment to Cease Participation. – Any employing unit that is
27 allowed to cease participation in the Retirement System by the General Assembly or as
28 otherwise provided in this Chapter, through its governing body, may declare its intent to
29 withdraw completely from the Retirement System as follows:

30 (1) The employer shall notify its employees and the Board of Trustees, in
31 writing, of its action. An employer shall automatically be considered to have
32 requested a complete withdrawal from the System the date the employer
33 permanently ceases to employ active members. A withdrawing employer
34 shall be required to make a lump-sum withdrawal liability payment to the
35 Board of Trustees as provided by this section.

36 (2) Complete withdrawal by an employer shall be the first day of the month
37 following the date the employer ceases to employ active members or the first
38 day of the month following 60 days from the date the Board receives the
39 employer's written request to withdraw. However, the complete withdrawal
40 date shall not occur before the withdrawal liability is determined, as
41 provided in subdivision (5) of this subsection.

42 (3) After complete withdrawal, all employees of the withdrawing employer shall
43 be ineligible to accrue future benefits with the System due to employment
44 with the withdrawing employer. The withdrawing employer shall be
45 ineligible to elect to become a participating employer in the Retirement
46 System, as provided in G.S. 135-5.3 for five years after its complete
47 withdrawal date.

48 (4) All active or inactive members of the employer shall be eligible for benefits
49 accrued with the System up to the complete withdrawal date. However, no
50 retirement allowance or return of accumulated contributions shall be paid
51 until the member actually terminates employment and completely separates



from active service with the withdrawing employer, and there is no intent or agreement, express or implied, to return to service with the withdrawing employer.

(5) On the date of complete withdrawal, the withdrawal liability of an employer is the maximum of one thousand dollars (\$1,000) or the amount determined by a. multiplied by the ratio of b. to c., as follows:

a. The excess of the actuarial present value of the vested accrued benefits of the System's members over the market value of its assets, both as of the date of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date based on the plan provisions and actuarial assumptions used in the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date, except the interest rate assumption shall be reduced by an amount determined by the consulting actuary to reflect the increased investment, mortality, and other actuarial risk for the exiting agency's participants.

b. The total present value of accrued benefits of all active members of the withdrawing employer as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.

c. The total present value of accrued benefits of all active members of the System as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.

(6) The actuarial costs to determine the amount described in subdivision (5) of this subsection shall be paid by the withdrawing employer. An employer that does not pay the lump-sum withdrawal liability payment described in subdivision (5) of this subsection and the actuarial costs to determine this withdrawal liability within 90 days of the complete withdrawal date will continue to be a participating employer. No withdrawal liability payment shall be required if an employer exits before the end of the first year following the date of participation or if the Board revokes entry as provided in G.S. 135-5.3(b8).

(7) Upon the complete withdrawal of the employer, the System shall have no further legal obligation to the employer or its employees, nor shall the System be held accountable for the continued future accrual of any retirement benefit rights to which the employees may be entitled beyond the complete withdrawal date. Any litigation regarding the forfeiture of any benefits because of the employer's complete withdrawal from the System shall be the sole legal responsibility of the withdrawing employer, and the withdrawing employer shall indemnify and hold harmless the System, its Board of Trustees, its employees, and the State of North Carolina from any claims, losses, costs, damages, expenses, and liabilities, including, without limitation, court costs, and reasonable attorneys' fees asserted by any person or entity as a result of the employer's withdrawal from the System."

SECTION 3.(b) G.S. 128-30 is amended by adding a new subsection to read:

"(i) Procedure and Payment to Cease Participation. – Any employing unit that is allowed to cease participation in the Retirement System by the General Assembly shall do the following:

(1) The employer shall notify its employees and the Board of Trustees, in writing, of its action. A withdrawing employer shall be required to make a lump-sum withdrawal liability payment to the Board of Trustees as provided by this section.



- (2) Complete withdrawal by an employer shall be the first day of the month following the date the Board receives the employer's written notification. However, the complete withdrawal date shall not occur before the withdrawal liability is determined, as provided in subdivision (5) of this subsection.
- (3) After complete withdrawal, all employees of the withdrawing employer shall be ineligible to accrue future benefits with the System due to employment with the withdrawing employer.
- (4) All active or inactive members of the employer shall be eligible for benefits accrued with the System up to the complete withdrawal date. However, no retirement allowance or return of accumulated contributions shall be paid until the member actually terminates employment and completely separates from active service with the withdrawing employer, and there is no intent or agreement, express or implied, to return to service with the withdrawing employer.
- (5) On the date of complete withdrawal, the withdrawal liability of an employer is the maximum of one thousand dollars (\$1,000) or the amount determined by a. multiplied by the ratio of b. to c., as follows:
- a. The excess of the actuarial present value of the vested accrued benefits of the System's members over the market value of its assets, both as of the date of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date based on the plan provisions and actuarial assumptions used in the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date, except the interest rate assumption shall be reduced by an amount determined by the consulting actuary to reflect the increased investment, mortality, and other actuarial risk for the exiting agency's participants.
- b. The total present value of accrued benefits of all active members of the withdrawing employer as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.
- c. The total present value of accrued benefits of all active members of the System as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.
- (6) The actuarial costs to determine the amount described in subdivision (5) of this subsection shall be paid by the withdrawing employer. An employer that does not pay the lump-sum withdrawal liability payment described in subdivision (5) of this subsection and the actuarial costs to determine this withdrawal liability within 90 days of the complete withdrawal date will continue to be a participating employer.
- (7) Upon the complete withdrawal of the employer, the System shall have no further legal obligation to the employer or its employees, nor shall the System be held accountable for the continued future accrual of any retirement benefit rights to which the employees may be entitled beyond the complete withdrawal date. Any litigation regarding the forfeiture of any benefits because of the employer's complete withdrawal from the System shall be the sole legal responsibility of the withdrawing employer, and the withdrawing employer shall indemnify and hold harmless the System, its Board of Trustees, its employees, and the State of North Carolina from any claims, losses, costs, damages, expenses, and liabilities, including, without



1 limitation, court costs, and reasonable attorneys' fees asserted by any person
2 or entity as a result of the employer's withdrawal from the System."

3 **SECTION 4.** G.S. 115C-218.100 is amended by adding a new subsection to read:

4 "(a1) In the event of a voluntary or involuntary dissolution of the charter school, the funds
5 reserved for closure proceeding in subsection (a) of this section shall be used to pay wages
6 owed to charter school employees, funds owed to the North Carolina Retirement System
7 pursuant to G.S. 135-8, and funds owed to the State Health Plan, in that order. Other expenses
8 shall be paid from the remaining balance in the funds reserved for closure proceeding in
9 subsection (a) of this section."

10 **SECTION 5.** G.S. 128-21 reads as rewritten:

11 **"§ 128-21. Definitions.**

12 The following words and phrases as used in this Article, unless a different meaning is
13 plainly required by the context, shall have the following meanings:

14 ...
15 (17) "Prior service" shall mean the service of a member rendered before the date
16 he becomes a member of the System, certified on his prior service certificate
17 and allowable as provided by G.S. 128-26. No prior service shall be allowed
18 at any employer for which participation is adopted and approved by the
19 Board of Trustees in this Retirement System on or after August 1, 2015.

20"

21 **SECTION 6.** G.S. 128-26(a) reads as rewritten:

22 "(a) Each person who becomes a member during the first year of his or her employer's
23 participation, if and only if that participation begins prior to November 1, 2015, and who was
24 an employee of the same employer at any time during the year immediately preceding the date
25 of participation, shall file a detailed statement of all service rendered by him or her to that
26 employer prior to the date of participation for which he or she claims credit."

27 **SECTION 7.** This act becomes effective January 1, 2016.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 276
Committee Substitute Favorable 4/21/15
Third Edition Engrossed 4/21/15
PROPOSED SENATE COMMITTEE SUBSTITUTE H276-CSRO-24 [v.2]

7/14/2015 8:10:02 PM

Short Title: Agency Participation Procedures Act of 2015.

(Public)

Sponsors:

Referred to:

March 19, 2015

A BILL TO BE ENTITLED

AN ACT TO ENACT THE AGENCY PARTICIPATION PROCEDURES ACT OF 2015.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5.3 reads as rewritten:

"§ 135-5.3. Optional participation for charter schools operated by private nonprofit corporations.

(a) ~~The board of directors of each 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, shall be made no later than 30 days after this section becomes law, and shall be filed with the Retirement System and with the State Board of Education. For each charter school employee who is employed on or before the date the board makes the election to participate, membership in the System is effective as of the date the board makes the election to participate. For each charter school employee who is employed after the date the board makes the election, membership in the System is effective as of the date of that employee's entry into eligible service. This subsection applies only to charter schools that received State Board of Education approval under [former] G.S. 115C-238.29D in 1997 or 1998.~~

(b) ~~No later than 30 days after both parties have signed the written charter under G.S. 115C-218.15, 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 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 approval under [former] G.S. 115C-238.29D [or G.S. 115C-218.5] after 1998.~~

(b1) The board of directors of a charter school operated by a private nonprofit corporation and that has received State Board of Education approval under G.S. 115C-218.5 may elect to become a participating employer in the Retirement System in accordance with this Article.

(b2) A charter school desiring to participate in the Retirement System shall file with the Board of Trustees an application for participation on a form approved by the Board of Trustees. In the application, the charter school shall agree to make the contributions required of participating employers, to deduct from the salaries of employees who may become members the contributions required of members under this Chapter, and to transmit the contributions to





1 the Board of Trustees. The charter school shall also agree to make the employer's contributions
2 for the participation in the Retirement System of all employees entering the service of the
3 employer, after the charter school's participation begins, who shall become members.

4 (b3) A charter school seeking to become a participating employer in the Retirement
5 System prior to the end of the initial year of operation shall be granted provisional entry into
6 the Retirement System for one year. In the event the employee or employer contributions
7 required under G.S. 135-8(f) are not received by the date set by the Board of Trustees, the
8 Board of Trustees may revoke the charter school's provisional entry into the Retirement
9 System. The Board must notify a charter school in writing not less than 90 days prior to
10 revoking a charter school's provisional entry into the Retirement System. One year after the
11 charter school was granted provisional entry into the Retirement System, the charter school
12 shall undergo an actuarial and financial review as required by the Board of Trustees.

13 (b4) A charter school seeking to become a participating employer in the Retirement
14 System after the end of the initial year of operation shall undergo an actuarial and financial
15 review as required by the Board of Trustees prior to entry into the System.

16 (b5) The actuarial review will result in an estimate of the amount of the withdrawal
17 liability that would be required under G.S. 135-8(i) to cease participation in the System after
18 five years and the amount that would be required to cease participation after 10 years. The cost
19 of this actuarial review shall be paid by the charter school and shall not exceed two thousand
20 five hundred dollars (\$2,500). A charter school that was granted provisional entry into the
21 Retirement System shall not be required to pay the cost of this actuarial review, and this cost
22 may be classified as costs of administering investment programs under G.S. 147-69.3.

23 (b6) The financial review will be based on financial statements and independent audit
24 reports held by the Local Government Commission or functionally equivalent financial
25 statements and independent audit reports submitted to the Board of Trustees by the charter
26 school.

27 (b7) The Board of Trustees may grant final approval of the application if it finds the
28 following:

- 29 (1) The application meets the requirements set out in this Article.
- 30 (2) All members of the board of directors of the charter school have signed a
31 written statement acknowledging and accepting the estimate provided under
32 subsection (b5) of this section and the provisions of G.S. 135-8(i).
- 33 (3) The charter school has not been identified as inadequate by the State Board
34 of Education as provided in G.S. 115C-218.95(b).
- 35 (4) The charter school's most recent audited financial statements and
36 independent audit report demonstrate that it is financially sound and can
37 meet the financial obligations of participation in the Retirement System.

38 (b8) Upon acceptance by the Board of Trustees of the application to become a
39 participating employer, the charter school shall be a fully participating employer in the
40 Retirement System. The Board may make the final decision for acceptance of the application
41 contingent upon the receipt of a financially sound independent audit report for the fiscal year
42 ending prior to acceptance of the application.

43 (b9) For each charter school employee who is employed on or before the date the charter
44 school is granted entry into the System, membership in the System is effective as of the date of
45 entry. For each charter school employee who is employed after the date the charter school is
46 granted entry into the System, membership in the System is effective as of the date of that
47 employee's entry into eligible service. Provisional entry is considered entry into the System for
48 the purpose of this subsection.

49 (c) A charter school board's election to become a participating employer in the
50 Retirement System under this section is irrevocable and shall require all eligible employees of
51 the charter school to participate.



(d) No retirement benefit, death benefit, or other benefit payable under the Retirement System shall be paid by the State of North Carolina or the Board of Trustees of the Teachers' and State Employees' Retirement System on account of employment with a charter school with respect to any employee, or with respect to any beneficiary of an employee, of a charter school ~~whose board of directors does not elect to become~~ that is not a participating employer in the Retirement System under this section.

(e) The board of directors of each charter school shall notify each of its employees as to whether the board elected to become a participating employer in the Retirement System under this section. This notification shall be in writing and shall be provided within 30 days of the board's election or at the time an initial offer for employment is made, whichever occurs last. If the board did not elect to join the Retirement System, the notice shall include a statement that the employee shall have no legal recourse against the board or the State for any possible credit or reimbursement under the Retirement System. The employee shall provide written acknowledgment of the employee's receipt of the notification under this subsection.

(f) The board of directors of a charter school may elect to cease participation in the Retirement System for all of its employees by following the procedure in G.S. 135-8(i)."

SECTION 2.(a) The catch line of G.S. 120-114 reads as rewritten:

"§ 120-114. Actuarial ~~notes~~; Retirement System cost estimates."

SECTION 2.(b) G.S. 120-114 is amended by adding a new subsection to read:

"(f) In addition to the other requirements of this section, if a bill or resolution contemplates removing a public agency as a participating employer from the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System, the Fiscal Research Division shall obtain an estimate of cost of the withdrawal liability the agency would owe under procedures established by the Boards of Trustees of the Retirement Systems."

SECTION 3.(a) G.S. 135-8 is amended by adding a new subsection to read:

"(i) Procedure and Payment to Cease Participation. – Any employing unit that is allowed to cease participation in the Retirement System by the General Assembly or as otherwise provided in this Chapter, through its governing body, may declare its intent to withdraw completely from the Retirement System as follows:

(1) The employer shall notify its employees and the Board of Trustees, in writing, of its action. An employer shall automatically be considered to have requested a complete withdrawal from the System the date the employer permanently ceases to employ active members. A withdrawing employer shall be required to make a lump-sum withdrawal liability payment to the Board of Trustees as provided by this section.

(2) Complete withdrawal by an employer shall be the first day of the month following the date the employer ceases to employ active members or the first day of the month following 60 days from the date the Board receives the employer's written request to withdraw. However, the complete withdrawal date shall not occur before the withdrawal liability is determined, as provided in subdivision (5) of this subsection.

(3) After complete withdrawal, all employees of the withdrawing employer shall be ineligible to accrue future benefits with the System due to employment with the withdrawing employer. The withdrawing employer shall be ineligible to elect to become a participating employer in the Retirement System, as provided in G.S. 135-5.3 for five years after its complete withdrawal date.

(4) All active or inactive members of the employer shall be eligible for benefits accrued with the System up to the complete withdrawal date. However, no retirement allowance or return of accumulated contributions shall be paid



until the member actually terminates employment and completely separates from active service with the withdrawing employer, and there is no intent or agreement, express or implied, to return to service with the withdrawing employer.

(5) On the date of complete withdrawal, the withdrawal liability of an employer is the greater of one thousand dollars (\$1,000) or the amount determined by a. multiplied by the ratio of b. to c., as follows:

a. The excess of the actuarial present value of the vested accrued benefits of the System's members over the market value of its assets, both as of the date of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date based on the plan provisions and actuarial assumptions used in the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date, except the interest rate assumption shall be reduced by an amount determined by the consulting actuary to reflect the increased investment, mortality, and other actuarial risk for the exiting agency's participants.

b. The total present value of accrued benefits of all active members of the withdrawing employer as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.

c. The total present value of accrued benefits of all active members of the System as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.

(6) The actuarial costs to determine the amount described in subdivision (5) of this subsection shall be paid by the withdrawing employer. An employer that does not pay the lump-sum withdrawal liability payment described in subdivision (5) of this subsection and the actuarial costs to determine this withdrawal liability within 90 days of the complete withdrawal date will continue to be a participating employer. No withdrawal liability payment shall be required if an employer exits before the end of the first year following the date of participation or if the Board revokes entry as provided in G.S. 135-5.3(b8).

(7) Upon the complete withdrawal of the employer, the System shall have no further legal obligation to the employer or its employees, nor shall the System be held accountable for the continued future accrual of any retirement benefit rights to which the employees may be entitled beyond the complete withdrawal date. Any litigation regarding the forfeiture of any benefits because of the employer's complete withdrawal from the System shall be the sole legal responsibility of the withdrawing employer, and the withdrawing employer shall indemnify and hold harmless the System, its Board of Trustees, its employees, and the State of North Carolina from any claims, losses, costs, damages, expenses, and liabilities, including, without limitation, court costs, and reasonable attorneys' fees asserted by any person or entity as a result of the employer's withdrawal from the System."

SECTION 3.(b) G.S. 128-30 is amended by adding a new subsection to read:

"(i) Procedure and Payment to Cease Participation. – Any employing unit that is allowed to cease participation in the Retirement System by the General Assembly shall do the following:

(1) The employer shall notify its employees and the Board of Trustees, in writing, of its action. A withdrawing employer shall be required to make a



- 1 lump-sum withdrawal liability payment to the Board of Trustees as provided
2 by this section.
- 3 (2) Complete withdrawal by an employer shall be the first day of the month
4 following the date the Board receives the employer's written notification.
5 However, the complete withdrawal date shall not occur before the
6 withdrawal liability is determined, as provided in subdivision (5) of this
7 subsection.
- 8 (3) After complete withdrawal, all employees of the withdrawing employer shall
9 be ineligible to accrue future benefits with the System due to employment
10 with the withdrawing employer.
- 11 (4) All active or inactive members of the employer shall be eligible for benefits
12 accrued with the System up to the complete withdrawal date. However, no
13 retirement allowance or return of accumulated contributions shall be paid
14 until the member actually terminates employment and completely separates
15 from active service with the withdrawing employer, and there is no intent or
16 agreement, express or implied, to return to service with the withdrawing
17 employer.
- 18 (5) On the date of complete withdrawal, the withdrawal liability of an employer
19 is the greater of one thousand dollars (\$1,000) or the amount determined by
20 a. multiplied by the ratio of b. to c., as follows:
- 21 a. The excess of the actuarial present value of the vested accrued
22 benefits of the System's members over the market value of its assets,
23 both as of the date of the last actuarial valuation adopted by the
24 Board of Trustees prior to the complete withdrawal date based on the
25 plan provisions and actuarial assumptions used in the last actuarial
26 valuation adopted by the Board of Trustees prior to the complete
27 withdrawal date, except the interest rate assumption shall be reduced
28 by an amount determined by the consulting actuary to reflect the
29 increased investment, mortality, and other actuarial risk for the
30 exiting agency's participants.
- 31 b. The total present value of accrued benefits of all active members of
32 the withdrawing employer as of the last actuarial valuation adopted
33 by the Board of Trustees prior to the complete withdrawal date.
- 34 c. The total present value of accrued benefits of all active members of
35 the System as of the last actuarial valuation adopted by the Board of
36 Trustees prior to the complete withdrawal date.
- 37 (6) The actuarial costs to determine the amount described in subdivision (5) of
38 this subsection shall be paid by the withdrawing employer. An employer that
39 does not pay the lump-sum withdrawal liability payment described in
40 subdivision (5) of this subsection and the actuarial costs to determine this
41 withdrawal liability within 90 days of the complete withdrawal date will
42 continue to be a participating employer.
- 43 (7) Upon the complete withdrawal of the employer, the System shall have no
44 further legal obligation to the employer or its employees, nor shall the
45 System be held accountable for the continued future accrual of any
46 retirement benefit rights to which the employees may be entitled beyond the
47 complete withdrawal date. Any litigation regarding the forfeiture of any
48 benefits because of the employer's complete withdrawal from the System
49 shall be the sole legal responsibility of the withdrawing employer, and the
50 withdrawing employer shall indemnify and hold harmless the System, its
51 Board of Trustees, its employees, and the State of North Carolina from any

claims, losses, costs, damages, expenses, and liabilities, including, without limitation, court costs, and reasonable attorneys' fees asserted by any person or entity as a result of the employer's withdrawal from the System."

SECTION 4. G.S. 115C-218.100 is amended by adding a new subsection to read:

"(a1) In the event of a voluntary or involuntary dissolution of the charter school, the funds reserved for closure proceeding in subsection (a) of this section shall be used to pay wages owed to charter school employees, funds owed to the North Carolina Retirement System pursuant to G.S. 135-8, and funds owed to the State Health Plan, in that order. Other expenses shall be paid from the remaining balance in the funds reserved for closure proceeding in subsection (a) of this section."

SECTION 5. G.S. 128-21 reads as rewritten:

"§ 128-21. Definitions.

The following words and phrases as used in this Article, unless a different meaning is plainly required by the context, shall have the following meanings:

...

(17) "Prior service" shall mean the service of a member rendered before the date he becomes a member of the System, certified on his prior service certificate and allowable as provided by G.S. 128-26. No prior service shall be allowed at any employer for which participation is adopted and approved by the Board of Trustees in this Retirement System on or after August 1, 2015.

...."

SECTION 6. G.S. 128-26(a) reads as rewritten:

"(a) Each person who becomes a member during the first year of his or her employer's participation, if and only if that participation begins prior to November 1, 2015, and who was an employee of the same employer at any time during the year immediately preceding the date of participation, shall file a detailed statement of all service rendered by him or her to that employer prior to the date of participation for which he or she claims credit."

SECTION 7.(a). G.S. 135-4(jj) reads as rewritten:

"(jj) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement allowance is subject to an adjustment pursuant to the contribution-based benefit cap established in G.S. 135-5(a3), the retirement system shall notify the member and the member's employer that the member's retirement allowance has been capped. The retirement system shall compute and notify the member and the member's employer of the total additional amount the member would need to contribute in order to make the member not subject to the contribution-based benefit cap. This total additional amount shall be the actuarial equivalent of a single life annuity adjusted for the age of the member at the time of retirement, or when appropriate, the age at the time of the member's death that would have had to have been purchased to increase the member's benefit to the pre-cap level. Except as otherwise provided in this subsection, the member shall have until 90 days after notification regarding this additional amount or until 90 days after the effective date of retirement, whichever is later, to submit a lump sum payment to the annuity savings fund in order for the retirement system to restore the retirement allowance to the uncapped amount. Notwithstanding the requirement that the payment be made as a lump sum, the retirement system may allow an employer of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the retirement system after January 1, 2015, to pay the lump sum amount required in this subsection on an installment payment plan beginning no less than 90 days after the retirement of the member and ending no less than one year after the retirement of the member. Payment under such an installment plan must be completed regardless of whether the member



1 continues to receive a recurring monthly retirement benefit through the end of the installment
2 period."

3 **SECTION 7.(b).** G.S. 128-26(y) reads as rewritten:

4 "(y) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement
5 allowance is subject to an adjustment pursuant to the contribution-based benefit cap established
6 in G.S. 128-27(a3), the retirement system shall notify the member and the member's employer
7 that the member's retirement allowance has been capped. The retirement system shall compute
8 and notify the member and the member's employer of the total additional amount the member
9 would need to contribute in order to make the member not subject to the contribution-based
10 benefit cap. This total additional amount shall be the actuarial equivalent of a single life annuity
11 adjusted for the age of the member at the time of retirement, or when appropriate, the age at the
12 time of the member's death that would have had to have been purchased to increase the
13 member's benefit to the pre-cap level. Except as otherwise provided in this subsection, the ~~The~~
14 member shall have until 90 days after notification regarding this additional amount or until 90
15 days after the effective date of retirement, whichever is later, to submit a lump sum payment to
16 the annuity savings fund in order for the retirement system to restore the retirement allowance
17 to the uncapped amount. Nothing contained in this subsection shall prevent an employer from
18 paying all or part of the cost of the amount necessary to restore the member's retirement
19 allowance to the pre-cap amount. Notwithstanding the requirement that the payment be made as
20 a lump sum, the retirement system may allow an employer of a member who became a member
21 before January 1, 2015, or who has not earned at least five years of membership service in the
22 retirement system after January 1, 2015, to pay the lump sum required in this subsection on an
23 installment payment plan beginning no less than 90 days after the retirement of the member and
24 ending no less than one year after the retirement of the member. Payment under such an
25 installment play must be completed regardless of whether the member continues to receive a
26 recurring monthly retirement benefit through the end of the installment period."

27 **SECTION 8.** This act becomes effective January 1, 2016.





HOUSE BILL 276: Agency Participation Procedures Act of 2015

2015-2016 General Assembly

Committee: Senate Pensions & Retirement and Aging
Introduced by: Reps. Ross, Gill, Goodman, McNeill
Analysis of: PCS to Third Edition
H276-CSRO-24

Date: July 14, 2015
Prepared by: Karen Cochrane-Brown
Committee Counsel

SUMMARY: *House Bill 276 does the following:*

- *Creates a new procedure for charter schools to participate in the Teachers' and State Employees' Retirement System.*
- *Directs the Fiscal Research Division to obtain estimate of withdrawal liability for actuarial note on bills that remove an agency from the Retirement System.*
- *Establishes process and payment calculation for agencies withdrawing from the Retirement Systems.*
- *Establishes the priority for use of reserved funds in the event of dissolution of a charter school.*
- *Prohibits granting prior service to new agencies in the Local Governmental Employees Retirement System.*

The Proposed Senate Committee Substitute makes technical corrections and adds a new Section which would amend the contribution based benefit cap purchase provision to allow repayment pursuant to an installment plan.

BILL ANALYSIS:

Section 1 of the bill creates a new procedure for charter schools to participate in the Retirement System by removing the 30-day time limit for charter schools to elect to participate and authorizing the Board of Trustees to approve applications from charter schools. During the first year of operation, charter schools may participate on a provisional basis. After the first year, participation by all charter schools must be approved by the Board of Trustees based on the results of an actuarial and a financial review.

Section 2 of the bill amends the law governing actuarial notes prepared by the Fiscal Research Division in connection with bills that affect a public retirement system. This section directs the Fiscal Research Division to obtain an estimate of cost of the withdrawal liability for any agency if the bill contemplates removing the agency as a participating employer in the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System.

Section 3 establishes the procedure and payment calculation for agencies withdrawing from the System. The employer must notify its employees and the Board of Trustees, in writing, of its intent to withdraw

O. Walker Reagan
Director



Research Division
(919) 733-2578



House Bill 276

Page 2

from the System and the employer must make a lump-sum withdrawal liability payment to the Board. The amount of the payment is the maximum of \$1000 or an amount calculated using advice from the consulting actuary to reflect the employer's share of the System's unfunded accrued actuarial liability plus a risk premium to cover the increased actuarial risks for the withdrawing employer's participants until all benefits due these participants have been paid. This section adds new language to statutes governing both the TSERS and LGERS.

Section 4 amends the governing dissolution of a charter school to provide that in the event of a voluntary or involuntary dissolution of a charter school, the funds reserved for closure proceedings shall be applied to pay wages to employees, to funds owed to the Retirement System, and to funds owed to the State Health Plan, in that order.

Section 5 amends the definition of "prior service" in the Local Governmental Employees' Retirement System to disallow service rendered for an employer prior to the time the employer began participation in the Retirement System if the employer's participation began on or after August 1, 2015.

Section 6 limits the requirement that during the first year of his or her employer's participation in the Retirement System, an employee must file a statement of all service rendered to the employer prior to the date of participation in the Retirement System, to employers that began participation in the System prior to November 1, 2015.

Section 7 amends the laws governing the contribution based benefit cap purchase provision (the anti-pension spiking provision) in the TSERS and the LGERS. The change would authorize the Retirement System to allow employers to pay the lump sum amount necessary to restore an affected member's retirement allowance to the pre-cap amount in an installment payment plan.

EFFECTIVE DATE: This act becomes effective January 1, 2016.



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note Retirement Benefits

BILL NUMBER: House Bill 276 (First Edition)

SHORT TITLE: Agency Participation Procedures Act of 2015.-AB

SPONSOR(S): Representatives Ross, Gill, Goodman, and McNeill

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts for TSERS; local government funds for LGERS

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS).

BILL SUMMARY:

House Bill 276 (First Edition) makes several changes to laws governing how charter schools and local governments begin or stop participating in TSERS and LGERS.

Section 1: Modifies the provisions for a charter school to elect to join TSERS and permits a charter school to stop participating in TSERS. Currently charter schools are only allowed to join in the first 30 days after signing the charter. The bill allows charter schools to join at any time, but requires a charter school to undergo an actuarial, financial, and legal review by the Board of Trustees prior to joining. Currently charter schools are not allowed to stop participating, unless they cease to exist as a charter school. The bill allows charter schools to stop participating in TSERS, but requires the charter school to first notify its employees and the Retirement System and pay a withdrawal liability.

Section 2: Requires the Fiscal Research Division of the General Assembly to obtain an advisory letter from the Attorney General for any bill that would allow an employer to join TSERS or LGERS and an estimate of the withdrawal liability for any bill that would allow a unit to cease participation in TSERS or LGERS. The advisory letter would assess whether the employer is eligible to participate.

Section 3: Imposes a lump sum withdrawal liability in both TSERS and LGERS equal to the actuarial present value of the additional liabilities imposed upon the System by the withdrawal of the unit, as determined by the System's consulting actuary.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the Retirement Systems, estimates that the bill will not impact the contribution rates of TSERS or LGERS, assuming that the withdrawal liability covers the withdrawing employer's unfunded liability plus a risk premium.

Hartman & Associates, the actuary for the General Assembly, estimates that the bill will have no current financial impact on TSERS or LGERS and notes that the withdrawal liability provision prevents the cost of a withdrawing employer from being shifted to the remaining employers.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)		
	TSERS	LGERS
Active Members		
Count	310,370	123,455
General Fund Compensation	\$9,914M	
Valuation Compensation (Total)	\$13,608M	\$5,556M
Average Age	45	44
Average Service	10.6	10.3
Inactive Members		
Count	125,513	50,998
Retired Members		
Count	187,448	57,405
Annual Benefits	\$3,871M	\$1,039M
Average Age	70	68
New Retirees During 2014	11,500	4,400

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)		
	TSERS	LGERS
Accrued Liability (AL)	\$65,806M	Not meaningful
Actuarial Value of Assets (AVA)	\$62,364M	\$21,498M
Market Value of Assets (MVA)	\$62,789M	\$21,784M
Unfunded Accrued Liability (AL - AVA)	\$3,442M	Not meaningful
Funded Status (AVA / AL)	95%	Not meaningful
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	6.52% (non-LEO)
Assumed Rate of Investment Return	7.25%	7.25%
Salary Increase Assumption (includes	4.25% - 9.10%	4.25% - 8.55%

3.50% inflation and productivity)		
Cost Method	Entry Age Normal	Frozen Entry Age
Amortization	12 year, closed, flat \$	Not applicable
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA		

Benefit Provisions		
	<u>TSERS</u>	<u>LGERS</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Agency Participation Procedures Act of 2015 (House Bill 276)", March 27, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 276: An Act to Enact the Agency Participation Procedures Act of 2015", March 26, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:
Mark Trogon, Director
Fiscal Research Division

DATE: April 1, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 276

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

H276-ARO-47 [v.1]

Page 1 of 1

Amends Title [NO]
H276-CSRO-24

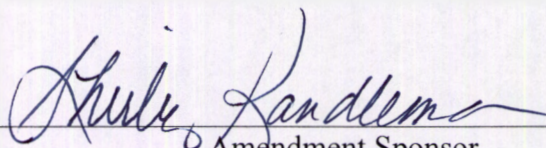
Date _____, 2015

Senator _____

1 moves to amend the bill on page 7, line 27, by rewriting the line to read:

2
3 "SECTION 8. Sections 5, 6, and 7 of this act become effective when it becomes
4 law. The remainder of the act becomes effective January 1, 2016."
5
6

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

TABLED



* H 2 7 6 - A R O - 4 7 - V - 1 *

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

3

HOUSE BILL 277
Committee Substitute Favorable 4/14/15
Third Edition Engrossed 4/15/15

Short Title: Retirement Admin. Changes Act of 2015.-AB

(Public)

Sponsors:

Referred to:

March 19, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE RETIREMENT ADMINISTRATIVE CHANGES ACT OF 2015.
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.(a)** The terms of office of the present members of the Supplemental
5 Retirement Board of Trustees shall expire on June 30, 2016. Effective for terms to begin on
6 July 1, 2016, the members of the Board shall be appointed as provided in G.S. 135-96, as
7 amended by this act.

8 **SECTION 1.(b)** G.S. 135-96 reads as rewritten:

9 **"§ 135-96. Supplemental Retirement Board of Trustees.**

10 (a) The Supplemental Retirement Board of Trustees is established to administer the
11 Supplemental Retirement Income Plan established under the provisions of this Article and the
12 North Carolina Public Employee Deferred Compensation Plan established under
13 G.S. 143B-426.24, and the North Carolina Public School Teachers' and Professional Educators'
14 Investment Plan established under G.S. 115C-341.2.

15 (b) The Board consists of nine voting members, as follows:

- 16 (1) Six persons appointed by the Governor who have experience in finance and
17 investments, one of whom shall be a State employee, and one of whom shall
18 be a retired State or local governmental employee;
19 (2) One person appointed by the General Assembly upon the recommendation
20 of the Speaker of the House of Representatives;
21 (3) One person appointed by the General Assembly upon the recommendation
22 of the President Pro Tempore of the Senate; and
23 (4) The State Treasurer, ex officio, who shall be the Chair.

24 (c) ~~The initial appointments by the General Assembly and two of the Governor's initial~~
25 ~~appointments shall be for one-year terms. The remainder of the initial appointments shall be for~~
26 ~~two-year terms. At the expiration of these initial terms, appointments shall be for two years and~~
27 ~~shall be made by the appointing authorities designated in subsection (b) of this section.~~
28 Effective July 1, 2016:

- 29 (1) The appointments made by the General Assembly pursuant to subdivisions
30 (2) and (3) of subsection (b) of this section shall be for initial terms of three
31 years, to expire June 30, 2019.
32 (2) Three of the appointments made by the Governor pursuant to subdivision (1)
33 of subsection (b) of this section shall be for initial terms of one year, to
34 expire June 30, 2017.



- (3) Three of the appointments made by the Governor pursuant to subdivision (1) of subsection (b) of this section shall be for initial terms of two years, to expire June 30, 2018.

Upon the expiration of these initial terms, appointments for all members shall be for terms of three years beginning on the day following the expiration date of the previous member's term.

(c1) A member shall continue to serve until the member's successor is duly appointed, but a holdover under this provision does not affect the expiration date of the succeeding term. No member of the Board may serve ~~more than three~~ longer than any of the following:

- (1) Two consecutive ~~two-year~~ three-year terms.

- (2) Three consecutive terms of any length, in the event that one or more of the terms is for fewer than three years in duration or the member serves a partial term as result of filling a vacancy.

- (3) Eight consecutive years, regardless of term lengths.

(d) Other than ex officio members, members appointed by the Governor shall serve at the Governor's pleasure. An ex officio member may designate in writing, filed with the Board, any employee of the member's department to act at any meeting of the Board from which the member is absent, to the same extent that the member could act if present in person at such meeting.

(e) The Board may retain the services of independent appraisers, auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs that the Board administers pursuant to this section."

SECTION 2. Article 3 of Chapter 111 of the General Statutes is amended by adding a new section to read:

"§ 111-47.3 Food service at Department of State Treasurer.

Notwithstanding any other provision of this Article, the Department of State Treasurer may operate or contract for the operation of food or vending services at Department of State Treasurer offices. The net proceeds of revenue generated by food and vending services that are provided at the Department of State Treasurer by the agency or a vendor with whom the agency has contracted shall be credited to the Division of Services for the Blind of the Department of Health and Human Services for the purposes specified in G.S. 111-43."

SECTION 3.(a) G.S. 147-69.2(b) reads as rewritten:

"(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds. The State Treasurer may invest the funds as provided in this subsection. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then that investment shall continue to be authorized by this subsection, and none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the State Treasurer to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications. For purposes of computing market values on which percentage limitations on investments in this subsection are based, all investments shall be valued as of the last date of the most recent fiscal quarter.

- (1) Investments authorized by G.S. 147-69.1(c)(1)-(7).

- (2) General obligations of other states of the United States.

- (3) General obligations of cities, counties and special districts in North Carolina.

- (4) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or outside the United States, including obligations that are convertible into equity securities, if the obligations bear

one of the four highest ratings of at least one nationally recognized rating service when acquired.

(5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.

(6) Asset-backed securities (whether considered debt or equity) provided they bear ratings by nationally recognized rating services as provided in G.S. 147-69.2(b)(4).

(6a) In addition to the limitations and requirements with respect to the investments of the Retirement Systems set forth in this subsection, the State Treasurer shall select investments of the assets of the Retirement Systems such that investments made pursuant to subdivisions (b)(1) through (6) of this section shall at all times equal or exceed twenty percent (20%) of the market value of all invested assets of the Retirement Systems.

(6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may be made directly by the State ~~Treasurer~~ Treasurer, through investment companies registered under the Investment Company Act of 1940, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by subdivisions (1) through (6) of this subsection, or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by subdivisions (b)(1) through (6) of this section, provided for each indirect investment, the investment manager has assets under management of at least one hundred million dollars (\$100,000,000).

...."

SECTION 3.(b) G.S. 147-77 reads as rewritten:

"§ 147-77. Daily deposit of funds to credit of Treasurer.

All funds belonging to the State of North Carolina, in the hands of any head of any department of the State which collects revenue for the State in any form whatsoever, and every institution, agency, officer, employee, or representative of the State or any agency, department, division or commission thereof, except officers and the clerks of the Supreme Court and Court of Appeals, collecting or receiving any funds or money belonging to the State of North Carolina, shall daily deposit the same in some bank, or trust company, selected or designated by the State Treasurer, in the name of the State Treasurer, at noon, or as near thereto as may be, and shall report the same daily to ~~said Treasurer. Provided that the~~ Treasurer. The State Treasurer may authorize exemptions from the provisions of this section so long as funds are deposited and reported pursuant to the provisions of this section at least once a week and, in addition, so long as funds are deposited and reported pursuant to the provisions of this section whenever as much as ~~two hundred fifty dollars (\$250.00)~~ five thousand dollars (\$5,000) has been collected and ~~received. Provided, that the~~ received. Each State agency that has custody of funds less than five thousand dollars (\$5,000) shall provide adequate safekeeping of such funds. The Treasurer may refund the amount of any bad checks which have been returned to the department by the Treasurer when the same have not been collected after 30 days' trial."

SECTION 4. G.S. 135-1(20) reads as rewritten:

"(20) "Retirement" under this ~~Chapter~~ Chapter, except as otherwise provided, means the commencement of monthly retirement benefits along with termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to



1 become effective in any month, the member must perform no work for an
2 employer, including part-time, temporary, substitute, or contractor work, at
3 any time during the six months immediately following the effective date of
4 retirement. For purposes of this subdivision, working as a member of a
5 school board, board of trustees of a community college, board of trustees of
6 any constituent institution of The University of North Carolina, as an unpaid
7 bona fide volunteer in a local school administrative unit, or as an unpaid
8 bona fide volunteer guardian ad litem in the guardian ad litem program shall
9 not be considered ~~service-service~~ or work, and volunteering in positions
10 normally designated as unpaid bona fide volunteer positions during the six
11 months immediately following the effective date of retirement shall not be
12 considered service. A member who is a full-time faculty member of The
13 University of North Carolina may effect a retirement allowance under this
14 Chapter, notwithstanding the six-month requirement above, provided the
15 member immediately enters the University's Phased Retirement Program for
16 Tenured Faculty as that program existed on May 25, 2011."

17 **SECTION 5.(a)** G.S. 135-8(f) is amended by adding a new subdivision to read:

18 "(4) In conjunction with the employee and employer contributions required under
19 this section, the Board of Trustees shall direct employers to submit such
20 information on a monthly basis as is necessary for proper administration of
21 the Retirement System, actuarial valuation, and reporting under accounting
22 standards set forth by the Governmental Accounting Standards Board of the
23 Financial Accounting Foundation. Submission of such information by an
24 employer to the Retirement System constitutes a certification of its
25 accuracy."

26 **SECTION 5.(b)** G.S. 128-30(g) is amended by adding a new subdivision to read:

27 "(4) In conjunction with the employee and employer contributions required under
28 this section, the Board of Trustees shall direct employers to submit such
29 information on a monthly basis as is necessary for proper administration of
30 the Retirement System, actuarial valuation, and reporting under accounting
31 standards set forth by the Governmental Accounting Standards Board of the
32 Financial Accounting Foundation. Submission of such information by an
33 employer to the Retirement System constitutes a certification of its
34 accuracy."

35 **SECTION 6.(a)** G.S. 135-8(f)(3) reads as rewritten:

36 "(3) In the event the employee or employer contributions required under this
37 section are not received by the date set by the Board of Trustees, the Board
38 shall assess the employer with a penalty, in lieu of interest, of 1% per month
39 with a minimum penalty of twenty-five dollars (\$25.00). The Board may
40 waive one penalty per employer every five years if the Board finds that the
41 employer has consistently demonstrated good-faith efforts to comply with
42 the set deadline. If within 90 days after request therefor by the Board any
43 employer shall not have provided the System with the records and other
44 information required hereunder or if the full accrued amount of the
45 contributions provided for under this section due from members employed
46 by an employer or from an employer other than the State shall not have been
47 received by the System from the chief fiscal officer of such employer within
48 30 days after the last due date as herein provided, then, notwithstanding
49 anything herein or in the provisions of any other law to the contrary, upon
50 notification by the Board to the State Treasurer as to the default of such
51 employer as herein provided, any distributions which might otherwise be



made to such employer from any funds of the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the one percent (1%) payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement Systems Division and shall transmit that amount to the Retirement Systems Division."

SECTION 6.(b) G.S. 128-30(g)(3) reads as rewritten:

"(3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of Trustees, the Board shall assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer, or the municipality or county of which such employer is an integral part, from any funds of the State or any funds collected by the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the one percent (1%) payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement



1 Systems Division and shall transmit that amount to the Retirement Systems
2 Division."

3 **SECTION 6.(c)** G.S. 115C-438 reads as rewritten:

4 **"§ 115C-438. Provision for disbursement of State money.**

5 The deposit of money in the State treasury to the credit of local school administrative units
6 shall be made in monthly installments, and additionally as necessary, at such time and in such a
7 manner as may be most convenient for the operation of the public school system. Before an
8 installment is credited, the school finance officer shall certify to the State Board of Education
9 the expenditures to be made by the local school administrative unit from the State Public
10 School Fund during the month. This certification shall be filed on or before the fifth day
11 following the end of the month preceding the period in which the expenditures will be made.
12 The State Board of Education shall determine whether the moneys requisitioned are due the
13 local school administrative unit, and upon determining the amount due, shall cause the requisite
14 amount to be credited to the local school administrative unit. Upon receiving notice from the
15 State Treasurer of the amount placed to the credit of the local school administrative unit, the
16 finance officer may issue State warrants up to the amount so certified.

17 Upon notification by the Board of Trustees of the Teachers' and State Employees'
18 Retirement System to the State Treasurer and the Office of State Budget and Management as to
19 the default of the local school administrative unit, the State Board of Education shall withhold
20 from any State appropriation due to the local school administrative unit an amount equal to the
21 sum of all delinquent contributions and payments due to the Retirement Systems Division and
22 shall transmit that amount to the Retirement Systems Division.

23 The State Board of Education may withhold money for payment of salaries for
24 administrative officers of local school administrative units if any report required to be filed
25 with State school authorities is more than 30 days overdue. The State Board of Education shall
26 withhold money for payment of salaries for the superintendent, finance officer, and all other
27 administrative officers charged with providing payroll information pursuant to
28 G.S. 115C-12(18), if the local school administrative unit fails to provide the payroll
29 information to the State Board in a timely fashion and substantially in accordance with the
30 standards set by the State Board. The State Board of Education shall also withhold money used
31 for payment of salaries for the superintendent, transportation director, and all other
32 administrative officers or employees charged by the local board of education or the local
33 superintendent with implementing the Transportation Information Management System,
34 pursuant to G.S. 115C-240(d), if the State Board finds that a local school administrative unit is
35 not progressing in good faith and is not using its best efforts to implement the Transportation
36 Information Management System.

37 Money in the State Public School Fund and State bond moneys shall be released only on
38 warrants drawn on the State Treasurer, signed by such local official as may be required by the
39 State Board of Education."

40 **SECTION 7.** G.S. 150B-21.3A is amended by adding a new subsection to read:

41 "(e1) Rules to Protect Inchoate or Accrued Rights of Retirement Systems Members. –
42 Rules deemed by the Boards of Trustees established under G.S. 128-28 and G.S. 135-6 to
43 protect inchoate or accrued rights of members of the Retirement Systems administered by the
44 State Treasurer shall not expire as provided by this section. The Commission shall report
45 annually to the Committee on any rules that do not expire pursuant to this subsection."

46 **SECTION 8.** G.S. 128-21 is amended by adding three new subdivisions to read:

47 "(10a) "Regularly employed" shall mean employment in a position for which the
48 duties require not less than 1,000 hours of work in a calendar year, provided
49 that the term shall not include any individuals whose employment is
50 considered "temporary employment" as defined in subdivision (10b) of this



section or "statutorily-required interim employment" as defined in subdivision (10c) of this section.

(10b) "Temporary employment" shall mean employment for a limited term, in no case to exceed 12 consecutive months on a nonrecurring basis, for an employer as defined in subdivision (11) of this section.

(10c) "Statutorily-required interim employment" shall mean individuals whose employment for an employer as defined in subdivision (11) of this section occurs as a result of the individual's designation by the city council as an interim city manager, as provided in G.S. 160A-150 for a period not to exceed 12 months on a nonrecurring basis, or as a result of the individual's designation by the board of commissioners as an interim county manager, as provided in G.S. 153A-84 for a period not to exceed 12 months on a nonrecurring basis."

SECTION 9.(a) G.S. 135-91(c) reads as rewritten:

"(c) The Department of State Treasurer and the Board of Trustees shall have full power and authority to adopt rules and regulations for the administration of the Plan, provided they are not inconsistent with the provisions of this Article. The Department of State Treasurer and Board of Trustees may appoint those agents, contractors, employees and committees as they deem advisable to carry out the terms and conditions of the Plan. In order to promote achievement of long-term investment objectives and to retain key public employees with investment functions, the Board of Trustees shall authorize the State Treasurer to establish market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of the Plan, who shall be exempt from the classification and compensation rules established by the Office of State Human Resources. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned directly from the Plan."

SECTION 9.(b) G.S. 126-5 is amended by adding a new subsection to read:

"(c13) Except as to G.S. 126-13, 126-14, 126-14.1, and the provisions of Articles 6, 7, 14, 15, and 16 of this Chapter, the provisions of this Chapter shall not apply to employees of the Department of State Treasurer possessing specialized skills or knowledge necessary for the proper administration of the Supplemental Retirement Plans and compensated pursuant to G.S. 135-91(c)."

SECTION 10.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(m4) A member who has contributions in this System and is not eligible for a retirement benefit as set forth in G.S. 135-5(a) shall be paid his contributions in a lump sum as provided in G.S. 135-5(f) by April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a teacher or State employee except by death. If such member fails, following reasonable notification, to complete a refund application by such required date, the requirement that a refund application be completed shall be waived and the refund shall be paid without a refund application as a single lump-sum payment with applicable required North Carolina and federal income taxes withheld. For purposes of this subsection, a member shall not be considered to have ceased to be a teacher or State employee if the member is actively contributing to the Consolidated Judicial Retirement System, Local Governmental Employees' Retirement System, or Legislative Retirement System. A lump-sum refund shall not be paid under this subsection if the member is actively contributing to the Consolidated Judicial Retirement System, Local Governmental Employees' Retirement System, or Legislative Retirement System.

A member who has contributions in this System and is eligible for a retirement benefit as set forth in G.S. 135-5(a) shall begin to receive a monthly benefit no later than April 1 of the

calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a teacher or State employee except by death. If such member fails, following reasonable notification, to complete the retirement process as set forth under Chapter 135 of the General Statutes by such required beginning date, the requirement that a retirement application and an election of payment plan form be completed shall be waived and the retirement allowance shall be paid as a single life annuity. The single life annuity shall be calculated and processed in accordance with G.S. 135-5. For purposes of this subsection, a member shall not be considered to have ceased to be a teacher or State employee if the member is actively contributing to the Consolidated Judicial Retirement System, Local Governmental Employees' Retirement System, or Legislative Retirement System. A retirement benefit shall not be paid under this subsection if the member is actively contributing to the Consolidated Judicial Retirement System, Local Governmental Employees' Retirement System, or Legislative Retirement System."

SECTION 10.(b) G.S. 128-27 is amended by adding a new subsection to read:

"(m3) A member who has contributions in this System and is not eligible for a retirement benefit as set forth in G.S. 128-27(b21) shall be paid his contributions in a lump sum as provided in G.S. 128-27(f) by April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be an employee except by death. If such member fails, following reasonable notification, to complete a refund application by such required date, the requirement that a refund application be completed shall be waived and the refund shall be paid without a refund application as a single lump-sum payment with applicable required North Carolina and federal income taxes withheld. For purposes of this subsection, a member shall not be considered to have ceased to be an employee if the member is actively contributing to the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, or Legislative Retirement System. A lump-sum refund shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, or Legislative Retirement System."

A member who has contributions in this System and is eligible for a retirement benefit as set forth in G.S. 128-27(21) shall begin to receive a monthly benefit no later than April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be an employee except by death. If such member fails, following reasonable notification, to complete the retirement process as set forth under Chapter 128 of the General Statutes by such required beginning date, the requirement that a retirement application and an election of payment plan form be completed shall be waived and the retirement allowance shall be paid as a single life annuity. The single life annuity shall be calculated and processed in accordance with G.S. 128-27(b21). For purposes of this subsection, a member shall not be considered to have ceased to be an employee if the member is actively contributing to the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, or Legislative Retirement System. A retirement benefit shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, or Legislative Retirement System."

SECTION 10.(c) G.S. 135-74 is amended by adding a new subsection to read:

"(c1) A member who has contributions in this System and is not eligible for a retirement benefit as set forth in G.S. 135-58(a6) shall be paid his contributions in a lump sum as provided in G.S. 135-62 by April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53, except by death. If such member fails, following reasonable notification, to complete a refund application by such required date, the requirement that a



1 refund application be completed shall be waived and the refund shall be paid without a refund
2 application as a single lump-sum payment with applicable required North Carolina and federal
3 income taxes withheld. For purposes of this subsection, a member shall not be considered to
4 have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense
5 Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively
6 contributing to the Teachers' and State Employees' Retirement System, Local Governmental
7 Employees' Retirement System, or Consolidated Judicial Retirement System. A lump-sum
8 refund shall not be paid under this subsection if the member is actively contributing to the
9 Teachers' and State Employees' Retirement System, Local Governmental Employees'
10 Retirement System, or Consolidated Judicial Retirement System.

11 A member who has contributions in this System and is eligible for a retirement benefit as
12 set forth in G.S. 120-4.21 shall begin to receive a monthly benefit no later than April 1 of the
13 calendar year following the later of the calendar year in which the member (i) attains 70 and
14 one-half years of age or (ii) has ceased to be a judge, district attorney, public defender, the
15 Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53,
16 except by death. If such member fails, following reasonable notification, to complete the
17 retirement process as set forth under Chapter 120 of the General Statutes by such required
18 beginning date, the requirement that a retirement application and an election of payment plan
19 form be completed shall be waived and the retirement allowance shall be paid as a single life
20 annuity. The single life annuity shall be calculated and processed in accordance with
21 G.S. 120-4.21. For purposes of this subsection, a member shall not be considered to have
22 ceased to be a judge, district attorney, public defender, the Director of Indigent Defense
23 Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively
24 contributing to the Teachers' and State Employees' Retirement System, Local Governmental
25 Employees' Retirement System, or Consolidated Judicial Retirement System. A retirement
26 benefit shall not be paid under this subsection if the member is actively contributing to the
27 Teachers' and State Employees' Retirement System, Local Governmental Employees'
28 Retirement System, or Consolidated Judicial Retirement System."

29 **SECTION 10.(d)** G.S. 120-4.31 is amended by adding a new subsection to read:

30 "(c1) A member who has contributions in this System and is not eligible for a retirement
31 benefit as set forth in G.S. 120-4.21 shall be paid his contributions in a lump sum as provided
32 in G.S. 120-4.25 by April 1 of the calendar year following the later of the calendar year in
33 which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a member of
34 the General Assembly, except by death. If such member fails, following reasonable
35 notification, to complete a refund application by such required date, the requirement that a
36 refund application be completed shall be waived and the refund shall be paid without a refund
37 application as a single lump-sum payment with applicable required North Carolina and federal
38 income taxes withheld. For purposes of this subsection, a member shall not be considered to
39 have ceased to be a member of the General Assembly if the member is actively contributing to
40 the Teachers' and State Employees' Retirement System, Local Governmental Employees'
41 Retirement System, or Consolidated Judicial Retirement System. A lump-sum refund shall not
42 be paid under this subsection if the member is actively contributing to the Teachers' and State
43 Employees' Retirement System, Local Governmental Employees' Retirement System, or
44 Consolidated Judicial Retirement System.

45 A member who has contributions in this System and is eligible for a retirement benefit as
46 set forth in G.S. 120-4.21 shall begin to receive a monthly benefit no later than April 1 of the
47 calendar year following the later of the calendar year in which the member (i) attains 70 and
48 one-half years of age or (ii) has ceased to be a member of the General Assembly, except by
49 death. If such member fails, following reasonable notification, to complete the retirement
50 process as set forth under Chapter 120 of the General Statutes by such required beginning date,
51 the requirement that a retirement application and an election of payment plan form be



completed shall be waived and the retirement allowance shall be paid as a single life annuity. The single life annuity shall be calculated and processed in accordance with G.S. 120-4.21. For purposes of this subsection, a member shall not be considered to have ceased to be a member of the General Assembly if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A retirement benefit shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System."

SECTION 11.(a) G.S. 135-3(8) is amended by adding a new sub-subdivision to read:

- "f. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on a fee for service basis, whether contractual or otherwise at any time during the six months immediately following the effective date of retirement, then the option of the two listed below that has the lesser financial impact on the member, as determined by the Retirement System, shall be applied:
1. The member's retirement shall be deemed effective the month after the last month the member performed services for a participating employer, and the member shall repay all retirement benefits paid up to the deemed effective date, provided the member thereafter has satisfied the six-month separation required by G.S. 135-1(20).
 2. The member shall make a lump-sum payment to the Retirement System equal to three times the amount of compensation earned during the six months immediately following the effective date of retirement."

SECTION 11.(b) G.S. 128-24(5) is amended by adding a new sub-subdivision to read:

- "e. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on a fee for service basis, whether contractual or otherwise at any time during the month immediately following the effective date of retirement, then the option of the two listed below that has the lesser financial impact on the member, as determined by the Retirement System, shall be applied:
1. The member's retirement shall be deemed effective the month after the last month the member performed services for a participating employer, and the member shall repay all retirement benefits paid up to the deemed effective date, provided the member thereafter has satisfied the one-month separation required by G.S. 128-21(19).
 2. The member shall make a lump-sum payment to the Retirement System equal to three times the amount of compensation earned during the month immediately following the effective date of retirement."



1

SECTION 12. This act becomes effective October 1, 2015.





HOUSE BILL 277: Retirement Admin. Changes Act of 2015.-AB

2015-2016 General Assembly

Committee:	Senate Pensions & Retirement and Aging	Date:	July 14, 2015
Introduced by:	Reps. Ross, Gill, Goodman, McNeill	Prepared by:	Karen Cochrane-Brown
Analysis of:	Third Edition		Committee Counsel

SUMMARY: *House Bill 277 makes various changes to the laws governing the administration of the State's public employee retirement systems.*

BILL ANALYSIS:

Section 1. Makes changes to the appointment and terms of members of the Supplemental Retirement Board of Trustees. The bill would terminate the terms of all present members of the board effective June 30, 2016. New appointments would be made to insure that the terms were staggered to maintain continuity on the board. The length of each term is extended from two to three years. This provision also sets limits on the number of consecutive terms a member can serve.

Section 2. Authorizes the Department of State Treasurer to operate or contract to operate food or vending services at the Treasurer's office. The net proceeds of any revenue generated by these services would be credited to the Division of Services for the Blind of the Department of Health and Human Services.

Section 3. Clarifies that investments that the State Treasurer is allowed to make for excess funds from the special funds listed in the statute may also be made through registered investment companies, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized in the statute.

The section also increases the amount the State Treasurer may authorize a State agency to exempt from the requirement of daily deposit into the banking system from \$250 to \$5,000.

Section 4. Amends the definition of the term "Retirement" in the Teachers' and State Employees' Retirement System to clarify that volunteering in positions normally designated as unpaid bona fide volunteer positions during the six months immediately following retirement is not service.

Section 5. Authorizes the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System to direct employers to submit needed information on a monthly basis. The provision also states that submission of the information by the employer constitutes a certification of its accuracy.

O. Walker Reagan
Director



Research Division
(919) 733-2578

House Bill 277

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Section 6. Amends the laws governing payments due from employers under the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System and payments due from local school administrative units to provide that if the employer fails to submit required payments within 90 days, the Board can collect delinquent payments by interception of State appropriations due the employer. Upon notification from the Board of Trustees of the default, the Office of State Budget and Management must withhold an amount equal to the amount due to the Retirement System from any State appropriations due to the employer and transmit the amount to the Retirement System.

Section 7. Amends the Administrative Procedure Act to create an exception under the periodic review and expiration existing rules process. Currently if an agency fails to review and readopt an existing rule as required by law, the rule will automatically expire. This section creates an exception for rules deemed by the Board of Trustees of the Retirement Systems to protect inchoate or accrued rights of retirement system members. This provision does not relieve the Retirement System Division of the duty to review and readopt its rules.

Section 8. Adds three new definitions to the law governing the Local Governmental Employees' Retirement System. The provision defines "regularly employed" as employment in a position for which the duties require at least 1000 hours of work in a calendar year, but does not include temporary or statutorily required interim employees. "Temporary employment is defined as employment for a limited term which does not exceed 12 months on a non-recurring basis. "Statutorily-required interim employment" means employment as an interim city or county manager for a period that does not exceed 12 months on a nonrecurring basis.

Section 9. Creates an exemption from the State Human Resources Act for employees of the Department of State Treasurer who possess specialized skills or knowledge necessary for the proper administration of the Supplemental Retirement Plans. The State Treasurer is authorized to establish market-oriented compensation plans, including salaries and performance related bonuses for these employees.

Section 10. Amends the laws of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System to require that a member's contributions must be paid or retirement benefit must begin by April 1 of the year following the year in which the member reaches age 70 1/2 or ceases to be an employee, whichever is later. This is an IRS-mandated provision.

Section 11. Lessens the financial penalty for a retiree who returns to work during the six months immediately following retirement. The member can either be deemed to have retired the month after the month the member performed services for the employer and repay all retirement benefits received until that date or make a lump sum payment to the Retirement System equal to three times the compensation earned during the six month period.

EFFECTIVE DATE: This act becomes effective October 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 277 (Second Edition)
SHORT TITLE: Retirement Admin. Changes Act of 2015.-AB
SPONSOR(S): Representatives Ross, Gill, Goodman, and McNeill

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Local Governmental Employees' Retirement System (LGERs), pension and non-pension funds invested in fixed income investments under G.S. 147-69.2(b), and the supplemental retirement plans (NC 401(k), NC 457, NC 403(b)).

BILL SUMMARY: House Bill 277 (Second Edition) makes the following changes to retirement statutes:

Section 1: Changes the length of terms for members of the Supplemental Retirement Board of Trustees from two years to three years. This section also sets a limit of two consecutive terms and staggers the expiration of the terms.

Section 2: Authorizes the Department of State Treasurer to contract with vendors for food services for employees. The net proceeds from such contracts will be transferred to the Division of Services for the Blind.

Section 3: Amends the types of investment entity structures that are authorized for the State's externally managed fixed income investments. Currently, commingled vehicles such as limited partnerships, limited liability companies, and group trusts are authorized for the State Treasurer's other asset classes, but not fixed income. This section also increases the limit on exemptions for daily deposit requirements for public agencies.

Section 4: Clarifies the volunteer service provision in the definition of retirement under TSERS to allow retirees to work as volunteers in bona fide unpaid volunteer positions during the six months following their effective date of retirement.

Section 5: Requires participating employers to attest to the accuracy of their monthly data submissions as part of ongoing annual audit procedures for compliance with the latest standards from the Governmental Accounting Standards Board.

Section 6: Allows the Office of State Budget and Management (OSBM) to redirect a portion of State-appropriated funds equivalent to the amount of monthly contributions due to the Retirement Systems if an employer fails to submit payment within 90 days.

Section 7: Grants the Boards of Trustees the flexibility to prevent the expiration of administrative rules that protect inchoate rights of members of the Retirement System.

Section 8: Clarifies the application of the "1,000-Hour Rule" in LGERS and revises the definition of "regularly employed" to exclude temporary employees and statutorily defined interim city and county managers, allowing such employees to work in retirement.

Section 9: Provides an exemption from the State Human Resources Act for staff of the Supplemental Retirement Plans.

Section 10: Clarifies the procedures for paying a member's Required Minimum Distributions at age 70-1/2.

Section 11: Changes the enforcement policy for situations in which a retiree performs a small amount of work during the six months following retirement in TSERS or the one month following retirement in LGERS. Under current law, a member who performs any work at all during this period is deemed to have never retired and must repay all benefits received. Under this provision, the repayment would be limited to three times the amount earned for work performed during the period.

EFFECTIVE DATE: October 1, 2015

ESTIMATED IMPACT ON STATE: Buck Consultants, the actuary for the Retirement Systems, and Hartman & Associates, the actuary for the General Assembly, both estimate that the required contribution rate to each of the systems will increase by less than 0.01% of payroll due to the provisions of the bill.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)				
	TSERS	LGERS	CJRS	LRS
Active Members				
Count	310,370	123,455	566	170
General Fund Compensation	\$9,914M		\$71M	\$4M
Valuation Compensation (Total)	\$13,608M	\$5,556M	\$71M	\$4M

Average Age	45	44	55	57
Average Service	10.6	10.3	13.1	5.9
Inactive Members				
Count	125,513	50,998	53	94
Retired Members				
Count	187,448	57,405	584	311
Annual Benefits	\$3,871M	\$1,039M	\$35M	\$2M
Average Age	70	68	72	76
New Retirees During 2014	11,500	4,400	30	3

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Accrued Liability (AL)	\$65,806M	Not meaningful	\$549M	\$25M
Actuarial Value of Assets (AVA)	\$62,364M	\$21,498M	\$507M	\$29M
Market Value of Assets (MVA)	\$62,789M	\$21,784M	\$512M	\$30M
Unfunded Accrued Liability (AL - AVA)	\$3,442M	Not meaningful	\$43M	(\$5M)
Funded Status (AVA / AL)	95%	Not meaningful	92%	119%
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	6.52% (non-LEO)	26.37%	1.80%
Assumed Rate of Investment Return	7.25%	7.25%	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	4.25% - 8.55%	5.00% - 5.95%	7.50%
Cost Method	Entry Age Normal	Frozen Entry Age	Projected Unit Credit	Projected Unit Credit
Amortization	12 year, closed, flat \$	Not applicable	12 year, closed, flat \$	8 year, open, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA, except for LRS which is based on GAM-71.				

Benefit Provisions				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	4.02% x Service x Highest Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5
Employee contribution (as % of pay)	6%	6%	6%	7%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Retirement Administrative Changes Act of 2015 (House Bill 277)", April 7, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 277: An Act to Enact the Retirement Administrative Changes Act of 2015", April 10, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: April 15, 2015



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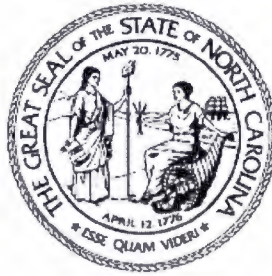
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WEDNESDAY, JULY 15, 2015

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SENATE SERGEANT-AT-ARMS

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Jim Hamilton

Dale Huff



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(Committee Name)

(Committee Name)

7-15-15

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

[illegible]



VISITOR REGISTRATION SHEET

Pensions & Retirement and Aging

(Committee Name)

7-15-15

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY
Drew Moretz	UNC GA
Emily Mae Hamrick	NCCCS
Will Perry-Hill	NCHFA
Natchie Hobson	NCHFA
CHRIS NIDA	NCLM
Jonathan Meyer	NCLM
Flint Benson	SEANC
Ardis Watkins	SEANC
Suzanne Beasley	SEANC
David Collins	SEANC
Mary Shuping	NCCCS
Starnes	Treasurer
Caroline Womble	Treasurer
SOLARI	DST
TOPKE	DST
FRILDMAN	DST
WATK	DST



VISITOR REGISTRATION SHEET

Pensions

3

Retirement and Aging

(Committee Name)

7.15.15

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY
JW Joyner	NEWFRANS
CASANTA HOCKSTRA	NCACC
Gene Rappell	NCFPC
Long John	School of Law
Tonya Horton	TSS
Bruce Mildred	NCSBA
Harold Hordemoe	NCAAR
Emelyn Hawthorne	PENC
Ray Brunell, Jr.	NCRSP
R Rogers	NLTGKA
Paula Ben	NCDPI
Evan Lee	NCDPI
Sam Wyatt	DS7
Don Hume	Sf



Senate Committee on Pensions & Retirement and Aging
Wednesday, June 1, 2016 at 4:00 PM
Room 1027/1128 of the Legislative Building

MINUTES

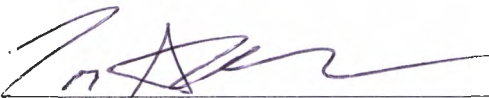
The Senate Committee on Pensions & Retirement and Aging met at 4:00 PM on June 1, 2016 in Room 1027/1128 of the Legislative Building. Twelve members were present.

Senator Tom Apodaca, Chair, presided.

HB 1030 2016 Appropriations Act.

David Vanderweide, an analyst with the Fiscal Research Division, was recognized to explain the pension related items in the bill. Senator Jackson was recognized for brief comments. Senator Wells moved for a favorable report and the motion carried. A copy of the bill, the unengrossed amendments, the money report and the legislative retirement note is attached.

The meeting adjourned at 4:07 p.m.



Senator Tom Apodaca, Chair
Presiding



DeAnne Mangum, Committee Clerk



Principal Clerk _____
Reading Clerk _____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Pensions & Retirement and Aging** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	June 1, 2016	4:00 PM	1027/1128 LB

Members, please bring your copy of the Appropriations Bill to the meeting.

Senator Tom Apodaca, Co-Chair
Senator Rick Gunn, Co-Chair



**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

Senator Apodaca, Co-Chair

Senator Gunn, Co-Chair

Wednesday, June 01, 2016

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

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

HB 1030 (SCS#1)	2016 Appropriations Act.	
	Draft Number:	H1030-PCS30509-MDxf-21
	Sequential Referral:	None
	Recommended Referral:	None
	Long Title Amended:	No

TOTAL REPORTED: 1

Senator Harry Brown will handle HB 1030



* C M R 6 7 8 - V - 1 *

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 1030 (Fourth Edition)

SHORT TITLE: 2016 Appropriations Act.

SPONSOR(S): Representatives Dollar, L. Johnson, Lambeth, and McGrady

← House Budget

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Local Governmental Employees' Retirement System (LGERS), Separate Insurance Benefit Plan (SIBP).

BILL SUMMARY:

Section 36.21: Grants cost-of-living adjustments (COLAs) of one and six-tenths percent (1.6%), effective July 1, 2016, for retirees in the TSERS, CJRS, and LRS.

Section 36.22: Defines a probation/parole officer for retirement benefit purposes and changes the definition of law-enforcement officer in G.S. 135-1(11c) to include probation/parole officers with respect to service rendered on or after July 1, 2016. Changing the definition of law-enforcement officer has the following impacts in other areas of the General Statutes:

- G.S. 135-5(b19) says "A member who is a law enforcement officer" will be eligible for unreduced retirement at age 55 with 5 years of service as a law-enforcement officer or reduced retirement at age 50 with 15 years of service as a law-enforcement officer. Because G.S. 135-5 is in the same chapter as G.S. 135-1(11c), changing the definition of law-enforcement officer extends those retirement age provisions to probation/parole officers.
- G.S. 143-166.41(a) says that the separation allowance is available to "every sworn law-enforcement officer as defined by G.S. 135-1(11c)...". By changing the definition in G.S. 135-1(11c), this section causes probation/parole officers to start earning service toward the separation allowance. While only service on or after July 1, 2016 counts toward the requirement to have 5 years of law enforcement service immediately prior to retirement, probation/parole officer service prior to July 1, 2016 will count toward the requirement that half of an employee's career be as a law enforcement officer.
- G.S. 143-166.60 says that the SIBP is established for "all law enforcement officers, as defined in G.S. 135-1(11c)...". By changing the definition in G.S. 135-1(11c), the bill makes probation/parole officers eligible for the SIBP.

The bill does not change the definition of law enforcement officer in G.S. 143-166.30(a)(4). That is the definition that applies to the NC 401(k) Plan. Thus, the bill does not extend the law-enforcement 401(k) benefits to probation/parole officers.

Because the bill only changes the definition of law-enforcement officer with respect to service rendered on or after July 1, 2016, most probation/parole officers would have to work for at least five more years to be eligible to retire at a different age or receive the separation allowance.

Section 36.23: Amends G.S. 135-151(j) and G.S. 128-38.10(k) to extend eligibility for benefits under the Qualified Excess Benefits Arrangement (QEBA) to everyone who became a member of TSERS or LGERS prior to 2015. The QEBA provides benefits in excess of the limits in Section 415 of the Internal Revenue Code. Under current law, only those members retiring prior to August 2016 are eligible.

No other sections of the bill modify retirement benefits or statutes.

EFFECTIVE DATE: All of these sections are effective July 1, 2016

ESTIMATED IMPACT ON STATE:

Section 36.21

Buck Consultants, the actuary for the TSERS, CJRS, and LRS, estimates that the provisions of this bill will have an annual cost in FY 2016-17 and subsequent years as follows:

	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Percent of Payroll	0.68%	1.19%	1.38%
General Fund	\$ 67,082,000	\$ 833,000	\$ 49,956
Highway Fund	\$ 2,060,400	\$ 0	\$ 0
Receipt Funds	\$ 30,301,541	\$ 0	\$ 0
Total Annual Cost	\$ 99,443,941	\$ 833,000	\$ 49,956

Buck Consultants estimates that this Section will increase the unfunded liability of TSERS by roughly \$667 million. The TSERS liability was 96% funded at the end of 2014. The additional unfunded liability is projected to be paid off over 12 years by the increased contributions shown above.

Hartman & Associates, the actuary for the General Assembly, estimates that the provisions of this bill will have an annual cost in FY 2016-17 and subsequent years as follows:

	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Percent of Payroll	0.66%	1.17%	1.33%
General Fund	\$ 65,109,000	\$ 819,000	\$ 48,146
Highway Fund	\$ 1,999,800	\$ 0	\$ 0
Receipt Funds	\$ 29,410,319	\$ 0	\$ 0
Total Annual Cost	\$ 96,519,119	\$ 819,000	\$ 48,146

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 hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

"SECTION 30.20.(b1) Effective July 1, 2016, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2016-2017 fiscal year are (i) fifteen and sixty-four hundredths percent (15.64%) – Teachers and State Employees; (ii) twenty and sixty-four hundredths percent (20.64%) – State Law Enforcement Officers; (iii) twelve and eighty-two hundredths percent (12.82%) – University Employees' Optional Retirement Program; (iv) twelve and eighty-two hundredths percent (12.82%) – Community College Optional Retirement Program; (v) thirty-four and thirteen hundredths percent (34.13%) – Consolidated Judicial Retirement System; and (vi) twenty-two and sixty-five hundredths percent (22.65%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and sixty hundredths percent (5.60%) 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 thirty-eight hundredths percent (0.38%) 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 30.20.(c) Effective July 1, 2015, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the ~~2015-2016-2015-2017~~ fiscal year ~~biennium~~ to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand two hundred fifty-one dollars (\$4,251) and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred seventy-one dollars (\$5,471)."

SECTION 36.20.(b) If the Director of the Budget reallocates the Reserve for Future Benefits Needs, as authorized in Section 36.24 of this act, then effective July 1, 2016, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2016-2017 fiscal to the State Health Plan for Teachers and State Employees shall be (i) Medicare-eligible employees and retirees – four thousand three hundred ninety-seven dollars (\$4,397) and (ii) non-Medicare-eligible employees and retirees – five thousand six hundred fifty-nine dollars (\$5,659). The Director of the Budget may also increase the contribution rate for hospital and medical benefits in Section 30.20(b1) of S.L. 2015-241, as amended by subsection (a) of this section, to six and two hundredths percent (6.02%), effective January 1, 2017, and adjust the other contribution rates in the section accordingly.

STATE HEALTH PLAN COST-CONTROLLING MEASURES AND REALLOCATION OF RESERVE FOR FUTURE BENEFIT NEEDS

SECTION 36.24.(a) The State Treasurer and the Board of Trustees shall adopt measures applicable to any or all of the 2017, 2018, or 2019 calendar years to limit projected employer contribution increases.

SECTION 36.24.(b) If the Director of the Budget determines that the additional cost-controlling measures adopted by the Board of Trustees and the State Treasurer as directed in subsection (a) of this section are sufficient to reduce the projected employer premium increases to four percent (4%) or less in both the 2018 and 2019 plan years, then the Director of the Budget is authorized to reallocate funds in the Reserve for Future Benefit Needs to individual State agency budgets. The projected employer premium increases should be calculated assuming the Reserve for Future Benefit Needs is reallocated.





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1030

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

H1030-AMC-149 [v.1]

Page 1 of 1

Amends Title [NO]
H1030-CSMDxf-18 v.64

Date _____, 2016

Senator Barefoot

1 moves to amend the bill on page 186, lines 12-13, by inserting between the lines the following
2 new language to read:

3 "PROPERTY TAX EXCLUSION EXTENSION

4 **SECTION 38.6.(a)** Section 2 of S.L. 2011-123 reads as rewritten:

5 "SECTION 2. This act is effective for taxes imposed for taxable years beginning on or after
6 July 1, 2011, and expires for taxes imposed for taxable years beginning on or after July 1,
7 ~~2016~~ 2021."

8 **SECTION 38.6.(b)** This section is effective when it becomes law."

SIGNED _____
Amenament Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____







NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1030

H1030-AMC-150 [v.1]

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

Page 1 of 1

Amends Title [NO]
H1030-PCS40636-MCxf-18

Date _____, 2016

Senator Brown

- 1 moves to amend the bill on page on page 19, line 22, by inserting before "with" the word "duties";
2
3 and on page 19, line 18, by deleting the space before "Center".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____



* H 1 0 3 0 - A M C - 1 5 0 - V - 1 *

10:26





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1030

H1030-AML-85 [v.1]

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

Page 1 of 1

Amends Title [NO]
PCS

Date _____, 2016

Senator Brown

- 1 Moves to amend the bill on page 82, line 9, by deleting "(a)" and substituting "(b)".

SIGNED _____

Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____



* H 1 0 3 0 - A M L - 8 5 - V - 1 *

10:08



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 1030
Committee Substitute Favorable 5/17/16
Committee Substitute #2 Favorable 5/18/16
Fourth Edition Engrossed 5/19/16
PROPOSED SENATE COMMITTEE SUBSTITUTE H1030-PCS40636-MDxf-18

Short Title: 2016 Appropriations Act.

(Public)

Sponsors:

Referred to:

May 5, 2016

A BILL TO BE ENTITLED
AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS
APPROPRIATIONS ACT OF 2015 AND TO MAKE OTHER CHANGES IN THE BUDGET
OPERATIONS OF THE STATE.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

SECTION 1.1. 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 affected 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, except as otherwise provided by G.S. 143C-1-2(b).

TITLE OF ACT

SECTION 1.2. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2016."

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, 2017, according to the schedule that follows. Amounts set out in parentheses are reductions from General Fund appropriations for the 2016-2017 fiscal year:

Current Operations—General Fund

FY 2016-17

EDUCATION



* H 1 0 3 0 - P C S 4 0 6 3 6 - M D X F - 1 8 *

1		
2	Community Colleges System Office	\$16,126,073
3		
4	Department of Public Instruction	277,265,560
5		
6	Appalachian State University	0
7	East Carolina University	
8	Academic Affairs	0
9	Health Affairs	0
10	Elizabeth City State University	0
11	Fayetteville State University	0
12	NC A&T State University	0
13	NC Central University	0
14	NC State University	
15	Academic Affairs	200,000
16	Agricultural Extension	0
17	Agricultural Research	0
18	UNC-Asheville	0
19	UNC-Chapel Hill	
20	Academic Affairs	0
21	Health Affairs	3,000,000
22	AHEC	0
23	UNC-Charlotte	0
24	UNC-Greensboro	0
25	UNC-Pembroke	0
26	UNC-School of the Arts	0
27	UNC-Wilmington	0
28	Western Carolina University	0
29	Winston-Salem State University	0
30	General Administration	1,000,000
31	University Institutional Programs	81,806,684
32	Related Educational Programs	0
33	NC School of Science & Math	630,000
34	Aid to Private Institutions	34,472,500
35		
36	Total University of North Carolina—Board of Governors	121,109,184
37		
38	HEALTH AND HUMAN SERVICES	
39		
40	Department of Health and Human Services	
41	Central Management and Support	5,984,592
42	Division of Aging & Adult Services	505,824
43	Division of Blind Services/Deaf/HH	8,200
44	Division of Child Development & Early Education	(10,025,488)
45	Health Service Regulation	46,070
46	Division of Medical Assistance	(313,267,938)
47	Division of Mental Health, Developmental Disabilities, &	
48	Substance Abuse Services	(2,909,413)
49	NC Health Choice	348,334
50	Division of Public Health	1,696,366
51	Division of Social Services	8,352,167

1	Division of Vocational Rehabilitation	39,911
2	Total Health and Human Services	(309,221,375)
3		
4	NATURAL AND ECONOMIC RESOURCES	
5		
6	Department of Agriculture and Consumer Services	5,345,814
7		
8	Department of Commerce	
9	Commerce	7,022,856
10	Commerce State-Aid	(2,100,000)
11		
12	Wildlife Resources Commission	19,922
13		
14	Department of Environmental Quality	(2,542,284)
15		
16	Department of Labor	275,186
17		
18	Department of Natural and Cultural Resources	5,789,491
19	Department of Natural and Cultural Resources—Roanoke Island	0
20		
21		
22	JUSTICE AND PUBLIC SAFETY	
23		
24	Department of Public Safety	22,361,271
25		
26	Judicial Department	16,893,600
27		
28	Judicial Department—Indigent Defense	5,631,994
29		
30	Department of Justice	4,339,117
31		
32		
33	GENERAL GOVERNMENT	
34		
35	Department of Administration	2,106,856
36		
37	Office of Administrative Hearings	10,141
38		
39	Department of State Auditor	240,714
40		
41	Office of State Controller	35,443
42		
43	State Board of Elections	11,488
44		
45	General Assembly	6,664,500
46		
47	Office of the Governor	10,560
48		
49	Office of the Governor—Special Projects	0
50		
51	Office of State Budget and Management	

General Assembly Of North Carolina	Session 2015
------------------------------------	--------------

1	Office of State Budget and Management	294,160
2	OSBM – Reserve for Special Appropriations	5,050,000
3		
4	Housing Finance Agency	0
5		
6	Department of Insurance	
7	Insurance	1,719,818
8		
9	Office of Lieutenant Governor	11,535
10		
11	Military and Veterans Affairs	220,146
12		
13	Department of Revenue	501,372
14		
15	Department of Secretary of State	656,755
16		
17	Department of State Treasurer	
18	State Treasurer	(195,735)
19	State Treasurer – Retirement for Fire and Rescue Squad Workers	5,152,982
20		
21	DEPARTMENT OF INFORMATION TECHNOLOGY	43,031,353
22		
23		
24	RESERVES, ADJUSTMENTS AND DEBT SERVICE	
25		
26	Compensation Increase Reserve–OSHR	77,000,000
27	Compensation Increase Reserve–State Agency Teachers	1,533,800
28	Information Technology Fund	(21,681,854)
29	Information Technology Reserve	(21,320,843)
30	Job Development Investment Grants (JDIG)	(10,000,000)
31	Lottery Reserve	50,000,000
32	One North Carolina Fund	(417,883)
33	OSHR Minimum of Market Reserve	(7,000,000)
34	Pending Legislation Reserve	200,000
35	Public Schools Average Daily Membership (ADM)	(107,000,000)
36	State Emergency Response and Disaster Relief Fund	10,000,000
37	UNC System Enrollment Growth Reserve	(31,000,000)
38	Mental Health Reserve	10,000,000
39	Debt Service	
40	General Debt Service	1,253,023
41	Federal Reimbursement	37,000,000
42		
43		
44	TOTAL CURRENT OPERATIONS–GENERAL FUND	\$222,404,740
45		
46	GENERAL FUND AVAILABILITY STATEMENT	

SECTION 2.2.(a) The General Fund availability statement set out in Section 2.2(a) of S.L. 2015-241 applies to the 2015-2016 fiscal year only. The General Fund availability used in adjusting the 2016-2017 budget is shown below:

FY 2016-17

1	Unappropriated Balance	175,488,544
2	Over Collections FY 2015-16	330,200,000
3	Reversions FY 2015-16	358,439,524
4	Earmarkings of Year End Fund Balance:	
5	Savings Reserve	(583,888,541)
6	Repairs and Renovations	(41,562,474)
7	Beginning Unreserved Fund Balance	238,677,053
8		
9	Revenues Based on Existing Tax Structure	21,417,800,000
10		
11	Non-tax Revenues	
12	Investment Income	37,500,000
13	Judicial Fees	242,600,000
14	Disproportionate Share	147,000,000
15	Insurance	77,000,000
16	Master Settlement Agreement (MSA)	127,400,000
17	Other Non-Tax Revenues	178,700,000
18	Subtotal Non-tax Revenues	810,200,000
19		
20	Adjustment for Medicaid Transformation Fund (S.L. 2015-241)	(150,000,000)
21		
22	Total General Fund Availability	22,316,677,053
23		
24	Adjustments to Availability: 2016 Session	
25	Increase the Zero Bracket (S.B. 818)	(145,000,000)
26	Modification to Sales Tax Base Expansion (S.B. 870)	35,000,000
27	Limit Repair and Maintenance Tax on Airplanes and Boats (Direct Pay Option)	(500,000)
28	Repeal Service Contracts (RMI Services)	(3,500,000)
29	Elimination of State Contribution to Local Sales Tax Distribution	17,600,000
30	Adjustment for Transfer from Treasurer's Office	3,129
31	Adjustment for Transfer from Insurance Regulatory Fund	1,719,818
32	Adjustment for Transfer from NCGA Special Fund	3,000,000
33	Subtotal Adjustments to Availability: 2016 Session	(91,677,053)
34		
35	Revised General Fund Availability	22,225,000,000
36		
37	Less General Fund Net Appropriation	(22,225,000,000)
38		
39	Unappropriated Balance Remaining	0
40		

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 143C-4-3(a), the State Controller shall transfer a total of forty-one million five hundred sixty-two thousand four hundred seventy-four dollars (\$41,562,474) from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2016. This subsection becomes effective June 30, 2016.

SECTION 2.2.(c) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer a total of five hundred eighty-three million eight hundred eighty-eight thousand five hundred forty-one dollars (\$583,888,541) from the unreserved fund balance to the Savings Reserve Account on June 30, 2016. This transfer is not 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, 2016.

SECTION 2.2.(d) Notwithstanding any other provision of law to the contrary, effective July 1, 2016, three million dollars (\$3,000,000) from the Special Fund – Non-Interest Bearing (Budget Code 21000) 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 2016-2017 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 adjusted for the fiscal year ending June 30, 2017, according to the following schedule. Amounts set out in parentheses are reductions from Highway Fund Appropriations for the 2016-2017 fiscal year.

Current Operations – Highway Fund	FY 2016-17
Department of Transportation	
Administration	\$ 0
Division of Highways	
Administration	0
Construction	2,500,000
Maintenance	19,340,000
Planning and Research	0
OSHA Program	0
State Aid to Municipalities	0
Intermodal Divisions	
Ferry	0
Public Transportation	4,000,000
Aviation	14,817,417
Rail	13,750,000
Bicycle and Pedestrian	0
Governor's Highway Safety	0
Division of Motor Vehicles	4,973,177
Other State Agencies, Reserves, Transfers	(71,743)
Capital Improvements	0
Total Highway Fund Appropriations	\$ 2,048,910,000

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. Section 3.2 of S.L. 2015-241 is repealed. The Highway Fund availability used in adjusting the 2016-2017 fiscal year budget is shown below:

Highway Fund Availability Statement	FY 2016-17
--	-------------------

1	Unreserved Fund Balance	\$	0
2	Estimated Revenue		2,048,910,000
3			
4	Total Highway Fund Availability	\$	2,048,910,000
5			
6	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, 2017, according to the following schedule. Amounts set out in parentheses are reductions from Highway Trust Fund Appropriations for the 2016-2017 fiscal year.

17	Current Operations – Highway Trust Fund	FY 2016-17
18		
19	Program Administration	\$ 0
20	Turnpike Authority	0
21	Transfer to Highway Fund	0
22	Debt Service	0
23	Strategic Prioritization Funding Plan for Transportation Investments	32,045,000
24		
25	Total Highway Trust Fund Appropriations	\$ 1,371,280,000

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. Section 4.2 of S.L. 2015-241 is repealed. The Highway Trust Fund availability used in adjusting the 2016-2017 fiscal year budget is shown below:

31	Highway Trust Fund Availability Statement	FY 2016-17
32		
33	Unreserved Fund Balance	\$ 0
34	Estimated Revenue	1,370,080,000
35	Adjustment to Revenue Availability:	
36	Title Fees (Mercury Switch Removal)	1,200,000
37		
38	Total Highway Trust Fund Availability	\$ 1,371,280,000
39		
40	Unappropriated Balance	\$ 0

PART V. OTHER APPROPRIATIONS**EDUCATION LOTTERY FUNDS & REVENUE ALLOCATIONS**

SECTION 5.1.(a) Section 5.2 of S.L. 2015-241 reads as rewritten:

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

48		FY 2015-2016	FY 2016-2017
49	Noninstructional Support Personnel	\$ 310,455,157	\$ 314,950,482
50	<u>Transportation</u>		<u>372,266,860</u>
51	Prekindergarten Program	78,252,110	78,252,110

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
TOTAL	\$ 529,902,000	\$ 534,397,325 \$ 641,713,703

"SECTION 5.2.(b) Notwithstanding ~~G.S. 18C-164, the Office of State Budget and Management shall not transfer funds to the Education Lottery Reserve Fund for either year of the 2015-2017 fiscal biennium.~~ G.S. 18C-164(b), the net revenues deposited in the Education Lottery Fund from the 2015-2016 fiscal year that are in excess of the amounts appropriated in subsection (a) of this section for the 2015-2016 fiscal year shall be transferred to the Lottery Reserve Fund.

...."

SECTION 5.1.(b) G.S. 18C-162 reads as rewritten:

"§ 18C-162. Allocation of revenues.

(a) The Commission shall allocate revenues to the North Carolina State Lottery Fund in order to increase and maximize the available revenues for education purposes, and to the extent practicable, shall adhere to the following guidelines:

- (1) At least fifty percent (50%) of the total annual revenues, as described in this Chapter, shall be returned to the public in the form of prizes.
- (2) At least thirty-five percent (35%) of the total annual revenues, as described in this Chapter, shall be transferred as provided in G.S. 18C-164.
- (3) No more than eight percent (8%) of the total annual revenues, as described in this Chapter, shall be allocated for payment of expenses of the Lottery. ~~Advertising expenses shall not exceed one percent (1%) of the total annual revenues.~~
- (4) No more than seven percent (7%) of the face value of tickets or shares, as described in this Chapter, shall be allocated for compensation paid to lottery game retailers.

(a) Advertising costs shall not exceed two percent (2%) of the total annual revenues, as described in this Chapter.

...."

SECTION 5.1.(c) G.S. 18C-163(b) reads as rewritten:

"(b) Expenses of the lottery shall also include ~~all of the following~~:

- (1) A transfer of two million one hundred thousand dollars (\$2,100,000) annually to the Department of Public Safety, Alcohol Law Enforcement Branch, for gambling enforcement activities.
- (2) Advertising costs."

PART VI. GENERAL PROVISIONS

ESTABLISHING OR INCREASING FEES

SECTION 6.1.(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 6.1.(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 6.2. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

BUDGET STABILITY AND CONTINUITY

SECTION 6.3.(a) G.S. 143C-5-4 reads as rewritten:

"§ 143C-5-4. Enactment ~~deadline~~; procedures to be followed when the Current Operations Appropriations Act does not become law prior to the end of certain fiscal years.

(a) Enactment Deadline. – The General Assembly shall enact the Current Operations Appropriations Act by June 15 of odd-numbered years and by June 30 of even-numbered years in which a Current Operations Appropriations Act is enacted.

(b) Procedure for Budget Continuation. – If a fiscal year begins for which no Current Operations Appropriations Act providing for current operations of State government during that fiscal year has become law, then the following procedures shall be followed and the following limitations shall apply:

(1) Authority. – Unless otherwise provided by law, the Director of the Budget may continue to allocate funds from all funds for expenditure by State departments, institutions, and agencies at a level not to exceed the level of recurring expenditures from those funds for the prior fiscal year. If the Director of the Budget finds that projected revenues for the fiscal year will not support expenditures at the level of recurring expenditures for the prior fiscal year, the Director of the Budget shall allot funds at a lower level. In making these allocations, the Director of the Budget shall ensure the prompt payment of the principal and interest on bonds and notes of the State according to their terms. Except as otherwise provided by this section, the limitations and directions on the expenditure of funds for the prior fiscal biennium shall remain in effect.

(2) Appropriation of funds necessary to implement. – There is appropriated from the appropriate State funds, cash balances, federal receipts, and departmental receipts sums sufficient to implement the authority described in this subsection for the applicable fiscal year.

(3) Relation to Current Operations Appropriations Act. – The appropriations and the authorizations to allocate and spend funds which are set out in this subsection shall remain in effect until the Current Operations Appropriations Act for the applicable fiscal year becomes law, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations Appropriations Act for that fiscal year becomes law, the Director of the Budget shall adjust allotments to give effect to that act from July 1 of the fiscal year.

(4) Vacant positions. – If both houses of the General Assembly have passed their respective versions of the Current Operations Appropriations Act on the third reading and ordered them sent to the other chamber, then vacant positions subject to proposed budget reductions in either or both versions of the bill shall not be filled.

(5) State employee salaries. – The salary schedules and specific salaries established for the prior fiscal year and in effect on June 30 of the prior fiscal year for offices and positions shall remain in effect until the Current Operations Appropriations Act for the current fiscal year becomes law. State employees subject to G.S. 7A-102(c), 7A-171.1, 20-187.3, or any other statutory salary schedule, 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 Human Resources Commission,

- 1 shall not receive any automatic step increases, annual, performance, merit,
2 bonuses, or other increments until authorized by the General Assembly.
- 3 (6) School Employee Salaries. – Public school employees paid on the teacher
4 salary schedule, the school-based administrator salary schedule, or any other
5 salary schedule established by State law shall not move up on salary schedules
6 or receive automatic step increases until authorized by the General Assembly.
- 7 (7) State's employer contribution rate. – The State's employer contribution rates
8 budgeted for retirement and related benefits for the current fiscal year shall
9 remain the same as they are on June 30 of the prior fiscal year. These rates are
10 effective until the Current Operations Appropriations Act for the current fiscal
11 year becomes law and are subject to revision in that act. If that act modifies
12 those rates, the Director of the Budget shall further modify the rates set in that
13 act for the remainder of the fiscal year so as to compensate for the different
14 amount contributed between July 1 and the date the Current Operations
15 Appropriations Act becomes law so that the effective rates for the entire year
16 reflect the rates set in the Current Operations Appropriations Act.
- 17 (8) Statutory transfers to reserves. – Notwithstanding G.S. 143C-4-2 and
18 G.S. 143C-4-3, funds shall not be reserved to the Savings Reserve Account or
19 the Repairs and Renovations Reserve Account and the State Controller shall not
20 transfer funds from the unreserved credit balance to the those accounts on June
21 30 of the prior fiscal year.
- 22 (9) Federal block grant funds and other grant funds. – Notwithstanding
23 G.S. 143C-6-4, State agencies may, with approval of the Director of the
24 Budget, spend funds received from grants awarded during the current fiscal
25 year, including federal block grants, that are for less than two million five
26 hundred thousand dollars (\$2,500,000), do not require State matching funds,
27 and will not be used for a capital project. State agencies shall report to the Joint
28 Legislative Commission on Governmental Operations within 30 days of receipt
29 of such funds. State agencies may spend all other funds from grants awarded
30 during the current fiscal year, including federal block grants, only with approval
31 of the Director of the Budget and after consultation with the Joint Legislative
32 Commission on Governmental Operations, except that consultation with the
33 Joint Legislative Commission on Governmental Operations shall not be
34 required prior to an expenditure to respond to an emergency, as that term is
35 defined in G.S. 166A-19.3(6). The Office of State Budget and Management
36 shall work with the recipient State agencies to budget grant awards according to
37 the annual program needs and within the parameters of the respective granting
38 entities. Depending on the nature of the award, additional State personnel may
39 be employed on a time-limited basis. Funds received from such grants are
40 hereby appropriated and shall be incorporated into the authorized budget of the
41 recipient State agency. Notwithstanding the provisions of this subdivision, no
42 State agency may accept a grant if acceptance of the grant would obligate the
43 State to make future expenditures relating to the program receiving the grant or
44 would otherwise result in a financial obligation as a consequence of accepting
45 the grant funds."

46 **SECTION 6.3.(b)** This section is effective when it becomes law.

47
48 **SECTION 6.25 OF S.L. 2015-241 IS APPLICABLE TO BOTH FISCAL YEARS**

49 **SECTION 6.4.** Section 6.25 of S.L. 2015-241 reads as rewritten:

50 **"SECTION 6.25.(a)** Elimination of Certain Vacant Positions. – Notwithstanding
51 G.S. 143C-6-4, and except as otherwise provided in subsection (c) of this section, for each fiscal

year of the 2015-2017 fiscal biennium, each State agency, in conjunction with the Office of State Budget and Management, shall do all of the following:

- (1) Abolish all positions that have been vacant for more than 12 months as of April 17, 2015, and as of April 17, 2016, other than those positions required to exist as part of the State's maintenance of effort requirements related to a federal grant that cannot be addressed with other State funds, or for which the Director of the Budget provides an exception, in the Director's sole discretion. This requirement shall apply regardless of the source of funding for affected positions.
- (2) Fund objects or line items in the certified budget for recurring obligations that have been funded from nonrecurring sources in two or more of the previous three fiscal years. The amount funded shall not exceed the average amount expended for each object or line item during the previous three fiscal years.
- (3) Fund objects or line items in the following priority order if funds generated pursuant to subdivision (1) of this subsection are insufficient to adequately fund all of the objects and line items described in subdivision (2) of this subsection:
 - a. Fund legal obligations of the agency that have been funded with lapsed salaries in prior years.
 - b. Fund operational requirements directly related to the health, safety, or well-being of individuals in the care or custody of the State that have been funded with lapsed salaries in prior years.
 - c. Fund legal obligations of the agency or operational requirements directly related to the health, safety, or well-being of individuals in the care or custody of the State that have been funded with other nonrecurring sources in prior years.
 - d. Fund operational deficiencies where the obligation cannot be reduced and where no other source of funding exists and failure to fund will result in operational disruptions or unfunded liabilities at fiscal year-end.
- (4) Adjust the appropriate objects or line items in the next recommended base budget submitted pursuant to G.S. 143C-3-5 to reflect the actions taken pursuant to this subsection.

"SECTION 6.25.(b) Reporting. – No later than December 1, 2015, and December 1, 2016, the Office of State Budget and Management shall report to the Fiscal Research Division on the implementation of this section. The report shall include all of the following, by budget code and fund code:

- (1) A list of positions abolished pursuant to subdivision (1) of subsection (a) of this section.
- (2) A list of positions that were exempted from being abolished pursuant to subdivision (1) of subsection (a) of this section.
- (3) A list of objects or line items funded pursuant to subdivision (2) of subsection (a) of this section and the associated amount for each object or line item.
- (4) The amount and disposition of savings from the Highway Fund, federal funds, and other non-State agency dedicated receipt sources.
- (5) A list of objects or line items that were not funded because the funds generated pursuant to subdivision (1) of this subsection were insufficient.

"SECTION 6.25.(c) Section Inapplicable to Certain Vacant Positions. – This section shall not apply to vacant positions (i) within the Department of Transportation or (ii) reclassified pursuant to Section 30.18(e) of this act."

NO CONSULTATION WITH GOVERNMENTAL OPERATIONS REQUIRED TO SPEND GRANT FUNDS FOR EMERGENCY RESPONSE

SECTION 6.5. Section 5.1A(a) of S.L. 2015-241 reads as rewritten:

"**SECTION 5.1A.(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~~. Operations, except that consultation with the Joint Legislative Commission on Governmental Operations shall not be required prior to an expenditure to respond to an emergency, as that term is defined in G.S. 166A-19.3(6)."

EXEMPT GOLDEN L.E.A.F. FROM CERTAIN GRANT REQUIREMENTS

SECTION 6.6. G.S. 143C-9-3(a1) reads as rewritten:

"(a1) Each year, the sum of ten million dollars (\$10,000,000) from the Settlement Reserve Fund is appropriated to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., a nonprofit ~~corporation~~. corporation, and these funds shall not be subject to G.S. 143C-6-23. The remainder of the funds credited to the Settlement Reserve Fund each fiscal year shall be transferred to the General Fund and included in General Fund availability as nontax revenue."

PART VII. DEPARTMENT OF INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND ALLOCATIONS

SECTION 7.1. Section 7.1 of S.L. 2015-241 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 2015-2016	FY 2016-2017
General Fund Appropriation for IT Fund	\$21,755,191	\$21,681,854

Appropriations Allocations are made from the Information Technology Fund for the 2015-2017 fiscal biennium as follows:

	<u>FY 2015-2016</u>	<u>FY 2016-2017</u>
Criminal Justice Information Network	\$193,085	\$193,085
Center for Geographic Information and Analysis	\$503,810	\$503,810
Enterprise Security Risk Management	\$871,497	\$871,497 \$1,021,497
Staffing and Strategic Projects	\$7,873,903	\$7,873,903 \$8,021,642
First Net (State Match)	\$140,000	\$140,000
Enterprise Project Management Office	\$1,501,234	\$1,501,234
IT Strategy and Standards	\$865,326	\$865,326
State Portal	\$233,510	\$233,510
Process Management	\$398,234	\$398,234
IT Consolidation	—	—
Government Data Analytics Center	\$9,101,255	\$9,101,255 \$10,061,255
Compensation Reserve	\$73,337	

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 Committee on Information Technology, and the Fiscal Research Division."

INFORMATION TECHNOLOGY RESERVE ALLOCATIONS

SECTION 7.2. Section 7.3(a) of S.L. 2015-241, as amended by Section 2.1 of S.L. 2015-268, reads as rewritten:

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

	FY 2015-2016	FY 2016-2017
Government Data Analytics Center	\$8,100,000	\$8,100,000
Improve Efficiency and Customer		
Service through IT Modernization	\$8,127,991	\$8,061,512
IT Restructuring	\$2,775,184	\$2,978,812 \$2,098,742
Economic Modeling Initiative	\$500,000	\$500,000
Maintenance Management System Replacement	\$173,180	\$129,901
NC Connect	\$593,899	\$788,503 \$736,899
E-Forms/Digital Signatures	\$762,115	\$762,115 \$436,050
Law Enforcement Information Exchange	\$288,474	0"

ESTABLISH GENERAL FUND BUDGET

SECTION 7.3.(a) Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management shall establish a general fund budget for the Department of Information Technology in Budget Code 14660 for the purpose of establishing the Department's operating budget. The Department's general fund budget shall include Information Technology Fund fund codes (27xx) from Budget Code 24667 and shall include all non-rate based information technology expenditures from participating agencies and from exempt agencies that have elected to participate with the Department pursuant to Part 1 of Article 15 of Chapter 143B of the General Statutes. The Office of State Budget and Management shall also establish a reserve in Budget Code 14660 for the transfer of Information Technology Reserve appropriations. The changes authorized by this section shall be completed by September 30, 2016, but are effective from July 1, 2016, and shall be reflected in the base budget for the 2017-2019 fiscal biennium.

SECTION 7.3.(b) It is the intent of the General Assembly to appropriate funds during the 2017 Regular Session for the Department of Information Technology internal service fund overhead costs upon removal of agency costs from the service rate structure, thereby eliminating the use of a subscription fee to agencies.

IT REPORTING CHANGES

SECTION 7.4.(b) G.S. 143B-1355(c) reads as rewritten:

"§ 143B-1355. Award review.

...

(c) The State CIO shall provide a report of all contract awards approved through the Statewide Procurement Office as indicated below. The report shall include the amount of the

award, the contract term, the award recipient, the using agency, and a short description of the nature of the award, as follows:

- (1) For contract awards greater than twenty-five thousand dollars (\$25,000), to the cochairs of the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division ~~on a monthly basis as requested.~~
- (2) For all contract awards outside the established purchasing system, to the Department of Administration, Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division ~~on a quarterly basis.~~ March 1 and September 1 of each year.

SECTION 7.4.(c) G.S. 143B-1360 reads as rewritten:

"§ 143B-1360. Data on reliability and other issues; report.

The Department of Information Technology shall maintain data on equipment reliability, potential cost savings, and any issues associated with the refurbished computer equipment initiative and shall report the results of the initiative to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by March 1, 2016, and then ~~quarterly~~ annually thereafter."

SECTION 7.4.(d) G.S. 143B-1344 reads as rewritten:

"§ 143B-1344. Legacy applications.

Participating agency legacy applications shall be moved to the Department once a detailed plan is coordinated and in place for the successful transition of a specific application to the Department. The Department shall identify situations where multiple agencies are using legacy systems with similar capabilities and shall prepare plans to consolidate these systems. ~~Initial identification of similar capabilities shall be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by March 1, 2016. The initial report shall include a schedule for the consolidation. The report shall also include the costs for operating and maintaining the current systems, the estimated costs for an enterprise replacement system, and the operations and maintenance costs associated with an enterprise system."~~

SECTION 7.4.(e) G.S. 143B-1333 reads as rewritten:

"§ 143B-1333. Internal Service Fund.

...

(b) ~~Receipts shall be used solely for the purpose for which they were collected. Any uses of the Information Technology Internal Service Fund not specifically related to providing receipt-supported services to State agencies shall immediately be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.~~

(c) Receipts shall be used solely for the purpose for which they were collected. In coordination with the Office of the State Controller and the Office of State Budget Management, the State CIO shall ensure processes are established to manage federal receipts, maximize those receipts, and ensure that federal receipts are correctly utilized. By September 1 of each year, the State CIO shall certify that federal receipts for participating agency information technology programs have been properly used during the previous State fiscal year."

SECTION 7.4.(f) G.S. 143B-1334 is repealed.

SECTION 7.4.(g) Section 7.22(c) of S.L. 2015-241 reads as rewritten:

"SECTION 7.22.(c) Beginning January 1, 2016, and ~~quarterly~~ semiannually thereafter, the DIT, in conjunction with OSC and OSBM, shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of the program. The report shall include all of the following:

...."

SECTION 7.4.(h) Section 7.24(b) of S.L. 2015-241 reads as rewritten:

"SECTION 7.24.(b) On or before March 1, 2016, the State CIO shall provide the completed plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. On or before March 1, 2016, and then at least ~~semiannually~~ annually each

January 1 for the duration of the 2015-2017 fiscal biennium, the State CIO shall provide progress reports regarding the establishment and use of the business Internet Web site to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division."

SECTION 7.4.(i) G.S. 143B-1330(a)(2) reads as rewritten:

"§ 143B-1330. Planning and financing State information technology resources.

(a) The State CIO shall develop policies for agency information technology planning and financing. Agencies shall prepare and submit such plans as required in this section, as follows:

- ...
- (2) The State CIO shall develop a biennial State Information Technology Plan ~~(Plan)~~, including, but not limited to, the use of cloud-based utility computing for use by State agencies."

USE OF CASH BALANCE FOR IT RATE CREDITS

SECTION 7.5. The Department of Information Technology shall use funds available in cash balance available in Fund Code 24667 as a credit to the following agencies for subscription fees, telephone rates, and computer rates billed to the agency for the Internal Service Fund for the 2016-2017 fiscal year:

- (1) North Carolina Community Colleges System Office – \$102,023
- (2) Department of Public Instruction – \$1,534,623
- (3) The University of North Carolina:
 - a. Appalachian State University – \$19,725
 - b. Elizabeth City State University – \$389.00
 - c. North Carolina A & T State University – \$13,994
 - d. North Carolina School of the Arts – \$17,033
 - e. Winston Salem State University – \$26,382
 - f. University of North Carolina at Asheville – \$1,244
 - g. University of North Carolina at Chapel Hill – \$1,313
 - h. University of North Carolina at Pembroke – \$6,741
 - i. University of North Carolina at Wilmington – \$194.00
 - j. Western Carolina University – \$10,469
- (4) The Department of Administration – \$190,187
- (5) The Department of Insurance – \$26,504
- (6) The Department of Revenue – \$972,197
- (7) General Assembly – \$14,432
- (8) Office of State Budget and Management – \$176,700
- (9) Office of Lieutenant Governor – \$6,474
- (10) Office of Administrative Hearings – \$38,405
- (11) Department of State Auditor – \$20,832
- (12) Office of State Controller – \$619,802
- (13) Department of Secretary of State – \$4,346
- (14) State Board of Elections – \$43,880
- (15) Department of State Treasurer – \$6,491
- (16) Department of Health and Human Services – \$559,461
- (17) Administrative Office of the Courts – \$101,812
- (18) Department of Public Safety – \$693,292
- (19) Department of Agriculture – \$30,556
- (20) Department of Environmental Quality – \$910,564
- (21) Department of Natural and Cultural Resources – \$665,262
- (22) Industrial Commission – \$232,000

INFORMATION TECHNOLOGY SPENDING TRANSPARENCY

SECTION 7.6.(a) All participating agencies, pursuant to Part 1 of Article 15 of Chapter 143B of the General Statutes, including all divisions, boards, commissions, and other State entities for which the participating agencies have budgetary authority, shall realign information technology budgets and expenditures within existing programs and divisions in a manner that provides transparency for information technology, program, and division budgets. Changes shall be completed by September 30, 2016, but are effective from July 1, 2016. The Office of State Budget and Management shall submit a report detailing the realignment changes on or before February 1, 2017, to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

SECTION 7.6.(b) In conjunction with the budget realignment report required by subsection (a) of this section, the OSBM shall submit a report that identifies the following:

- (1) The line item budgeted requirements for each State agency's information technology expenditures.
- (2) Actual information technology expenditures for each State agency.
- (3) The sources of funds transferred from other line items to cover information technology expenditures in excess of budgeted requirements.

OSBM shall submit this information, by agency, to the Fiscal Research Division by February 1, 2017.

APPRENTICESHIPS AND CAREER-BASED OPPORTUNITIES IN CYBERSECURITY FOR DISABLED VETERANS

SECTION 7.7.(a) The Department of Information Technology shall create a cybersecurity apprenticeship program to provide training, apprenticeships, and career-based opportunities for disabled veterans within the State. Opportunities may be offered to qualifying veterans who have at least a ten percent (10%) disability rating as established by the Veterans Administration.

SECTION 7.7.(b) The State Chief Information Officer shall conduct a competitive process to select disabled veterans to participate in the cybersecurity apprenticeship program. Participants will have the opportunity to apply concepts, protocols, and tools acquired through the program by working side by side with experts in cybersecurity within the State of North Carolina.

SECTION 7.7.(c) Of the funds appropriated by this act for the support of the cybersecurity apprenticeship program, the Department of Information Technology shall select up to five disabled veterans to participate in the program. The Department may use funds generated from receipts for continuation or expansion of the program beyond the 2016-2017 fiscal year.

ADJUST IT BUDGETS AS NECESSARY DUE TO TRANSFER OF FUNCTIONS

SECTION 7.8.(a) Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management, after coordination with the Department of Information Technology, the Department of Environmental Quality, the Department of Natural and Cultural Resources, and the Fiscal Research Division, may adjust information technology budgets, as appropriate, within the Department of Natural and Cultural Resources and the Department of Environmental Quality.

SECTION 7.8.(b) Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management, after coordination with the Department of Information Technology, the Department of Military and Veterans Affairs, the Department of Administration, and the Fiscal Research Division, may adjust information technology budgets, as appropriate, within the Department of Military and Veterans Affairs and the Department of Administration.

SECTION 7.8.(c) All information technology budget adjustments authorized by this section shall be completed by December 1, 2016, and shall be reflected in the base budget for the 2017-2019 fiscal biennium. Adjustments may be made only for the information technology budgets of the Department of Environmental Quality and the Department of Natural and Cultural

Resources, and the Department of Military and Veterans Affairs and the Department of Administration, respectively, for the purposes stated in this section.

SECTION 7.8.(d) The Office of State Budget and Management shall report any adjustments made pursuant to this section to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division on or before January 15, 2017.

DATA CENTER CONSOLIDATION EXEMPTION FOR CLOUD-BASED SOLUTIONS

SECTION 7.9. Section 7.9(b) of S.L. 2015-241 reads as rewritten:

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

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

With the prior approval of the State Chief Information Officer, applications that are natively or commercially sold and delivered as cloud-based solutions are not subject to the requirements of this subsection."

ENTERPRISE RESOURCE PLANNING DESIGN AND IMPLEMENTATION

SECTION 7.10.(a) The Department of Information Technology, in coordination with the Office of the State Controller and the Office of State Budget and Management, shall conduct the planning and design of an enterprise resource planning system (ERP) for State agencies by utilizing business process reengineering to identify and organize processes and workflow in order to prioritize and link work activities to realize efficiencies and organize around outcomes. The ERP system shall address, at a minimum, core financial management, grants, assets and inventory, fleet management, and human resource management. A request for proposal for a replacement system implementation shall be prepared for release no later than July 1, 2017. The Department may use savings generated through efficiencies gained from transition of participating agencies to the Department and overall Department operations, including procurement, to fund the project.

SECTION 7.10.(b) The Department of Information Technology shall submit a report to the Joint Legislative Oversight Committee on Information Technology on or before January 15, 2017. The report shall identify results from the business process reengineering efforts for State agencies and shall include at least all of the following:

- (1) Proposed sequence of functional and site implementation.
- (2) A phased-in contracting plan with checkpoints to facilitate budgeting and program management.
- (3) The feasibility of a cloud-based component.
- (4) Cost estimate for full implementation.
- (5) Detailed information relating to project funding from the savings generated through efficiencies gained from agency transition and overall Department operations.

COMMUNITY COLLEGES SYSTEM ERP DESIGN AND IMPLEMENTATION

SECTION 7.10A.(a) The North Carolina Community Colleges System Office, in consultation with the Department of Information Technology, shall begin planning and design of a modernized ERP for the State's 58 community colleges. The ERP system shall address, at a minimum, student information system, core financial management, grants, human resource

management, and payroll. The planning and design of the ERP system may include either a modernization of the current system or a replacement system. A request for proposal for a replacement system implementation shall be prepared for release no later than October 1, 2017. The North Carolina Community Colleges System Office may use funds from the North Carolina Community College IT Systems Budget Code 26802 to support planning and request for proposal development efforts; provided, that the total amount expended for the project does not exceed one million dollars (\$1,000,000). To the extent that these funds have not been appropriated for the 2016-2017 fiscal year elsewhere, they are hereby appropriated.

SECTION 7.10A.(b) The Department of Information Technology shall submit a report to the Joint Legislative Oversight Committee on Information Technology on or before January 15, 2017. The report shall identify the results of the planning and design effort, including at least all of the following information:

- (1) Proposed sequence of functional and site implementation.
- (2) A phased-in contracting plan with checkpoints to facilitate budgeting and program management.
- (3) The feasibility of a cloud-based component.
- (4) Cost estimate for full implementation.

AGENCY EXEMPTIONS FROM DIT OVERSIGHT

SECTION 7.11.(a) G.S. 143B-1325 reads as rewritten:

"§ 143B-1325. Transition to Department of Information Technology.

...

(c) Participating Agencies. – The State CIO shall prepare detailed plans to transition each of the participating agencies. As the transition plans are completed, the following participating agencies shall transfer information technology personnel, operations, projects, assets, and appropriate funding to the Department of Information Technology:

- (1) Department of Natural and Cultural Resources.
- (2) Department of Health and Human Services.
- (3) Department of Revenue.
- (4) Department of Environmental Quality.
- (5) Department of Transportation.
- (6) Department of Administration.
- (7) Department of Commerce.
- (8) Governor's Office.
- (9) Office of State Budget and Management.
- (10) Office of State Human Resources.
- (11) ~~Office of the State Controller.~~
- (12) Department of Military and Veterans Affairs.
- (13) Department of Public Safety, with the exception of the following:
 - a. State Bureau of Investigation.
 - b. State Highway Patrol.
 - c. Division of Emergency Management.

The State CIO shall ensure that agencies' operations are not adversely impacted during the transition.

(d) Report on Transition Planning. – ~~The Department of Public Safety, the~~ The Community College System ~~Office, Office~~ and the State Board of Elections shall work with the State CIO to plan their transition to the Department. By October 1, 2018, these agencies, in conjunction with the State CIO, shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on their respective transition plans.

...."

EXEMPT PUBLIC SAFETY DIVISIONS FROM ENTERPRISE ACTIVE DIRECTORY

SECTION 7.12. Section 7.25 of S.L. 2015-241 reads as rewritten:

"AGENCY USE OF ENTERPRISE ACTIVE DIRECTORY

"SECTION 7.25.(a) On or before July 1, 2016, unless exempted by the Governor, all State agencies identified as principal departments under G.S. 143B-6 shall become direct members of and shall use the Enterprise Active Directory. A principal department may submit to the State Chief Information Officer a written request to deviate from certain requirements of the Enterprise Active Directory, provided that any deviation shall be consistent with available funding and shall be subject to any terms and conditions specified by the State Chief Information Officer.

"SECTION 7.25.(b) Subsection (a) of this section shall not apply to the State Bureau of Investigation, the State Highway Patrol, or the Division of Emergency Management of the Department of Public Safety."

GOVERNMENTAL DATA ANALYTICS CENTER/LONGITUDINAL DATA SYSTEM BOARD

SECTION 7.14.(a) G.S. 116E-1(1) reads as rewritten:

"(1) ~~"Board" means the governing board of the North Carolina Longitudinal Data System.~~ "Center" means the Governmental Data Analytics Center as established in Part 8 of Article 15 of Chapter 143B of the General Statutes."

SECTION 7.14.(b) G.S. 116E-4 reads as rewritten:

"§ 116E-4. Powers and duties of the ~~Board~~.Center.

(a) The ~~Board~~Center shall have the following powers and ~~duties~~with respect to the System:

...

(4) Before the use of any individual data in the System, the ~~Board~~Center shall do the following:

...

b. Develop and implement policies to comply with FERPA and any other privacy measures, as required by law or the ~~Board~~Center.

...

(9) Establish an advisory committee on data quality to advise the ~~Board~~Center on issues related to data auditing and tracking to ensure data validity.

(b) The ~~Board~~Center shall adopt rules according to Chapter 150B of the General Statutes as provided in G.S. 116E-6 to implement the provisions of this Article.

(c) The ~~Board~~Center shall report quarterly to the Joint Legislative Education Oversight Committee, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Information Technology beginning September 30, 2013. The report shall include the following:

...

(3) Any other recommendations made by the ~~Board~~Center, including the most effective and efficient configuration for the System."

SECTION 7.14.(c) G.S. 116E-6 reads as rewritten:

"§ 116E-6. Data sharing.

(a) Local school administrative units, charter schools, community colleges, constituent institutions of The University of North Carolina, and State agencies shall do all of the following:

(1) Comply with the data requirements and implementation schedule for the System as set forth by the ~~Board~~Center.

(2) Transfer student data and workforce data to the System in accordance with the data security and safeguarding plan developed by the ~~Board~~Center under G.S. 116E-5.

(b) Private colleges and universities, the North Carolina Independent Colleges and Universities, Inc., and nonpublic schools may transfer student data and workforce data to the System in accordance with the data security and safeguarding plan developed by the Board under G.S. 116E-5."

SECTION 7.14.(d) G.S. 116E-3, 120-123(81), 143B-1321(a)(31), and 143B-1322(c)(21) are repealed.

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 nine hundred eighty-five dollars and fifty-three cents (\$3,985.53) 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 2016-2017 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also be adjusted 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. Section 8.2 of S.L. 2015-241 reads as rewritten:

"**SECTION 8.2.** The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred eighty dollars and seventy cents (\$1,280.70) per child for fiscal years-year 2015-2016 and one thousand two hundred ninety-five dollars and twenty-seven cents (\$1,295.27) per child for fiscal year 2016-2017. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2015-2016 allocated average daily ~~membership~~, membership for the 2015-2016 fiscal year and a maximum of four percent (4%) of its 2016-2017 allocated average daily membership for the 2016-2017 fiscal year, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children."

SMALL COUNTY SUPPLEMENTAL FUNDS ELIGIBILITY

SECTION 8.4. Section 8.4 of S.L. 2015-241 reads as rewritten:

"SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

...

"**SECTION 8.4.(b)** Phase-Out Provision for the 2015-2016 Fiscal Year. – If a local school administrative unit becomes ineligible for funding under the schedule in subsection (a) of this section in the 2015-2016 fiscal year, funding for that unit shall be phased out over a five-year period. Funding for such local school administrative units shall be reduced in equal increments in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the local school administrative unit becomes ineligible.

Allotments for eligible local school administrative units under this subsection shall not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2014-2015 in any fiscal year. A local school administrative unit shall not become ineligible for funding if either the higher of the first two months total projected average daily membership for the current year or the higher of the first two months total prior year average daily membership would otherwise have made the unit eligible for funds under the schedule in subsection (a) of this section.

1 "SECTION 8.4.(c) Phase-Out Provision for the 2016-2017 Fiscal Year. – If a local school
2 administrative unit becomes ineligible for funding under the schedule in subsection (a) of this
3 section in the 2016-2017 fiscal year, funding for that unit shall be phased out over a five-year
4 period. Funding for such local school administrative units shall be reduced in equal increments in
5 each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth
6 fiscal year after the local administrative unit becomes ineligible.

7 Allotments for eligible local school administrative units under this subsection shall not be
8 reduced by more than twenty percent (20%) of the amount received in fiscal year 2015-2016 in
9 any fiscal year. A local school administrative unit shall not become ineligible for funding if either
10 the higher of the first two months total projected average daily membership for the current year or
11 the higher of the first two months total prior year average daily membership would otherwise have
12 made the unit eligible for funds under the schedule in subsection (a) of this section.

13"
14

15 CERTAIN CIHS OPERATING WITHOUT ADDITIONAL FUNDS

16 SECTION 8.11. Beginning with the 2016-2017 school year and for subsequent school
17 years thereafter, notwithstanding G.S. 115C-238.51A(c) and G.S. 115C-238.54,
18 Alamance-Burlington Early College, Alexander Early College, Cabarrus Early College of
19 Technology, Camden Early College, Chatham County School of Science and Engineering, City of
20 Medicine Cooperative Innovative High School, Gaston Early College High School, Hillside New
21 Tech Cooperative Innovative High School, Johnston County Career and Technical Academy,
22 Northampton County New Tech Early College, Person Early College for Innovation and
23 Leadership, Stanly County School of Engineering and Design, and Wayne School of Engineering
24 at Goldsboro High School shall be permitted to operate in accordance with G.S. 115C-238.53 and
25 G.S. 115C-238.54 as cooperative innovative high schools approved under G.S. 115C-238.51A(c)
26 and shall be subject to the evaluation requirements of G.S. 115C-238.55.

28 VIRTUAL CHARTER SCHOOL CHANGES

29 SECTION 8.13.(a) Section 8.35(c) of S.L. 2014-100 reads as rewritten:

30 "SECTION 8.35.(c) In addition to the operating requirements applicable to a virtual charter
31 school participating in the pilot program pursuant to Part 6A of Article 16 of Chapter 115C of the
32 General Statutes, the following requirements shall apply to a participating virtual charter school:

33 (1) The school shall maintain an administrative office within North Carolina. In
34 addition, the school shall maintain at least one testing center or meeting place
35 within each of the eight State Board of Education districts where the
36 participating students reside, to allow educators and administrators from the
37 school to meet students and parents. When utilizing the testing center or
38 meeting place for test administration, the school is permitted to do the
39 following:

- 40 a. Administer tests to multiple grade levels at the same time and location.
- 41 b. Contract with a test administrator who is not employed by the board of
42 directors of the school and meets the following criteria:
 - 43 1. Holds a valid, North Carolina educator license.
 - 44 2. Passes a criminal history check as defined in
45 G.S. 115C-332(a)(1) performed by the school.
 - 46 3. Is trained on test administration in accordance with the North
47 Carolina Testing Program.

48 (2) If the school contracts with a third party for the provision of administrative
49 staff, such staff fulfilling the equivalent positions of superintendent, principal,
50 or business officer shall be residents of North Carolina.

- (3) All teaching staff shall carry the appropriate State certification to instruct any course and shall receive professional development in virtual instruction pursuant to the school's application to the State Board of Education to participate in the pilot program within 30 days of the employee's date of hire. At least ~~ninety percent (90%)~~ eighty percent (80%) of the teaching staff shall reside within North Carolina.
- (4) The school shall have a withdrawal rate below twenty-five percent (25%). A student who meets any of the following criteria shall not be counted in measuring the school's withdrawal rate:
- a. A student enrolled in a school with the intent expressed prior to enrollment of only being enrolled for a finite period of time within the school year shall not be counted in the measured withdrawal rate year. The school shall keep a written record of a student's stated intent for finite enrollment.
 - b. A student who is withdrawn from the school pursuant to subdivision (3) of subsection (b) of this section.
 - c. A student who is no longer qualified under the laws of this State for admission to a public school in North Carolina, including due to the student relocating to another state.
 - d. A student who (i) withdraws from the school for a family, personal, or medical reason and (ii) notifies the school of the reason for withdrawal. The school shall keep a written record of a student's stated reason for withdrawal under this sub-subdivision.
 - e. A student who withdraws from the school within the first 30 days following the date of the student's enrollment.
- (4a) A count of school attendance shall be taken at least once during each semester for funding purposes.
- (5) The school shall ensure that each student is assigned a learning coach. The learning coach shall provide (i) daily support and supervision of students, (ii) ensure student participation in online lessons, and (iii) coordinate teacher-led instructional sessions and State assessments."

SECTION 8.13.(b) This section applies beginning with the 2016-2017 school year.

SCHOOL BUSINESS SYSTEM MODERNIZATION

SECTION 8.15.(a) The State Board of Education shall collaborate with the Friday Institute for Educational Innovation at North Carolina State University (Friday Institute) to develop a plan to modernize the systems used by the Department of Public Instruction, Financial and Business Services Division, to manage and deliver funds and technical support services to local school administrative units and charter schools. This process shall include modernization of the Division's systems for student information management, financial and payroll information, human resources information, and capital and repairs and renovations planning information.

SECTION 8.15.(b) By January 1, 2017, as a part of developing the plan, the Department of Public Instruction, in collaboration with the Friday Institute, shall issue a Request for Information to outside vendors and entities to determine the scope of work necessary, estimate the costs of modernization of the systems, and prepare a schedule for implementation.

SECTION 8.15.(c) By April 30, 2017, the State Board of Education shall report to the Joint Legislative Education Oversight Committee on the plan developed in accordance with this section for modernization of the systems used by the Financial and Business Services Division.

REDUCE AFTER SCHOOL QUALITY IMPROVEMENT COMPETITIVE GRANT FUNDS

1 **SECTION 8.25.** Section 8.29(a) of S.L. 2015-241 reads as rewritten:

2 **"SECTION 8.29.(a)** Of the funds appropriated by this act for the At-Risk Student Services
3 Alternative School Allotment for the 2015-2017 fiscal biennium, the State Board of Education
4 shall use up to six million dollars (\$6,000,000) for the 2015-2016 fiscal year and up to ~~six million~~
5 ~~dollars (\$6,000,000)~~ one million one hundred eight thousand four hundred eighty dollars
6 (\$1,108,480) for the 2016-2017 fiscal year for the After-School Quality Improvement Grant
7 Program administered by the Department of Public Instruction. The Department may use these
8 funds to provide a second-year grant to grant recipients approved under the After-School Quality
9 Improvement Grant Program pursuant to Section 8.19 of S.L. 2014-100. Of the funds appropriated
10 for the program, the Department of Public Instruction may use up to two hundred thousand dollars
11 (\$200,000) for each fiscal year to administer the program."
12

13 **STATE AGENCY COLLABORATION ON EARLY CHILDHOOD**
14 **EDUCATION/TRANSITION FROM PRESCHOOL TO KINDERGARTEN**

15 **SECTION 8.26.(a)** The Department of Health and Human Services, in consultation
16 with the Department of Public Instruction and any other agencies or organizations that administer,
17 support, or study early education in this State, and within resources currently available, shall
18 collaborate on an ongoing basis to develop and implement a statewide vision for early childhood
19 education. In collaborating in this effort, the agencies shall develop a comprehensive approach to
20 early childhood education, birth through third grade, including creating cross agency
21 accountability with a comprehensive set of data indicators, including consideration of the NC
22 Pathways to Grade-Level Reading, to monitor and measure success of the early childhood
23 education systems.

24 **SECTION 8.26.(b)** The Department of Health and Human Services, the Department
25 of Public Instruction, and any other agencies or organizations that administer, support, or study
26 early education programs in this State shall report their findings and recommendations, including
27 any legislative proposals, resulting from the initiative to develop and implement a statewide vision
28 for early childhood education pursuant to subsection (a) of this section. The agencies shall make
29 an initial report to Joint Legislative Oversight Committee on Health and Human Services and the
30 Joint Legislative Education Oversight Committee on or before January 1, 2017, submit a follow
31 up report to those same committees on or before January 1, 2018, and may make any subsequent
32 reports, annually, on or before January 1, as needed to those same committees.

33 **SECTION 8.26.(c)** The Department of Health and Human Services, in consultation
34 with the Department of Public Instruction, shall promote the successful transition of children who
35 receive assistance from NC Pre-K program and the Child Care Subsidy Assistance program for
36 four- and five-star rated facility classrooms to kindergarten. In its promotion of a successful
37 transition from preschool to kindergarten, the Department of Health and Human Services shall
38 recommend that both NC Pre-K teachers and preschool teachers prepare a preschool to
39 kindergarten transition plan for each child transitioning to kindergarten that documents the child's
40 strengths and needs based on the five Goals and Developmental Indicator domains for children's
41 developmental and learning progress that are based on the NC Foundations for Early Learning and
42 Development. The preparation of the transition plan shall only apply to children who receive
43 assistance through the NC Pre-K program or the Child Care Subsidy Assistance program. It is the
44 intent of the General Assembly that the Departments utilize this transition plan until such time as
45 the standardized program to transition children from preschool to kindergarten, required pursuant
46 to subsection (e) of this section, is developed and implemented.

47 **SECTION 8.26.(d)** The Department of Health and Human Services shall report on the
48 implementation of the transition plan required pursuant subsection (c) of this section, including
49 any findings and recommendations, and any legislative proposals, to the Joint Legislative
50 Oversight Committee on Health and Human Services and the Joint Legislative Education
51 Oversight Committee on or before December 15, 2016.

SECTION 8.26.(e) The Department of Health and Human Services, in consultation with the Department of Public Instruction, shall develop and implement a standardized program to transition children from preschool to kindergarten. In developing this standardized transition program, the Department of Health and Human Services shall identify, at a minimum:

- (1) Methods to standardize student transition information such that it is quantifiable.
- (2) Recommendations for sharing data contained in a student's transition plan between preschool teachers and either kindergarten teachers or the schools that receive the incoming kindergarten students.
- (3) Recommendations for sharing data contained in a student's transition plan between preschool teachers and the parents or guardians of the child who is transitioning to kindergarten.
- (4) Recommendations for preschool teacher training and continuing education to support their role in completing transition plans for preschool children.
- (5) Recommendations for baseline information that should be compiled in transition plans for students transitioning to kindergarten.
- (6) Procedures for the management of transition plan documents, including recommendations for the length of records retention, provisions for confidentiality, and proper disposal.
- (7) Any other components the Department deems appropriate in the provision of information between preschools, students' families, and kindergartens.

SECTION 8.26.(f) The Department of Health and Human Services shall report on the development of the standardized transition program required pursuant to subsection (e) of this section, including any finding and recommendations, and any legislative proposals, to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2017.

ALTERNATIVE TEACHER PREPARATION

SECTION 8.27.(a) Purpose. – The State Board of Education shall establish a request for proposal (RFP) for up to five local alternative teacher preparation programs (LATP programs) administered by local boards of education to prepare, support, and recommend initially licensed lateral entry teachers for continuing licensure.

SECTION 8.27.(b) Request for Proposals. – By September 15, 2016, the State Board of Education shall issue a request for proposal (RFP) to local boards of education. The RFP shall include the following criteria:

- (1) Program of study requirements. – At a minimum, the LATP program shall provide 150 contact hours of appropriate pedagogy and content for continued licensure in the initially licensed teacher's area of licensure that is comparable to the quality of instruction required for a traditional teacher preparation program, as provided in G.S. 115C-296.10. Local boards of education shall include evidence of relevant partnerships with institutions of higher education, including community colleges, private two-year colleges, and public or private colleges or universities.
- (2) Mentoring and support requirements. – At a minimum, the LATP program shall provide 150 contact hours with mentor teachers, classroom coaching, and periodic evaluations with timely feedback to each individual in the program over the initially licensed teacher's first year of employment.
- (3) Minimum program size. – The LATP program shall be administered by a local board of education with a minimum student population of 20,000 or higher, or by a coalition of local boards of education that together have a minimum student population of 20,000 or higher.

Local boards of education shall submit their proposals to the State Board by January 6, 2017. Proposals may be submitted by individual local boards of education or by coalitions of multiple local boards of education. Proposals shall contain detailed information on the estimated costs, including a cost per teacher participant and anticipated funding sources for operation of the program.

SECTION 8.27.(c) Selection by State Board of Education. – By March 15, 2017, the State Board of Education shall review the proposals submitted by local boards of education and shall select up to five proposals for approval based on program quality, viability, and use of evidence-based principles in program design.

SECTION 8.27.(d) Program Implementation. – The selected LAPT programs shall be implemented beginning with the 2017-2018 school year and ending with the 2021-2022 school year. The local board or boards of education for each selected LAPT program shall provide any requested information and access to the independent research organization selected by the State Board of Education to evaluate the programs pursuant to subsection (f) of this section.

SECTION 8.27.(e) Program Continuation. – The selected LAPT programs shall meet the following annual benchmark standards:

- (1) A program shall have a completion rate of no less than seventy percent (70%) of initial enrollees.
- (2) A program shall provide the minimum contact hour requirements and other program elements contained in the proposal approved by the State Board of Education.
- (3) A program shall demonstrate an increase in retention of lateral entry teachers over the previous year's retention rate.
- (4) A program shall be fully financed by the local board of education, based on the per teacher cost estimate contained in the proposal approved by the State Board of Education. Funding may be through public or private funds, as available.

A program that fails to meet any of the benchmark standards shall be terminated by the State Board of Education and shall not be continued in the following school year.

SECTION 8.27.(f) LAPT Program Evaluation. – The State Board of Education shall contract with an independent research organization to evaluate how the LAPT programs have accomplished, at a minimum, the following:

- (1) Recruitment of lateral entry teachers into the classroom.
- (2) Retention rates for lateral entry teachers beyond initial licensure.
- (3) Quality of classroom instruction by lateral entry teachers prepared through the LAPT program as compared to those prepared by traditional teacher education programs as demonstrated by multiple measures, including student performance.
- (4) Teacher vacancy rates in local school administrative units participating in the LAPT program as compared to similarly situated local school administrative units.
- (5) Funding mechanisms used to support the LAPT program, including sources and stability of funding.
- (6) Recommendations regarding the continuation, expansion, or elimination of LAPT programs.

The independent research organization shall report annually to the State Board of Education beginning October 15, 2017, on the progress of local boards of education in implementing the LAPT programs. The independent research organization shall submit an initial report no later than October 15, 2020, to the State Board of Education on the implementation and evaluation of the LAPT program, and shall submit a final report no later than October 15, 2022, to the State Board of Education on all aspects of the implementation and evaluation of the LAPT program. The State Board of Education shall provide the report to the Joint Legislative Education

Oversight Committee by December 15, 2020, and by December 15 of each year thereafter through 2022.

SECTION 8.27.(g) Issuance of Licenses. – The Department of Public Instruction shall issue a license to all individuals who (i) successfully complete LAPT programs, (ii) are recommended by the local board of education, and (iii) otherwise meet licensure requirements.

SECTION 8.27.(h) Credit for Work Successfully Completed. – If an initially licensed lateral entry teacher leaves a local board of education with a LAPT program before completing the program and is hired to teach by another local board of education in the State, that teacher shall receive credit for any work successfully completed as part of the program.

YEAR-ROUND SCHOOL DEFINITION

SECTION 8.28.(a) G.S. 115C-84.2 is amended by adding a new subsection to read:

"(b1) For the purposes of this section, a "year-round school" is a multi-track school that remains in session for the entire calendar year by utilizing at least one of the following plans:

- (1) A plan that divides students into four groups and requires each to be in school for three assigned and staggered quarters each school year.
- (2) A plan that provides that students shall be scheduled to attend 45 days of classes followed by 15 days of vacation repeated throughout the school year.
- (3) A plan that divides the school year into five nine-week sessions of classes and requires each student to attend four of the five nine-week sessions to complete the school year."

SECTION 8.28.(b) This section applies beginning with the 2016-2017 school year.

TEACHER ASSISTANT TUITION REIMBURSEMENT PILOT PROGRAM

SECTION 8.29.(a) Purpose. – The purpose of this section is to establish a pilot program for the local boards of education of the Anson County, Franklin County, Moore County, Richmond County, and Scotland County school administrative units to provide tuition assistance awards to part-time or full-time teacher assistants working in those local school administrative units to pursue a college degree that will result in teacher licensure. Tuition assistance awards under the program may be provided for part-time or full-time coursework. A local board of education may grant a teacher assistant academic leave to pursue coursework that may only be taken during working hours. A teacher assistant receiving an award under the program shall fulfill the student teaching requirements of an educator preparation program by working in the teacher assistant's employing local school administrative unit.

SECTION 8.29.(b) Selection of applicants. – Each local board of education participating in the pilot program may select up to five teacher assistants to receive an award of up to four thousand five hundred dollars (\$4,500) per academic year for a period of up to four years to be used towards the cost of tuition and fees for a teacher assistant to attend an educator preparation program at an institution of higher education. Priority for awards shall be given to a teacher assistant who received a tuition assistance award for the previous academic year and who is making satisfactory academic progress towards achieving teacher licensure. The local board of education shall set criteria for the application and selection of teacher assistants to receive tuition assistance awards that includes at least the following:

- (1) The teacher assistant shall be employed by the local board of education in the local school administrative unit.
- (2) The teacher assistant shall be enrolled or provide a statement of intent to enroll in an accredited institution of higher education in North Carolina with an educator preparation program approved by the State Board of Education to pursue teacher licensure.

- (3) The teacher assistant shall be a resident of North Carolina. For purposes of this subdivision, residency shall be determined by the same standard as residency for tuition purposes pursuant to G.S. 116-143.1.

SECTION 8.29.(c) Endorsement of tuition assistance awards for recipients. – Each local board of education participating in the pilot program shall enter into a memorandum of understanding with the institution of higher education in which a recipient of a tuition assistance award under this program is enrolled that includes procedures for at least the following:

- (1) Remittance of the award from the local board of education to the institution of higher education.
- (2) Endorsement of the funds awarded to the recipient to the institution of higher education for deposit into the account of the institution.
- (3) Return of a pro rata share of funds to the local board of education in the event a recipient (i) withdraws from the institution of higher education prior to the end of a term or (ii) the recipient's employment with the local board of education is terminated. The return of funds shall be consistent with procedures used by the institution under federal Title IV programs.

SECTION 8.29.(d) The local boards of education participating in the pilot program shall jointly report to the Joint Legislative Education Oversight Committee by September 1, 2017, and by September 1 of each year thereafter on the results of the pilot program, including at least the following information:

- (1) The number and amount of funds in tuition assistance awards provided to teacher assistants.
- (2) The number of teacher assistant recipients who achieved teacher licensure, including the period of time from the issue of an initial tuition assistance award to the time of achieving licensure.
- (3) The number of recipients who remained employed in the local school administrative unit after achieving teacher licensure.

USE OF DEPARTMENT OF PUBLIC INSTRUCTION BUDGET REDUCTIONS

SECTION 8.30. Section 8.37 of S.L. 2015-241 is amended by adding a new subsection to read:

"SECTION 8.37.(c) In implementing budget reductions for the 2016-2017 fiscal year, the Department of Public Instruction shall do all of the following:

- (1) In addition to the prohibition on a reduction to funding and positions for the items listed in subsection (b) of this section, the Department shall make no transfers from or reduction to funding or positions for the following:
 - a. The Excellent Public Schools Act, Read to Achieve Program, initially established under Section 7A.1 of S.L. 2012-142.
 - b. The North Carolina School Connectivity Program.
- (2) The Department shall transfer the sum of fifty thousand dollars (\$50,000) to the Office of Administrative Hearings to be allocated to the Rules Review Commission, created by G.S. 143B-30.1, to pay for any litigation costs incurred in the defense of *North Carolina State Board of Education v. The State of North Carolina and The Rules Review Commission*, Wake County Superior Court, File No. 14 CVS 14791 (filed November 7, 2014). These funds shall not revert at the end of the 2016-2017 fiscal year but shall remain available during the 2017-2018 fiscal year for expenditure in accordance with the provisions of this subdivision."

REMEDIATION PLAN FOR PRINCIPALS IN LOW-PERFORMING SCHOOLS

SECTION 8.31.(a) G.S. 115C-105.39(a) reads as rewritten:

"(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 low performing~~ 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-325.4 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 superintendent may only recommend a principal be retained in the same position without a plan for remediation if the principal has been at the school for less than two years or, in the case of a principal having been at the school for two years or more, if the school has both met student growth and has improved student achievement scores under G.S. 115C-83.15 for the prior school year.~~ 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-325.4 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-325.4 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-325.4 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-325.12."

SECTION 8.31.(b) This section is effective beginning with the 2016-2017 school year.

SCHOOL NOTIFICATION REQUIREMENTS/TEACHER EMPLOYMENT/LICENSURE CHANGES AND BEGINNING TEACHER SUPPORT

SECTION 8.32.(a) State Board of Education Survey Notification. – G.S. 115C-12 is amended by adding a new subdivision to read:

"(45) To provide notification of student and parent surveys. – The State Board of Education shall provide written notification to the General Assembly in accordance with G.S. 120-29.5 of its intent to conduct any mandatory student or parent surveys in individual local school administrative units or on a statewide basis, including a copy of the proposed survey. The Department of Public Instruction shall also notify a superintendent of any plan to conduct a student or parent survey in the local school administrative unit. The superintendent shall be given a reasonable amount of time following notification to contact the Department with feedback on the survey prior to the survey being conducted in the local school administrative unit."

SECTION 8.32.(b) Notification/Report on Testing Programs. – G.S. 115C-174.12
reads as rewritten:

"§ 115C-174.12. Responsibilities of agencies.

...

(c) Local boards of education shall cooperate with the State Board of Education in implementing the provisions of this Article, including the regulations and policies established by the State Board of Education. Local school administrative units shall use the annual tests to fulfill the purposes set out in this Article. ~~Local school administrative units are encouraged to continue to develop local testing programs designed to diagnose student needs.~~

(d) By September 1 of each year, each local board of education shall notify the State Board of Education of any local testing to be administered to students by the local school administrative unit in its schools and the calendar for administering those tests. The local board of education shall include information on the source of funds supporting the local testing program.

(e) By October 15 of each year, the State Board of Education shall submit a report to the Joint Legislative Education Oversight Committee containing information regarding the statewide administration of the testing program, including the number and type of tests and the testing schedule, and a summary of any local testing programs reported by local boards of education to the State Board of Education in accordance with subsection (d) of this section."

SECTION 8.32.(c) Employment of Career and Technical Education Personnel. –
Article 10 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-157.1 Adjunct CTE instructors.

(a) Adjunct Hiring Criteria. – The State Board of Education shall develop minimum criteria of relevant education or employment experience to qualify to contract as an adjunct instructor in each career and technical education career cluster and shall make such criteria available to local boards of education.

(b) Contracting with Adjunct Instructors. – Notwithstanding Article 20 and Part 3 of Article 22 of this Chapter, a local board of education may contract with an individual to serve as an adjunct instructor who meets the adjunct hiring criteria established by the State Board of Education for a specific career and technical education career cluster. The local board of education may contract with an adjunct instructor on an annual or semester basis, subject to the following requirements:

- (1) An adjunct instructor may be employed for no more than 10 hours per week.
- (2) An adjunct instructor shall be subject to a criminal history check, to ensure that the person has not been convicted of any crime listed in G.S. 115C-332.
- (3) An adjunct instructor shall not be required to hold or apply for licensure as a teacher.
- (4) An adjunct instructor must complete preservice training in all of the following areas prior to beginning instruction:
 - a. The identification and education of children with disabilities.
 - b. Positive management of student behavior.

c. Effective communication for defusing and deescalating disruptive or dangerous behavior.

d. Safe and appropriate use of seclusion and restraint."

SECTION 8.32.(d) Continuing Teacher Licensure Standards. –

G.S. 115C-296(b)(1)b. reads as rewritten:

"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 the following:

...

4. For all teachers employed by a local board of education, evidence of a rating of at least proficient on the most recent annual evaluation to maintain the current license status. A teacher that is unable to satisfy this requirement but has been placed on a mandatory improvement plan may be eligible to receive an initial degree license if that teacher satisfies all other licensure requirements."

SECTION 8.32.(e) Out-of-State Licensure Applications. – G.S. 115C-296(b)(1) is amended by adding a new sub-subdivision to read:

"d. Initial applications from an applicant with an out-of-state license shall require the applicant to provide evidence of that teacher's effectiveness, when available, as measured by the evaluation system used in that applicant's state of current licensure at the time of application, including any growth measures included in that evaluation system. Applications that include the evidence of that teacher's effectiveness shall be prioritized for review over initial applications from applicants with out-of-state licenses that do not include that information. An individual who does not include evidence of that teacher's effectiveness with the initial application shall only be eligible for an initial degree license."

SECTION 8.32.(f) Mentor Teacher Requirements. – G.S. 115C-296(e) reads as rewritten:

"(e) The State Board of Education shall develop a mentor program to provide ongoing support for teachers entering the profession. In developing the mentor program, the State Board shall conduct a comprehensive study of the needs of new teachers and how those needs can be met through an orientation and mentor support program. For the purpose of helping local boards to support new teachers, the State Board shall develop and distribute guidelines which address optimum teaching load, extracurricular duties, student assignment, and other working condition considerations. These guidelines shall provide that initially licensed teachers not be assigned extracurricular activities unless they request the assignments in writing and that other noninstructional duties of these teachers be minimized. The State Board shall develop and coordinate a mentor teacher training program. The State Board shall develop criteria for selecting excellent, experienced, and qualified teachers to be participants in the mentor teacher training ~~program-program~~, including requiring that mentor teachers have been rated, through formal evaluations, at least at the "accomplished" level as part of the North Carolina Teacher Evaluation System and have met expectations for student growth."

SECTION 8.32.(g) Field Experience for Educator Preparation Programs. – G.S. 115C-296.11(b)(4) reads as rewritten:

"(4) Educator preparation programs shall require, in all programs leading to initial licensure, field experiences in every semester that include organized and sequenced engagement of students in settings that provide them with opportunities to observe, practice, and demonstrate knowledge and skills. The experiences shall be systematically designed and sequenced to increase the complexity and levels of engagement with which students apply, reflect upon, and expand their knowledge and ~~skills~~ skills and shall increase in each semester prior to the student's residency or internship the number of hours spent in field experiences. All programs shall include a field experience in a low-performing school for at least one semester."

SECTION 8.32.(h) Beginning Teacher Evaluations in Low-Performing Schools. – G.S. 115C-333(a) reads as rewritten:

"(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(6), 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. All teachers in low-performing schools who have been licensed as a teacher for less than two years shall be observed at least three times annually by the principal or the principal's designee, at least once annually by a teacher, and at least once annually by a principal, and at least two of those observations shall be conducted in the first semester of the school year, and if practicable, at least one of those observations shall be conducted within the first grading period of the school year. 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."

SECTION 8.32.(i) Beginning Teacher Evaluations in All Other Schools. – G.S. 115C-333.1(a) reads as rewritten:

"(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 who are assigned to schools that are not designated as low-performing and who have been licensed as a teacher for less than two years shall be observed at least three times annually by the principal or the principal's designee, at least once annually by a teacher, and at least once annually by a principal, and at least two of those observations shall be conducted in the first semester of the school year, and if practicable, at least one of those observations shall be conducted within the first grading period of the school year. 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."

SECTION 8.32.(j) This section applies beginning with the 2016-2017 school year.

K-3 CLASS SIZE ALLOTMENT RATIOS

SECTION 8.33.(a) G.S. 115C-301(c) reads as rewritten:

"(c) **Maximum Class Size for Kindergarten Through Third Grade.** – The average class size for kindergarten through third grade in a local school administrative unit shall at no time exceed the funded allotment ratio of teachers to students in kindergarten through third grade. At the end of the second school month and for the remainder of the school year, the size of an individual class in kindergarten through third grade shall not exceed the allotment ratio by more than three students. The funded class size allotment ratio for kindergarten through third grade shall be as follows:

(1) For kindergarten, one teacher per 18 students.

(2) For first grade, one teacher per 16 students.

(3) For second grade, one teacher per 16 students.

(4) For third grade, one teacher per 17 students.

In grades four through 12, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement."

SECTION 8.33.(b) Notwithstanding G.S. 115C-301, as amended by this section, and any other provision of law, for the 2016-2017 school year, class size requirements in kindergarten through third grade shall remain unchanged. The class size requirements set forth in G.S. 115C-301 shall apply beginning with the 2017-2018 school year.

PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 9.1.(a) The following monthly teacher salary schedule shall apply for the 2016-2017 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2016-2017 Teacher Monthly Salary Schedule	
Years of Experience	"A" Teachers
0	\$3,500
1	\$3,550
2	\$3,600
3	\$3,650
4	\$3,700
5	\$3,825
6	\$3,875
7	\$3,925
8	\$3,975
9	\$4,025
10	\$4,250
11	\$4,300
12	\$4,350
13	\$4,400
14	\$4,450
15-19	\$4,675
20-24	\$4,825
25+	\$5,000

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

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

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

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

SECTION 9.1.(e) Beginning with the 2014-2015 fiscal year, in lieu of providing annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those longevity payments are included in the monthly amounts under the teacher salary schedule.

SECTION 9.1.(f) A teacher compensated in accordance with this salary schedule for the 2016-2017 school year shall receive an amount equal to the greater of the following:

- (1) The applicable amount on the salary schedule for the applicable school year.
- (2) For teachers who were eligible for longevity for the 2013-2014 school year, the sum of the following:
 - a. The teacher's salary provided in S.L. 2013-360, Section 35.11.
 - b. The longevity that the teacher would have received under the longevity system in effect for the 2013-2014 school year provided in S.L. 2013-360, Section 35.11, based on the teacher's current years of service.
 - c. The annual bonus provided in S.L. 2014-100, Section 9.1(e).
- (3) For teachers who were not eligible for longevity for the 2013-2014 school year, the sum of the teacher's salary and annual bonus provided in S.L. 2014-100, Section 9.1.

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

SECTION 9.1.(h) Section 9.1 of S.L. 2015-241 is repealed.

SECTION 9.1.(i) It is the intent of the General Assembly to implement the following base monthly teacher salary schedule for the 2017-2018 fiscal year to licensed personnel of the

public schools who are classified as teachers. The salary schedule will be based on years of teaching experience.

2017-2018 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	\$3,500
1	\$3,600
2	\$3,700
3	\$3,800
4	\$3,900
5	\$4,000
6	\$4,100
7	\$4,200
8	\$4,300
9	\$4,400
10	\$4,500
11	\$4,600
12	\$4,700
13	\$4,800
14	\$4,900
15+	\$5,000

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 9.2.(a) The following monthly base salary schedule for school-based administrators shall apply only to principals and assistant principals. This base salary schedule shall apply for the 2016-2017 fiscal year commencing July 1, 2016.

2016-2017 Principal and Assistant Principal Salary Schedules

27	Classification					
28	Years of Exp	Assistant	Prin I	Prin II	Prin III	Prin IV
29		Principal	(0-10)	(11-21)	(22-32)	(33-43)
30	0-9	\$3,909	-	-	-	-
31	10	\$3,977	-	-	-	-
32	11	\$4,123	-	-	-	-
33	12	\$4,240	-	-	-	-
34	13	\$4,323	\$4,323	-	-	-
35	14	\$4,377	\$4,377	-	-	-
36	15	\$4,434	\$4,434	\$4,489	-	-
37	16	\$4,489	\$4,489	\$4,547	-	-
38	17	\$4,547	\$4,547	\$4,606	\$4,665	-
39	18	\$4,606	\$4,606	\$4,665	\$4,726	\$4,788
40	19	\$4,665	\$4,665	\$4,726	\$4,788	\$4,851
41	20	\$4,726	\$4,726	\$4,788	\$4,851	\$4,918
42	21	\$4,788	\$4,788	\$4,851	\$4,918	\$4,983
43	22	\$4,851	\$4,851	\$4,918	\$4,983	\$5,050
44	23	\$4,918	\$4,918	\$4,983	\$5,050	\$5,119
45	24	\$4,983	\$4,983	\$5,050	\$5,119	\$5,188
46	25	\$5,050	\$5,050	\$5,119	\$5,188	\$5,263
47	26	\$5,119	\$5,119	\$5,188	\$5,263	\$5,335
48	27	\$5,188	\$5,188	\$5,263	\$5,335	\$5,409
49	28	\$5,263	\$5,263	\$5,335	\$5,409	\$5,483
50	29	\$5,335	\$5,335	\$5,409	\$5,483	\$5,561
51	30	\$5,409	\$5,409	\$5,483	\$5,561	\$5,641

1	31	\$5,483	\$5,483	\$5,561	\$5,641	\$5,722
2	32	\$5,561	\$5,561	\$5,641	\$5,722	\$5,794
3	33	\$5,641	\$5,641	\$5,722	\$5,794	\$5,909
4	34	\$5,722	\$5,722	\$5,794	\$5,909	\$6,027
5	35	\$5,794	\$5,794	\$5,909	\$6,027	\$6,148
6	36	\$5,909	\$5,909	\$6,027	\$6,148	\$6,271
7	37	-	\$6,027	\$6,148	\$6,271	\$6,396
8	38	-	-	\$6,271	\$6,396	\$6,524
9	39	-	-	\$6,396	\$6,524	\$6,654
10	40	-	-	-	\$6,654	\$6,787
11	41	-	-	-	\$6,787	\$6,923
12	42	-	-	-	-	\$7,061

2016-2017 Principal and Assistant Principal Salary Schedules

		Classification			
Years of Exp		Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
17	0-19	\$4,918	-	-	-
18	20	\$4,983	-	-	-
19	21	\$5,050	\$5,119	-	-
20	22	\$5,119	\$5,188	\$5,335	-
21	23	\$5,188	\$5,263	\$5,409	\$5,483
22	24	\$5,263	\$5,335	\$5,483	\$5,561
23	25	\$5,335	\$5,409	\$5,561	\$5,641
24	26	\$5,409	\$5,483	\$5,641	\$5,722
25	27	\$5,483	\$5,561	\$5,722	\$5,794
26	28	\$5,561	\$5,641	\$5,794	\$5,909
27	29	\$5,641	\$5,722	\$5,909	\$6,027
28	30	\$5,722	\$5,794	\$6,027	\$6,148
29	31	\$5,794	\$5,909	\$6,148	\$6,271
30	32	\$5,909	\$6,027	\$6,271	\$6,396
31	33	\$6,027	\$6,148	\$6,396	\$6,524
32	34	\$6,148	\$6,271	\$6,524	\$6,654
33	35	\$6,271	\$6,396	\$6,654	\$6,787
34	36	\$6,396	\$6,524	\$6,787	\$6,923
35	37	\$6,524	\$6,654	\$6,923	\$7,061
36	38	\$6,654	\$6,787	\$7,061	\$7,202
37	39	\$6,787	\$6,923	\$7,202	\$7,346
38	40	\$6,923	\$7,061	\$7,346	\$7,493
39	41	\$7,061	\$7,202	\$7,493	\$7,643
40	42	\$7,202	\$7,346	\$7,643	\$7,796
41	43	\$7,346	\$7,493	\$7,796	\$7,952
42	44	-	\$7,643	\$7,952	\$8,111
43	45	-	\$7,796	\$8,111	\$8,273
44	46+	-	-	\$8,273	\$8,438

SECTION 9.2.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

Classification	Number of Teachers Supervised
Assistant Principal	
Principal I	Fewer than 11 Teachers

1	Principal II	11-21 Teachers
2	Principal III	22-32 Teachers
3	Principal IV	33-43 Teachers
4	Principal V	44-54 Teachers
5	Principal VI	55-65 Teachers
6	Principal VII	66-100 Teachers
7	Principal VIII	More than 100 Teachers

8 The number of teachers supervised includes teachers and assistant principals paid from
9 State funds only; it does not include teachers or assistant principals paid from non-State funds or
10 the principal or teacher assistants.

11 The beginning classification for principals in alternative schools and in cooperative
12 innovative high school programs shall be the Principal III level. Principals in alternative schools
13 who supervise 33 or more teachers shall be classified according to the number of teachers
14 supervised.

15 **SECTION 9.2.(c)** A principal shall be placed on the step on the salary schedule that
16 reflects the total number of years of experience as a certified employee of the public schools and
17 an additional step for every three years of experience serving as a principal on or before June 30,
18 2009. A principal or assistant principal shall also continue to receive any additional State-funded
19 percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for
20 improvement in student performance or maintaining a safe and orderly school.

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

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

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

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

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

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

47 **SECTION 9.2.(h)** During the 2016-2017 fiscal year, the placement on the salary
48 schedule of an administrator with a one-year provisional assistant principal's certificate shall be at
49 the entry-level salary for an assistant principal or the appropriate step on the teacher salary
50 schedule, whichever is higher.

1 **SECTION 9.2.(i)** All principals employed on September 1, 2016, regardless of source
2 of funding for compensation, shall receive a one-time, lump-sum compensation bonus of two
3 thousand dollars (\$2,000), payable in January of 2017. All assistant principals employed on
4 September 1, 2016, regardless of source of funding for compensation, shall receive a one-time,
5 lump-sum compensation bonus of five hundred dollars (\$500.00), payable in January of 2017.

6 Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded by this subsection
7 are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and
8 Employees' Retirement System.

9 **SECTION 9.2.(j)** Section 9.2 of S.L. 2015-241 is repealed.

10
11 **NO PAY LOSS FOR BREAK IN SERVICE OR FOR TEACHERS WHO BECOME**
12 **PRINCIPALS**

13 **SECTION 9.3.(a)** G.S. 115C-285(a) reads as rewritten:

14 **"§ 115C-285. Salary.**

15 (a) Principals and supervisors shall be paid promptly when their salaries are due provided
16 the legal requirements for their employment and service have been met. All principals and
17 supervisors employed by any local school administrative unit who are to be paid from local funds
18 shall be paid promptly as provided by law and as state-allotted principals and supervisors are paid.

19 Principals and supervisors paid from State funds shall be paid as follows:

20 ...

21 (8) A teacher who becomes an assistant principal ~~without a break in service~~ shall
22 be paid, on a monthly basis, at least as much as he or she would earn as a
23 teacher employed by that local school administrative unit.

24 (8a) A teacher who becomes a principal shall be paid on a monthly basis, at least as
25 much as he or she would earn as a teacher employed by that local school
26 administrative unit.

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

30 **SECTION 9.3.(b)** Subsection (a) of this section shall not be construed to modify the
31 compensation of persons initially employed as principals or assistant principals prior to July 1,
32 2016, for work performed prior to July 1, 2016.

33
34 **JOINT LEGISLATIVE STUDY COMMITTEE ON SCHOOL-BASED ADMINISTRATOR**
35 **PAY**

36 **SECTION 9.4.(a)** There is established the Joint Legislative Study Committee on
37 School-Based Administrator Pay (Committee). The Committee shall consist of three members of
38 the Senate appointed by the President Pro Tempore of the Senate and three members of the House
39 of Representatives appointed by the Speaker of the House of Representatives. The President Pro
40 Tempore and the Speaker of the House of Representatives shall each appoint a cochair of the
41 Committee from among its membership. The Committee and the terms of the members shall
42 expire when the Committee submits a final report to the General Assembly. Members shall serve
43 at the pleasure of the appointing officer.

44 **SECTION 9.4.(b)** The Committee shall study and make recommendations on the
45 following:

46 (1) The feasibility of revising the school-based administrator salary schedule,
47 including principal and assistant principal pay, and whether revisions are
48 needed.

49 (2) The process of recruiting and retaining principals in North Carolina as
50 compared with the process of recruiting and retaining executives in other
51 professions.

(3) Strategies for recruiting and retaining the most qualified principals in low-performing and hard-to-staff schools.

(4) Any other issue the Committee considers relevant to this study.

SECTION 9.4.(c) The Committee shall meet upon the call of its cochair. A quorum of the Committee is a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present. The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes. The Committee may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02. Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1. The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly.

SECTION 9.4.(d) The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of Representatives and the Director of Legislative Assistants of the Senate shall assign clerical support staff to the Committee.

SECTION 9.4.(e) The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives on or before December 31, 2016, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, the Joint Legislative Education Oversight Committee, and the Legislative Library. The Committee shall terminate on December 31, 2016, or upon the filing of its final report, whichever occurs first.

CENTRAL OFFICE SALARIES

SECTION 9.5.(a) The following minimum monthly salaries apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2016-2017 fiscal year, beginning July 1, 2016:

School Administrator I	\$ 3,391
School Administrator II	\$ 3,592
School Administrator III	\$ 3,811
School Administrator IV	\$ 3,962
School Administrator V	\$ 4,120
School Administrator VI	\$ 4,368
School Administrator VII	\$ 4,542

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 9.5.(b) The monthly salary ranges for public school superintendents shall remain unchanged for the 2016-2017 fiscal year, as follows:

Superintendent I	\$ 4,819	\$ 8,991
Superintendent II	\$ 5,113	\$ 9,532
Superintendent III	\$ 5,422	\$ 10,109
Superintendent IV	\$ 5,752	\$ 10,721
Superintendent V	\$ 6,102	\$ 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 9.5.(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 9.5.(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 9.5.(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 9.5.(f) For the 2016-2017 fiscal year, the salaries of central office personnel of the local board of education except superintendents are eligible to be increased in accordance with the provisions of Part 36 of this act.

SECTION 9.5.(g) Section 9.3 of S.L. 2015-241 is repealed.

NONCERTIFIED PERSONNEL SALARIES

SECTION 9.6.(a) For the 2016-2017 fiscal year, the salaries of noncertified personnel of the local board of education are eligible to be increased in accordance with the provisions of Part 36 of this act.

SECTION 9.6.(b) Section 9.4 of S.L. 2015-241 is repealed.

THIRD GRADE READING TEACHER PERFORMANCE PILOT PROGRAM

SECTION 9.7.(a) The State Board of Education shall establish the Third Grade Reading Teacher Performance Pilot Program to reward teacher performance and encourage student learning and improvement. To attain this goal, the Department of Public Instruction shall administer bonus pay to licensed third grade teachers who have an Education Value-Added Assessment System (EVAAS) student growth index score for third grade reading from the previous school year, beginning with the data from the 2015-2016 school year, as follows:

- (1) Of the funds appropriated for this program, five million dollars (\$5,000,000) shall be allocated for bonuses to licensed third grade teachers who are in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for third grade reading from the previous year. These funds shall be allocated equally among qualifying teachers.
- (2) Of the funds appropriated for this program, five million dollars (\$5,000,000) shall be allocated to pay bonuses to licensed third grade teachers who are in the top twenty-five percent (25%) of teachers in their respective local school administrative units according to the EVAAS student growth index score for third grade reading from the previous year. These funds shall be split proportionally based on average daily membership for each local school administrative unit and then distributed equally among qualifying teachers in each local school administrative unit, subject to the following conditions:
 - a. Teachers employed in charter schools and regional schools are not eligible to receive a bonus under this subdivision.
 - b. Any teacher working in a local school administrative unit that employs three or fewer third grade teachers shall receive a bonus under this subdivision if that teacher has an EVAAS student growth index score

for third grade reading from the previous school year that exceeds expected growth.

- (3) For EVAAS student growth index score data collected during the 2015-2016 school year and the 2016-2017 school year, bonuses awarded pursuant to subdivisions (1) and (2) of this subsection are payable in January of 2017 and January of 2018, respectively, to qualifying third grade teachers who remain employed teaching third grade in the same local school administrative unit at least from the school year the data is collected until the corresponding school year that the bonus is paid.

- (4) A teacher who is eligible to receive a bonus under both subdivisions (1) and (2) of this subsection shall receive both bonuses.

SECTION 9.7.(b) Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded by this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 9.7.(c) The State Board of Education shall report on and study the Third Grade Reading Teacher Performance Pilot Program (Program) as follows:

- (1) The State Board of Education shall report on the distribution of statewide bonuses as among local school administrative units and the distribution of bonuses within local school administrative units as among individual schools to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division on March 1, 2017, and again on March 1, 2018.
- (2) The State Board of Education shall study the effect of the Program on teacher performance and retention. The State Board of Education shall report the results of its findings to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee no later than March 1, 2018.

SECTION 9.7.(d) This section expires June 30, 2018.

PART X. COMMUNITY COLLEGES

UPDATE PERFORMANCE MEASURES

SECTION 10.1. G.S. 115D-31.3 reads as rewritten:

"§ 115D-31.3. Institutional performance accountability.

...

(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) ~~Attainment of adult high school equivalency diplomas by students.~~
- (3) Performance of students who transfer to a four-year institution.
- (3a) Success rate of students in credit-bearing English courses.
- (3b) Success rate of students in credit-bearing Math courses.
- (4) ~~Success of developmental students in subsequent college-level English courses.~~
- (5) ~~Success 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) Attainment of licensure and 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 of Successful Institutional Performance. – For the purpose of recognition of successful institutional performance, the State Board of Community Colleges shall evaluate each college on the ~~eight~~ performance measures set out in subsection (e) of this section. 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.

...."

YOUTH APPRENTICESHIP TUITION WAIVER

SECTION 10.3.(a) G.S. 115D-5(b) reads as rewritten:

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

...

(16) Courses provided to students who are participating in an apprenticeship program that meets all of the following criteria:

- a. Is a registered apprenticeship program recognized by the United States Department of Labor.
- b. Has a documented plan of study with courses relating to a job-specific occupational or technical skill.
- c. Requires the participants in the program to be high school students when entering the program.

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

SECTION 10.3.(b) This section applies beginning with the fall 2016 academic term.

TUITION WAIVER/FIREFIGHTERS AND EMS PERSONNEL ON MILITARY INSTALLATIONS

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

"(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is

1 financed primarily from State funds. The State Board of Community Colleges may provide by
2 general and uniform regulations for waiver of tuition and registration fees for the following:

3 ...
4 (2a) Firefighters, EMS personnel, and rescue and lifesaving personnel whose
5 permanent duty station is within North Carolina for courses that support their
6 organizations' training needs and are approved for this purpose by the State
7 Board of Community Colleges.

8 ...
9 The State Board of Community Colleges shall not waive tuition and registration fees for other
10 individuals."

11 **SECTION 10.4.(b)** G.S. 115D-39(a1) reads as rewritten:

12 "(a1) In addition, federal law enforcement officers, firefighters, EMS personnel, and rescue
13 and lifesaving personnel whose permanent duty station is within North Carolina and who do not
14 otherwise qualify for tuition waivers under G.S. 115D-5(b)(2a) shall also be eligible for the State
15 resident community college tuition rate for courses that support their organizations' training needs
16 and are approved for this purpose by the State Board of Community Colleges."

17 **SECTION 10.4.(c)** This section applies beginning with the 2016 fall academic term.
18

19 CLARIFY CAREER- AND COLLEGE-READY GRADUATE PROGRAM

20 **SECTION 10.5.** Section 10.13 of S.L. 2015-241 reads as rewritten:

21 "CAREER- AND COLLEGE-READY GRADUATES

22 "SECTION 10.13.(a) The State Board of Community Colleges, in consultation with the State
23 Board of Education, shall develop a program for implementation beginning with model programs
24 in the 2016-2017 school year that introduces the college developmental mathematics and
25 developmental reading and English curriculums in the high school senior year and provides
26 opportunities for college remediation for students prior to high school graduation through
27 cooperation with community college partners. The program shall be fully implemented in all high
28 schools statewide beginning with the 2018-2019 school year. Students who are enrolled in the
29 Occupational Course of Study to receive their high school diplomas shall not be required to
30 participate in the program or be required to take mandatory remedial courses as provided for in
31 this section, unless a parent specifically requests through the individualized education program
32 (IEP) process that the student participates. The program shall require the following:

- 33 (1) Establishment by the State Board of Community Colleges of measures for
34 determining student readiness and preparation for college coursework by using
35 ACT scores, student grade point averages, or other measures currently used by
36 the State Board of Community Colleges to determine college readiness for
37 entering students.
- 38 (2) Changes in curriculum, policy, and rules as needed by the State Board of
39 Community Colleges and State Board of Education to make remedial courses
40 mandatory for students who do not meet readiness indicators by their junior
41 year to ensure college readiness prior to high school graduation. These changes
42 shall include the flexibility for students to fulfill senior mathematics and
43 English graduation requirements through enrollment in mandatory remedial
44 courses or to enroll in those courses as electives.
- 45 (3) High schools to use curriculum approved by the State Board of Community
46 Colleges, in consultation with the State Board of Education.
- 47 (4) Determinations by the State Board of Community Colleges on the following:
48 a. Appropriate measures of successful completion of the remedial courses
49 to ensure students are prepared for coursework at a North Carolina
50 community college without need for further remediation in mathematics
51 or reading and English.

- 1 b. The length of time following high school graduation in which a student
2 who successfully completed high school remedial courses will not be
3 required to enroll in developmental courses at a North Carolina
4 community college.
- 5 (5) Delivery of remedial courses by high school faculty consistent with policies
6 adopted by the State Board of Community Colleges and the State Board of
7 Education. The policies shall include, at a minimum, the following
8 requirements:
- 9 a. High school faculty teaching the approved remedial courses must
10 successfully complete training requirements as determined by the State
11 Board of Community Colleges, in consultation with the State Board of
12 Education.
- 13 b. The North Carolina Community College System shall provide oversight
14 of the remedial courses to ensure appropriate instructional delivery.

15 **"SECTION 10.13.(b)** The State Board of Community Colleges and the State Board of
16 Education shall report on progress of implementation of the program statewide, including the
17 requirements in subsection (a) of this section, to the Joint Legislative Education Oversight
18 Committee no later than March 15, 2016. The State Board of Community Colleges and the State
19 Board of Education shall jointly report to the Joint Legislative Education Oversight Committee as
20 follows:

- 21 (1) No later than March 15, 2017, on the outcomes of model programs
22 implemented in the 2016-2017 school year and suggested statutory changes to
23 ensure successful implementation of the program statewide.
- 24 (2) No later than March 15, 2018, on implementation and professional
25 development efforts in the 2017-2018 school year and information on final
26 changes in curriculum, policy, and rules to ensure successful implementation of
27 the program statewide in the 2018-2019 school year.
- 28 (3) No later than October 15, 2019, and annually thereafter, on program outcomes,
29 including impact on remediation rates in both mathematics and reading and
30 English for recent high school graduates entering a North Carolina community
31 college or constituent institution of The University of North Carolina."

32 33 **PART XI. UNIVERSITIES**

34 35 **EXPAND INTERNSHIPS AND CAREER-BASED OPPORTUNITIES FOR STUDENTS** 36 **ATTENDING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (HBCU).**

37 **SECTION 11.1.** Section 11.12(b) of S.L. 2015-241, Appropriations Act of 2015,
38 reads as rewritten:

39 **"SECTION 11.12.(b)** ~~The~~ For the 2016-2017 fiscal year, the Board of Governors shall
40 conduct a competitive process to select institutions of higher education that are Historically Black
41 Colleges and Universities to participate in the internship program which links ~~60~~ a minimum of 95
42 students attending Historically Black Colleges and Universities with North Carolina-based
43 companies. The Board of Governors shall determine the number of institutions that may
44 participate in the program; however, at least two of the institutions shall be private institutions.
45 Funds appropriated by this act for this internship program shall be allocated only to constituent
46 institutions of The University of North Carolina that are designated as an HBCU and private
47 colleges and universities located in North Carolina that are designated as an HBCU."

48 49 **MODIFY NC GUARANTEED ADMISSION PROGRAM (NCGAP)**

50 **SECTION 11.2.(a)** Section 11.7(b) of S.L. 2015-241 reads as rewritten:

"SECTION 11.7.(b) The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall jointly study and evaluate how a deferred admission program, to be known as the North Carolina Guaranteed Admission Program (NCGAP), for students identified as academically at risk and designed pursuant to subsection (c) of this section, would address the issues and help achieve the goals set out in subsection (a) of this section. In its study the Board of Governors and State Board of Community Colleges shall also consider the best procedure for implementing NCGAP and the fiscal impact it may have with respect to enrollment.

By January 1, 2017, the President of The University of North Carolina, in consultation with the Board of Governors, shall adopt a plan to improve student completion of baccalaureate degrees that includes specific targets for each constituent institution's completion rates and that is effective for the 2017-2018 academic year. For the purposes of this section, "completion rates" may include the four and six year graduation rate of first-time, full-time freshman or other methods of measuring completion that may more accurately capture the success of each institution's undergraduate population. The plan shall allow for a variety of strategies designed to best meet the individual constituent institutions' needs, such as, but not limited to: redesigned courses, early alerts systems, tutoring, degree mapping, and innovative merit-based completion incentives."

SECTION 11.2.(b) Section 11.7(d) of S.L. 2015-241 reads as rewritten:

"SECTION 11.7.(d) The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall report their finding and recommendations to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management by March 1, 2016. The report shall include an analysis of the fiscal impact NCGAP may have with regard to enrollment at constituent institutions of The University of North Carolina and at community colleges, the number of students who may participate in NCGAP, and its effect on FTEs.

The President of the University of North Carolina shall report on the plan to improve student completions to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management by January 1, 2017."

SECTION 11.2.(c) Section 11.7(e) of S.L. 2015-241 reads as rewritten:

"SECTION 11.7.(e) Based on the analysis conducted by the Board of Governors and the State Board of Community Colleges pursuant to subsection (b) of this section and the recommendations made pursuant to subsection (d) of this section, each constituent institution shall design a deferred admission program as part of NCGAP for implementation at the institution. The institution shall design the program so that it may be implemented at the institution beginning with the ~~2016-2017~~2017-2018 fiscal year and applied to the institution's admission process for the ~~2017-2018~~2018-2019 academic year and each subsequent academic year if the plan required by subsection (b) of this section is not implemented."

SECTION 11.2.(d) Section 11.7(g) of S.L. 2015-241 reads as rewritten:

"SECTION 11.7.(g) NCGAP shall be implemented at all constituent institutions and all community colleges beginning with the ~~2016-2017~~2017-2018 fiscal year and shall apply to admissions policies at each constituent institution and community college beginning with the ~~2017-2018~~2018-2019 academic year and each subsequent academic year if the plan required by subsection (b) of this section is not implemented."

ACCESS TO AFFORDABLE COLLEGE EDUCATION

SECTION 11.4.(a) Guarantee of No In-State Tuition Increase for Standard College Term. – Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-143.9. Fixed tuition and fee payment option.

(a) There is established a fixed tuition and fee payment program that shall be available to any freshman or transfer undergraduate student who is admitted to any constituent institution of

The University of North Carolina and deemed to be a North Carolina resident for purposes of tuition. The program shall have the following components:

- (1) A guarantee that the cost of tuition and the cost of fees will remain constant or decrease during the tuition period.
- (2) Except as provided in subsection (b) of this section, the tuition period shall be (i) eight consecutive academic semesters for a student seeking a baccalaureate degree in a four-year program or 10 consecutive academic semesters for a student seeking a baccalaureate degree in a program officially designated by the Board of Governors as a five-year program, not including any summer sessions, or (ii) the appropriate balance of that after making the proper adjustments for a student who transfers to the constituent institution.
- (3) Except as provided in subsection (b) of this section, the student must remain enrolled continuously at the constituent institution during the entire tuition period.
- (4) At the end of the tuition period, the cost of tuition for any additional academic semesters reverts to the amount of the current tuition for that constituent institution and a tuition surcharge imposed under G.S. 116-143.7, if applicable.

(b) The tuition period may be tolled if the student is able to demonstrate a substantial disruption or interruption in the student's pursuit of a degree as provided in G.S. 116-143.7(c).

(c) The Board of Governors shall adopt the policies needed to implement this section and shall also determine what the fixed tuition and fee payment rates and the tuition periods shall be for undergraduate transfer students who are North Carolina residents for purposes of tuition."

SECTION 11.4.(a1) Subsection (a) of this section is effective when it becomes law and applies to freshmen and transfer students who enroll at a constituent institution beginning with the 2016 fall academic semester.

SECTION 11.4.(b) Reduction of Student Fees. – Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The University of North Carolina and the Board of Trustees at each constituent institution shall reduce student fees as follows: Beginning with the 2018 fall academic semester, student fees shall be reduced by an amount that is five percent (5%) less than the amount of the student fees charged in the 2016 fall academic semester. The Board of Governors and the Boards of Trustees in their discretion shall determine what the amount of the reduction in fees required by this subsection shall be. After making the initial fee reduction of five percent (5%) required by this subsection, a constituent institution may increase student fees by no more than three percent (3%) per academic year.

SECTION 11.4.(c) Reduced Tuition at Certain Institutions. – Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-143.10. Reduced tuition at certain institutions.

(a) Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The University of North Carolina shall set tuition rates for the constituent institutions listed in subsection (c) of this section as follows: Beginning with the 2018 fall academic semester, the tuition rate for resident students shall be five hundred dollars (\$500.00) per academic semester and the tuition rate for nonresident students shall be two thousand five hundred dollars (\$2,500) per academic semester.

(b) Notwithstanding any other provision of law, beginning with the 2018-2019 fiscal year, the Director of the Budget may, on recommendation of the Board of Governors of The University of North Carolina, authorize an increase in the base budget for The University of North Carolina of up to seventy million dollars (\$70,000,000) to cover the cost of lost tuition revenue for that fiscal year. Any increase in the base budget authorized pursuant to this subsection shall not be included in the calculation of projected enrollment growth under G.S. 116-30.7. The authorization provided in this subsection shall be effective only as long as tuition continues at the rate established by subsection (a) of this section.

(c) This section applies only to the following constituent institutions:

- (1) Elizabeth City State University.
- (2) Fayetteville State University.
- (3) University of North Carolina at Pembroke.
- (4) Winston-Salem State University.
- (5) Western Carolina University."

SECTION 11.4.(c1) G.S. 116-144 reads as rewritten:

"§ 116-144. Higher tuition to be charged nonresidents.

~~The~~ Unless provided otherwise by law, the Board of Governors shall fix the tuition and required fees charged nonresidents of North Carolina who attend the institutions enumerated in G.S. 116-4 at rates higher than the rates charged residents of North Carolina and comparable to the rates charged nonresident students by comparable public institutions nationwide, except that a person who serves as a graduate teaching assistant or graduate research assistant or in a similar instructional or research assignment and is at the same time enrolled as a graduate student in the same institution may, in the discretion of the Board of Governors, be charged a lower rate fixed by the Board, provided the rate is not lower than the North Carolina resident rate."

SECTION 11.4.(d) Evaluation of Admission Cap on Nonresident Students Entering the Freshman Class of a Constituent Institution. – The Board of Governors shall consider what effect, if any, the elimination of or an increase in the current cap of eighteen percent (18%) on the admission of nonresident students entering the freshman class at the constituent institutions listed in subsection (d1) of this section may have regarding the student applications to those institutions. If the Board of Governors determines that eliminating or increasing such cap may increase the number, academic strength, and diversity of student applications at those institutions, then the Board of Governors may, in its discretion, adopt a policy that eliminates or establishes a different cap and the period of time for which the modification of the cap shall be implemented at those institutions.

SECTION 11.4.(d1) Subsection (d) of this section applies only to the following constituent institutions:

- (1) Elizabeth City State University.
- (2) Fayetteville State University.
- (3) University of North Carolina at Pembroke.
- (4) Winston-Salem State University.
- (5) Western Carolina University.

SECTION 11.4.(e) Establish Merit Scholarships at North Carolina Agricultural and Technical State University and North Carolina Central University. – Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 35.

"Cheatham-White Scholarships.

"§ 116-290. Cheatham-White Scholarships; establishment and purpose; benefits.

(a) Scholarships Established; Purpose. – The Cheatham-White Scholarships are established as a merit scholarship program at North Carolina Agricultural and Technical State University and at North Carolina Central University. The purpose of the scholarships is to provide an outstanding educational experience for students who are exceptional scholars, versatile and well-rounded individuals with a broad range of interests, and who are accomplished and proficient in areas of both the arts and the sciences. They must also demonstrate leadership potential and a strong commitment to service.

(b) Scholarship Benefits. – Each scholarship is a fully funded four-year scholarship that covers the cost of all of the following: full tuition, student fees, housing, meals, textbooks, a laptop, supplies, travel, and personal expenses. Each scholarship also provides four summers of fully funded enrichment and networking opportunities that may include international travel and study.

(c) Number of Scholarships Awarded. – Up to 50 scholarships, 40 for resident students and 10 for nonresident students, may be awarded each academic year to students admitted to North Carolina Agricultural and Technical State University. Up to 50 scholarships, 40 for resident students and 10 for nonresident students, may be awarded each academic year to students admitted to North Carolina Central University.

"§ 116-291. Cheatham-White Scholarships; fund established; administration of fund.

(a) Fund Established. – There is established the Cheatham-White Scholarships Fund to be used to fund scholarships awarded pursuant to this Article. Both private and public funds may be solicited in the creation of the fund.

(b) Matching Funds. – The funds appropriated each fiscal year to the Cheatham-White Scholarships Fund shall be matched by non-State funds and disbursed pursuant to G.S. 143C-4-5.

(c) Administration of Fund. – The University of North Carolina General Administration shall administer the Cheatham-White Scholarships Fund and the Cheatham-White Scholarships program.

"§ 116-292. Cheatham-White Scholarships; eligibility and selection criteria.

(a) Eligibility. – To be eligible to be nominated as a potential candidate for a Cheatham-White Scholarship, a person must satisfy all of the following criteria:

- (1) Be a competitive applicant for admission as a freshman in the fall semester into a baccalaureate program at either North Carolina Agricultural and Technical State University or North Carolina Central University.
- (2) Be a United States citizen or permanent resident.
- (3) Be on course to graduate from high school in the spring semester prior to college admission.

(b) Selection Criteria. – Candidates for Cheatham-White Scholarships shall be selected on the basis of academic merit, honorable character, outstanding leadership potential, and a demonstrable commitment to service. Financial need shall not be a consideration.

"§ 116-293. Cheatham-White Scholarships; school nomination of candidates.

All North Carolina high schools are eligible to nominate a student to be considered as a candidate for a Cheatham-White Scholarship. For purposes of this section, a high school includes a public school under the direction of a local board of education, a charter school, a regional school, a high school operated as part of The University of North Carolina, a school operated by the Department of Health and Human Services, a school operated by the State Board of Education, or a nonpublic school regulated under Article 39 of Chapter 115C of the General Statutes.

The number of nominees from each school is determined by the size of the senior class as follows:

- (1) Up to 199 seniors 2 nominees.
- (2) 200-399 seniors 3 nominees.
- (3) 400-499 seniors 4 nominees.
- (4) 500 or more seniors 5 nominees.

"§ 116-294. Cheatham-White Scholarships; administration of scholarships.

The University of North Carolina General Administration shall administer the Cheatham-White Scholarships, in consultation and collaboration with North Carolina Agricultural and Technical State University and North Carolina Central University, pursuant to policies adopted by the Board of Trustees of both constituent institutions. As part of its administrative responsibilities, the University of North Carolina General Administration, in consultation and collaboration with North Carolina Agricultural and Technical State University and North Carolina Central University, shall do all of the following:

- (1) Design and implement an application and school nomination process to be used to identify potential scholarship candidates and a process for awarding the scholarships.

- (2) Develop a direct nomination process, in addition to the school nomination process, that allows a student to nominate himself or herself to be considered as a candidate for the scholarship in certain circumstances.
- (3) Define and describe more fully the selection criteria to be considered when choosing a scholarship candidate and recipient.
- (4) Identify the parties that will (i) evaluate scholarship applications and nominations and (ii) determine which candidates shall be awarded scholarships.
- (5) Design the framework and add the necessary substantive detail for the scholarship program, including courses of study that will be available, summer enrichment programs, and other extraordinary educational opportunities, and oversee its implementation.
- (6) Establish a mentoring and networking system for scholarship recipients.
- (7) Administer the Cheatham-White Scholarships Fund.
- (8) Establish a Cheatham-White Scholarships alumni association and network.
- (9) Any other function necessary for the successful implementation of the Cheatham-White Scholarships program and administration of the Cheatham-White Scholarships Fund."

SECTION 11.4.(e1) G.S. 116-291, as enacted by subsection (e) of this section, becomes effective July 1, 2016. The remainder of subsection (e) of this section becomes effective beginning with the 2017 fall academic semester so that students may be nominated for the scholarship during the 2017-2018 academic year and recipients of the scholarship may enroll to begin a course of study at the constituent institution beginning with the 2018 fall academic semester.

SECTION 11.4.(f) Effective Dates. – Subsections (a) through (d) of this act do not apply to high schools governed by the University of North Carolina General Administration.

SECTION 11.4.(f1) Except as provided otherwise, this section is effective when it becomes law and applies to the 2016 fall academic semester and each subsequent academic semester.

DISCLOSURE OF STUDENT DATA AND RECORDS BY PRIVATE INSTITUTIONS OF HIGHER EDUCATION/LIABILITY PROTECTION

SECTION 11.5. G.S. 116-229.1(a) reads as rewritten:

"(a) A private college or university that discloses personally identifiable information in student data or records according to the terms of a written agreement with a State agency, local school administrative unit, community college, constituent institution of The University of North Carolina, or the North Carolina Independent Colleges and Universities, Inc., in compliance with the Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g, shall not be liable for a breach of confidentiality, disclosure, use, retention, or destruction of the student data or records if the breach, disclosure, use, retention, or destruction results from actions or omissions of either (i) the North Carolina Independent Colleges and Universities, Inc., the State agency, local school administrative unit, community college, or constituent institution of The University of North Carolina to which the data was provided or (ii) persons provided access to the data or records by those entities."

UNC TEACHER AND PRINCIPAL PREPARATION PROGRAM LAB SCHOOL FOR K-8 STUDENTS

SECTION 11.6.(a) Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 29A.

"University of North Carolina Laboratory Schools.

"§ 116-239.5. University of North Carolina laboratory schools; purpose.

1 (a) Each constituent institution of The University of North Carolina with an educator
2 preparation program shall establish a laboratory school to serve public school students in
3 accordance with this Article.

4 (b) The mission of a laboratory school shall be to improve student performance in local
5 school administrative units with low-performing schools by providing an enhanced education
6 program for students residing in those units and to provide exposure and training for teachers and
7 principals to successfully address challenges existing in high needs school settings. A laboratory
8 school shall provide an opportunity for research, demonstration, student support and expansion of
9 the teaching experience, and evaluation regarding management, teaching, and learning.

10 (c) Each laboratory school shall expand student opportunities for educational success
11 through high quality instructional programming and innovative instruction and research by using
12 the resources available to the constituent institution. Each constituent institution operating a
13 laboratory school shall incorporate best practices gained from State initiatives focused on
14 leadership development for both teachers and principals in low-performing schools and local
15 school administrative units.

16 (d) Except as otherwise provided in this Article, a laboratory school is exempt from
17 statutes and rules applicable to a local board of education or local school administrative unit.

18 **"§ 116-239.6. Definitions.**

19 The following definitions apply in this Article:

20 (1) Advisory board. – An advisory board established by the board of trustees under
21 G.S. 116-239.8.

22 (2) Board of trustees. – The board of trustees of the constituent institution of The
23 University of North Carolina with an educator preparation program that is the
24 governing body of a lab school established under this Article.

25 (3) Laboratory school or lab school. – A public school created under
26 G.S. 116-239.7 that (i) is located in a local school administrative unit that has
27 twenty five percent (25%) or more of the schools located in the unit identified
28 as low-performing under G.S. 115C-105.37 and (ii) serves students in
29 kindergarten through eighth grade.

30 (4) Principal. – The principal of a lab school.

31 **"§ 116-239.7. Plan for the location of lab schools; creation of a lab school; dissolution.**

32 (a) Plan for the Location of Lab Schools. – The Board of Governors, in collaboration with
33 the boards of trustees of constituent institutions with educator preparation programs, shall adopt a
34 plan for the location of lab schools in local school administrative units that meet the minimum
35 threshold for the number of low-performing schools located in the units under G.S. 116-239.6(3).
36 The plan shall include a geographically diverse distribution of lab schools throughout the State
37 and a maximum of one lab school located in a qualifying local school administrative unit. The
38 Board of Governors shall update the plan as necessary to reflect any changes to the number of
39 constituent institutions with educator preparation programs and the status of qualifying local
40 school administrative units at the end of the term of operation of a lab school. A constituent
41 institution shall not adopt a resolution to create a lab school under this section prior to receiving
42 approval from the Board of Governors on the location of the lab school. At least 90 days prior to
43 implementation, the Board of Governors shall submit the plan and any revisions to the plan to the
44 Joint Legislative Commission on Governmental Operations.

45 (b) Resolution to Create a Lab School. – The board of trustees of each constituent
46 institution of The University of North Carolina with an educator preparation program shall adopt a
47 resolution stating its intent to create a lab school, which shall include the following:

48 (1) Name of the lab school.

49 (2) The local school administrative unit in which the lab school shall be located.
50 The local school administrative unit in which the lab school is located shall
51 meet the requirement under G.S. 116-239.6(3) that twenty-five percent (25%)

1 or more of the schools located in the unit are identified as low-performing
2 under G.S. 115C-105.37 at the time the resolution is adopted. However, the
3 board of trustees shall continue to operate the lab school within the local school
4 administrative unit for at least five years as provided under subdivision (3) of
5 this subsection regardless of whether the local school administrative unit
6 continues to qualify under G.S. 116-239.6(3).

7 (3) A term of operation for the lab school of five years from the date of initial
8 operation. At the end of five years of operation, if the lab school is still located
9 in a local school administrative unit that has twenty-five percent (25%) or more
10 of the schools located in the unit identified as low-performing under
11 G.S. 115C-105.37, the resolution shall be renewed by the constituent institution
12 at the end of the term for an additional five years. If the lab school is no longer
13 located in a qualifying local school administrative unit at the end of five years,
14 the board of trustees shall notify the Board of Governors to request consultation
15 on determining the location of creating a new lab school in accordance with
16 subsection (a) of this section and the provisions of this Article.

17 (c) Recognition of a Lab School. – Each board of trustees that adopts a resolution as
18 provided in this section shall file a copy of the resolution with the State Board of Education. Upon
19 receipt of a resolution from a board of trustees for a named lab school, the State Board of
20 Education shall approve the creation of the lab school.

21 (d) Dissolution or Assumption of a Lab School. – In the event of the potential dissolution
22 of a lab school at the end of the term of the school's operation or due to the termination of an
23 educator preparation program at the constituent institution, subject to approval by the Board of
24 Governors, the board of trustees shall adopt a plan for the dissolution or the assumption of the lab
25 school by a new entity. A local board of education of the local school administrative unit in which
26 the lab school is located may transition the lab school to a public school under the governance of
27 the local board or, if the local school administrative unit still qualifies under G.S. 116-239.6(3),
28 the board of trustees of another constituent institution with an educator preparation program may
29 assume operation of the lab school. If the lab school is dissolved or a local board of education
30 assumes operation of the school, all net assets of the lab school purchased with public funds shall
31 be deemed property of the local school administrative unit in which the lab school is located. The
32 State Board of Education shall be notified in the event of the dissolution or assumption of a lab
33 school, including the identity of the entity assuming operation of the school.

34 **"§ 116-239.8. Board of trustees; powers and duties.**

35 The board of trustees shall have the following powers and duties:

36 (1) Advisory board. – A board of trustees shall appoint an advisory board to
37 provide general oversight and guidance to the board of trustees of the lab school
38 as follows:

39 a. Composition of the advisory board.– The dean of the constituent
40 institution's educator preparation program shall be a standing member of
41 the advisory board and the board of trustees, upon recommendation of
42 the president of the constituent institution, shall appoint four faculty
43 members from the institution, at least two of whom are from the
44 educator preparation program, one public member who resides in the
45 local school administrative unit in which the lab school is located, two
46 parents or guardians of students who attend the lab school, and one lab
47 school student appointed by the principal to serve on the advisory board.
48 The term of each member shall be for two years, and any vacancy shall
49 be filled with a person of the same classification as his or her
50 predecessor for the balance of the unexpired term. The board of trustees
51 shall stagger the terms of the initial appointees in a manner that results

- in the expiration of terms of no more than two members in any year. The board of trustees shall call the organizational meeting of the advisory board. The advisory board shall annually elect a chair and a vice-chair. There shall be no limitation on successive appointments to the advisory board or successive terms that may be served by a chair or vice-chair. The advisory board shall adopt internal organizational procedures or bylaws necessary for efficient operation. Advisory board members shall not receive per diem or travel expenses for the performance of their duties.
- b. The advisory board shall meet at least quarterly and shall have the following duties:
1. Monitor the operations of the lab school and the distribution of moneys allocated for such operations.
 2. Recommend to the board of trustees necessary policy, program, and administration modifications.
 3. Evaluate biennially the performance of the principal and recommend corresponding action to the board of trustees.
 4. Annually review evaluations of the lab school's operation and research findings.
- (2) Academic program. –
- a. The board of trustees shall establish the standard course of study for the lab school. This course of study shall set forth the subjects to be taught in each grade and the texts and other educational materials on each subject to be used in each grade. The board of trustees shall design its programs to meet at least the student performance standards adopted by the State Board of Education and the student performance standards contained in Chapter 115C of the General Statutes.
- b. The board of trustees shall conduct student assessments required by the State Board of Education.
- c. The board of trustees shall adopt a school calendar consisting of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months.
- (3) Standards of performance and conduct. – The board of trustees shall establish policies and standards for academic performance, attendance, and conduct for students of the lab school. The policies of the board of trustees shall comply with Article 27 of Chapter 115C of the General Statutes.
- (4) Food and transportation services. – The local school administrative unit in which the lab school is located shall continue to provide food services and transportation to students attending the lab school. The board of trustees shall arrange for the provision of these services from the local school administrative unit.
- (5) School attendance. – Every parent, guardian, or other person in this State having charge or control of a child who is enrolled in the lab school and who is less than 16 years of age shall cause such child to attend school continuously for a period equal to the time that the lab school shall be in session. No person shall encourage, entice, or counsel any child to be unlawfully absent from the lab school. Any person who aids or abets a student's unlawful absence from the lab school shall, upon conviction, be guilty of a Class 1 misdemeanor. The principal shall be responsible for implementing such additional policies concerning compulsory attendance as shall be adopted by the board of trustees, including regulations concerning lawful and unlawful absences, permissible

- excuses for temporary absences, maintenance of attendance records, and attendance counseling.
- (6) Reporting. – The board of trustees shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting System.
- (7) Assessment results. – The board of trustees shall provide data to the local school administrative unit on the performance of that student on any testing required by the State Board of Education.
- (8) Education of children with disabilities. – The board of trustees shall require compliance with laws and policies relating to the education of children with disabilities.
- (9) Health and safety. – The board of trustees shall require that the lab school meet the same health and safety standards required of a local school administrative unit. The Department of Public Instruction shall ensure that lab schools comply with G.S. 115C-375.2A. The board of trustees of a lab school shall provide the school with a supply of emergency epinephrine auto-injectors necessary to carry out the provisions of G.S. 115C-375.2A.
- (10) School Risk Management Plan. – Each lab school, in coordination with local law enforcement agencies, is encouraged to adopt a School Risk Management Plan (SRMP) relating to incidents of school violence. In constructing and maintaining these plans, a lab school may utilize the School Risk and Response Management System (SRRMS) established pursuant to G.S. 115C-105.49A. These plans are not considered a public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.
- (11) Schematic diagrams and school crisis kits. – Lab schools are encouraged to provide schematic diagrams and keys to the main entrance of school facilities to local law enforcement agencies, in addition to implementing the provisions in G.S. 115C-105.52.
- (12) School safety exercises. – At least once a year, a lab school is encouraged to hold a full schoolwide lockdown exercise with local law enforcement and emergency management agencies that are part of the lab school's SRMP.
- (13) Safety information provided to the Department of Public Safety, Division of Emergency Management. – A lab school is encouraged to provide the following: (i) schematic diagrams, including digital schematic diagrams and (ii) emergency response information requested by the Division for the SRMP. The schematic diagrams and emergency response information are not considered public records as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.
- (14) North Carolina school report cards. – A lab 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 lab school shall ensure that the overall school performance score and grade earned by the lab school for the current and previous four school years is prominently displayed on the school Web site. If a lab school is awarded a grade of D or F, the lab school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school.
- (15) Policy against bullying. – A lab school is encouraged to adopt a policy against bullying or harassing behavior, including cyberbullying, that is consistent with the provisions of Article 29C of Chapter 115C of the General Statutes. If a lab school adopts a policy to prohibit bullying and harassing behavior, the lab

school shall, at the beginning of each school year, provide the policy to staff, students, and parents as defined in G.S. 115C-390.1(b)(8).

- (16) Access for youth groups. – Lab schools are encouraged to facilitate access for students to participate in activities provided by any youth group listed in Title 36 of the United States Code as a patriotic society, such as the Boy Scouts of America, and its affiliated North Carolina groups and councils, and the Girl Scouts of the United States of America, and its affiliated North Carolina groups and councils. Student participation in any activities offered by these organizations shall not interfere with instructional time during the school day for the purposes of encouraging civic education.

"§ 116-239.9. Student admissions and assignment.

(a) Any child who is residing in a local school administrative unit in which a lab school is located and is enrolled in a low-performing school, as defined by G.S. 115C-105.37 at the time of the student's application, may attend the lab school.

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

(c) During each period of enrollment, the lab school shall enroll an eligible student who submits a timely application, with priority enrollment given in the order in which applications are received to a student who did not meet expected student growth in the prior school year based on any of the following: (i) grades, (ii) observations, (iii) diagnostic and formative assessments, (iv) State assessments, or (v) other factors, including reading on grade level. If the number of applications from other eligible students exceeds the capacity of a program, class, grade level, or building, those students shall be accepted by lot. Once enrolled, students are not required to reapply in subsequent enrollment periods.

(d) Notwithstanding any law to the contrary, a lab 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.

"§ 116-239.10. Employees.

The board of trustees shall appoint all licensed and nonlicensed staff in accordance with the following:

- (1) Principal. – The constituent institution shall employ and contract with a principal for a term not to exceed three years. The principal shall meet the requirements for licensure set out in G.S. 115C-284, unless waived by the State Board of Education upon submission of a request by the board of trustees. The principal shall be responsible for school operations and shall exercise those duties and powers delegated by the board of trustees.
- (2) Faculty members. – Faculty members may serve simultaneously as instructional personnel for the lab school and the constituent institution.
- (3) Teachers. – The constituent institution shall employ and contract with necessary teachers to perform the particular service for which they are employed in the school. At least fifty percent (50%) of teachers employed by the constituent institution shall hold teacher licenses, unless waived by the State Board of Education upon submission of a request by the board of trustees.
- (4) 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 lab school, the local school administrative unit shall grant the leave for one year. For the initial year of the lab 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 lab 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 local 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 lab 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 lab 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).

- (5) Nonlicensed staff. – The constituent institution also may employ necessary employees who are not required to hold teacher licenses to perform duties other than teaching and may contract for other services.
- (6) Employment dismissal. – An employee of the constituent institution is not an employee of the local school administrative unit in which the lab school is located. The constituent institution may discharge licensed and nonlicensed employees according to the terms of the employment contract.
- (7) Employee benefits. – Employees of the constituent institution shall participate in the Teachers' and State Employees' Retirement System and the State Health Plan on the same terms as other employees employed by the constituent institution.
- (8) Exemptions. – Employees of the constituent institution shall be exempt from Chapter 126 of the General Statutes, except Articles 6 and 7.

"§ 116-239.11. State and local funds.

(a) The State Board of Education shall allocate to a lab school the following:

- (1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the school is located for each child attending the lab 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 lab school who is a child with disabilities. In the event a child with disabilities leaves the lab school and enrolls in a public school during the first 60 school days in the school year, the lab 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 the lab school during the first 60 school days in the school year, the State Board shall allocate to the lab school the pro rata amount of additional funds for children with disabilities.
- (3) An additional amount for children with limited English proficiency attending the lab school, based on a formula adopted by the State Board.

(b) The State Board shall allow for annual adjustments to the amount allocated to the lab school based on its enrollment growth in school years subsequent to the initial year of operation.

(c) 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 lab schools and may be used for payments on loans made to lab schools for facilities, equipment, or operations. However, State funds allocated under this section shall not be used to obtain any other interest in real property or mobile classroom units.

(d) If a student attends a lab school, the local school administrative unit in which the child resides shall transfer to the lab school an amount equal to the per pupil share of the local current

1 expense fund of the local school administrative unit for the fiscal year. The per pupil share of the
2 local current expense fund shall be transferred to the lab school within 30 days of the receipt of
3 monies into the local current expense fund. The local school administrative unit and lab school
4 may use the process for mediation of differences provided in G.S. 115C-218.95(d) to resolve
5 differences on calculation and transference of the per pupil share of the local current expense fund.
6 The amount transferred under this subsection that consists of revenue derived from supplemental
7 taxes shall be transferred only to a lab school located in the tax district for which these taxes are
8 levied and in which the student resides.

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

- 12 (1) The total amount of monies the local school administrative unit has in each of
13 the funds listed in G.S. 115C-426(c).
- 14 (2) The student membership numbers used to calculate the per pupil share of the
15 local current expense fund.
- 16 (3) How the per pupil share of the local current expense fund was calculated.
- 17 (4) Any additional records requested by a lab school from the local school
18 administrative unit in order for the lab school to audit and verify the calculation
19 and transfer of the per pupil share of the local current expense fund.

20 (f) Prior to commencing an action under subsection (d) of this section, the complaining
21 party shall give the other party 15 days' written notice of the alleged violation. The court shall
22 award the prevailing party reasonable attorneys' fees and costs incurred in an action under
23 subsection (d) of this section. The court shall order any delinquent funds, costs, fees, and interest
24 to be paid in equal monthly installments and shall establish a time for payment in full that shall be
25 no later than one year from the entry of any judgment.

26 **"§ 116-239.12. Criminal history record checks.**

27 (a) As used in this section:

- 28 (1) "Criminal history" means a county, state, or federal criminal history of
29 conviction of a crime, whether a misdemeanor or a felony, that indicates an
30 individual (i) poses a threat to the physical safety of students or personnel or (ii)
31 has demonstrated that he or she does not have the integrity or honesty to fulfill
32 his or her duties as school personnel. These crimes include the following North
33 Carolina crimes contained in any of the following Articles of Chapter 14 of the
34 General Statutes: Article 5A, Endangering Executive and Legislative, and Court
35 Officers; Article 6, Homicide; Article 7B, Rape and Other Sex Offenses;
36 Article 8, Assaults; Article 10, Kidnapping and Abduction; Article 13,
37 Malicious Injury or Damage by Use of Explosive or Incendiary Device or
38 Material; Article 14, Burglary and Other Housebreakings; Article 15, Arson
39 and Other Burnings; Article 16, Larceny; Article 17, Robbery; Article 18,
40 Embezzlement; Article 19, False Pretense and Cheats; Article 19A, Obtaining
41 Property or Services by False or Fraudulent Use of Credit Device or Other
42 Means; Article 20, Frauds; Article 21, Forgery; Article 26, Offenses Against
43 Public Morality and Decency; Article 26A, Adult Establishments; Article 27,
44 Prostitution; Article 28, Perjury; Article 29, Bribery; Article 31, Misconduct in
45 Public Office; Article 35, Offenses Against the Public Peace; Article 36A, Riots
46 and Civil Disorders; Article 39, Protection of Minors; and Article 60,
47 Computer-Related Crime. These crimes also include possession or sale of drugs
48 in violation of the North Carolina Controlled Substances Act, Article 5 of
49 Chapter 90 of the General Statutes, and alcohol-related offenses such as sale to
50 underage persons in violation of G.S. 18B-302 or driving while impaired in
51 violation of G.S. 20-138.1 through G.S. 20-138.5. In addition to the North

Carolina crimes listed in this subdivision, such crimes also include similar crimes under federal law or under the laws of other states.

(2) "School personnel" means any of the following:

- a. Member of the board of trustees or the advisory board.
- b. Employee of the lab school.
- c. Independent contractor or employee of an independent contractor of the lab school if the independent contractor carries out duties customarily performed by school personnel, whether paid with federal, State, local, or other funds, who has significant access to students or who has responsibility for the fiscal management of the lab school.

(b) The board of trustees shall adopt a policy that requires an applicant for a school personnel position to be checked for a criminal history as provided in subsection (c) of this section. The board of trustees shall apply its policy uniformly in requiring applicants for school personnel positions to be checked for a criminal history. The board of trustees may grant conditional approval of an application while the board of trustees is checking a person's criminal history and making a decision based on the results of the check. An applicant for a school personnel position shall not be required to be checked for a criminal history if he or she has received a license within six months of employment that required a criminal history check equivalent to the criminal history check required in subsection (c) of this section.

The board of trustees shall not require an applicant to pay for the criminal history record check authorized under this section.

(c) The board of trustees shall require the person to be checked by the Department of Public Safety (i) to be fingerprinted and to provide any additional information required by the Department of Public Safety to a person designated by the board of trustees or to the local sheriff or the municipal police, whichever is more convenient for the person and (ii) to sign a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the repositories. The board of trustees shall consider refusal to consent when making employment decisions and decisions with regard to independent contractors. 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 Public Safety shall provide to the board of trustees the criminal history from the State and National Repositories of Criminal Histories of any school personnel for which the board of trustees requires a criminal history record check.

The board of trustees shall not require school personnel to pay for fingerprints authorized under this section.

(d) The board of trustees shall review the criminal history it receives on an individual. The board of trustees shall determine whether the results of the review indicate that the individual (i) poses a threat to the physical safety of students or personnel or (ii) has demonstrated that he or she does not have the integrity or honesty to fulfill his or her duties as school personnel and shall use the information when making employment decisions and decisions with regard to independent contractors. The board of trustees shall make written findings with regard to how it used the information when making employment decisions and decisions with regard to independent contractors. The board of trustees may delegate any of the duties in this subsection to the principal.

(e) The board of trustees, or the principal if designated by the board of trustees, shall provide to the State Board of Education the criminal history it receives on a person who is certificated, certified, or licensed by the State Board of Education. The State Board of Education shall review the criminal history and determine whether the person's certificate or license should be revoked in accordance with State laws and rules regarding revocation.

(f) All the information received by the board of trustees through the checking of the criminal history or by the State Board of Education in accordance with this section is privileged

information and is not a public record but is for the exclusive use of the board of trustees or the State Board of Education. The board of trustees or the State Board of Education may destroy the information after it is used for the purposes authorized by this section after one calendar year.

(g) There shall be no liability for negligence on the part of the board of trustees, or its employees, or the State Board of Education, or its employees, arising from any act taken or omission by any of them in carrying out the provisions of this section. The immunity established by this subsection shall not extend to gross negligence, wanton conduct, or intentional wrongdoing that would otherwise be actionable. The immunity established by this subsection shall be deemed to have been waived to the extent of indemnification by insurance, indemnification under Articles 31A and 31B of Chapter 143 of the General Statutes, and to the extent sovereign immunity is waived under the Tort Claims Act, as set forth in Article 31 of Chapter 143 of the General Statutes.

(h) Any applicant for employment who willfully furnishes, supplies, or otherwise gives false information on an employment application that is the basis for a criminal history record check under this section shall be guilty of a Class A1 misdemeanor.

"§ 116-239.13. Review of lab schools.

The Board of Governors of The University of North Carolina, in conjunction with the constituent institutions operating lab schools and the State Board of Education, shall review and evaluate the educational effectiveness of the lab schools authorized under this Article for both public school students and students enrolled in educator preparation programs. The Board of Governors shall report by November 15 of each year to the Joint Legislative Education Oversight Committee on the following:

- (1) Information on public school student enrollment in each lab school, including student demographics.
- (2) The public school student admissions process and the number of students enrolled under the priority admissions category at each lab school.
- (3) Public school student achievement data, including school performance grades and student achievement scores and student growth, at each lab school.
- (4) Public school student academic progress in each lab school as measured against the previous school year and against other schools located in the local school administrative unit and statewide.
- (5) Information on the student outcomes for students who are enrolled in each educator preparation program who obtained clinical experience in school leadership and teaching in the lab schools, including the performance elements reported under G.S. 115C-296.13(b).
- (6) Best practices resulting from lab school operations.
- (7) Other information the Board considers appropriate."

SECTION 11.6.(b) G.S. 14-458.2(a) reads as rewritten:

"(a) The following definitions apply in this section:

- (1) School employee. – The term means any of the following:
 - a. An employee of a local board of education, a charter school authorized under G.S. 115C-218.5, a regional school created under G.S. 115C-238.62, a lab school created under G.S. 116-239.7, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes.
 - b. An independent contractor or an employee of an independent contractor of a local board of education, a charter school authorized under G.S. 115C-218.5, a regional school created under G.S. 115C-238.62, a lab school created under G.S. 116-239.7, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter

115C of the General Statutes, if the independent contractor carries out duties customarily performed by employees of the school.

- (2) Student. – A person who has been assigned to a school by a local board of education as provided in G.S. 115C-366 or has enrolled in a charter school authorized under G.S. 115C-218.5, a regional school created under G.S. 115C-238.62, a lab school created under G.S. 116-239.7, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes, or a person who has been suspended or expelled from any of those schools within the last year."

SECTION 11.6.(c) G.S. 115C-83.15 reads as rewritten:

"§ 115C-83.15. School achievement, growth, performance scores, and grades.

...

(b) Calculation of the School Achievement Score. – In calculating the overall school achievement score earned by schools, the State Board of Education shall total the sum of points earned by a school on all of the following indicators that are measured for that school:

- (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 on the Algebra I or Integrated Math I end-of-course test.
- (5) One point for each percent of students who score at or above proficient on the English II end-of-course test.
- (6) One point for each percent of students who score at or above proficient on the Biology end-of-course test.
- (7) One point for each percent of students who complete Algebra II or Integrated Math III with a passing grade.
- (8) 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 on a nationally normed test of college readiness.
- (9) 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.
- (10) One point for each percent of students who graduate within four years of entering high school.

In calculating the overall school achievement score earned by schools, the State Board of Education shall (i) use a composite approach to weigh the achievement elements based on the number of students measured by any given achievement element and (ii) proportionally adjust the scale to account for the absence of a school achievement element for award of scores to a school that does not have a measure of one of the school achievement elements annually assessed for the grades taught at that school. The overall school achievement score shall be translated to a 100-point scale and used for school reporting purposes as provided in G.S. 115C-12(9)c1., ~~115C-218.65, and 115C-238.66.~~ 115C-238.66, and 116-239.8.

(c) Calculation of the School Growth Score. – 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 the achievement indicators as provided in subsection (b) of this section that have available growth values. 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 and used for school reporting purposes as provided in G.S. 115C-12(9)c1., 115C-218.65, ~~and 115C-238.66.~~ 115C-238.66, and 116-239.8.

(d) Calculation of the School Performance Scores and Grades. – The State Board of Education shall use EVAAS to calculate the school performance score by adding the school achievement score, as provided in subsection (b) of this section, and the school growth score, as provided in subsection (c) of this section, earned by a school. The school achievement score shall account for eighty percent (80%), and the school growth score shall account for twenty percent (20%) of the total sum. If a school has met expected growth and inclusion of the school's growth score reduces the school's performance score and grade, a school may choose to use the school achievement score solely to calculate the performance score and grade. For all schools, the total school performance score shall be converted to a 100-point scale and used to determine a school performance grade based on the following scale:

- (1) A school performance score of at least 90 is equivalent to an overall school performance grade of A.
- (2) A school performance score of at least 80 is equivalent to an overall school performance grade of B.
- (3) A school performance score of at least 70 is equivalent to an overall school performance grade of C.
- (4) A school performance score of at least 60 is equivalent to an overall school performance grade of D.
- (5) A school performance score of less than 60 points is equivalent to an overall school performance grade of F.

(e) Elementary and Middle School Reading and Math Achievement Scores. – For schools serving students in kindergarten through eighth grade, the school achievement 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-218.65, ~~and 115C-238.66.~~ 115C-238.66, and 116-239.8.

(f) Indication of Growth. – In addition to awarding the overall school scores for achievement, growth, and performance and the performance grade, using EVAAS, the State Board shall designate that a school has met, exceeded, or has not met expected growth. The designation of student growth shall be clearly displayed in the annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, ~~and 115C-238.66.~~ 115C-238.66, and 116-239.8."

SECTION 11.6.(d) Notwithstanding G.S. 116-239.7(a), as enacted by this section, by November 1, 2016, the Board of Governors of The University of North Carolina shall submit a plan for the location of lab schools throughout the State to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 116-239.7(a).

Notwithstanding Article 29A of Chapter 116 of the General Statutes, as enacted by this section, no earlier than April 1, 2017, each constituent institution of The University of North Carolina with an educator preparation program shall adopt a resolution to create a lab school under G.S. 116-239.7 to begin operation of its lab school in the 2017-2018 school year.

SECTION 11.6.(e) The nonrecurring funds in the amount of one million dollars (\$1,000,000) appropriated by this act to the Board of Governors for the UNC Teacher and Principal Preparation Laboratory School Program shall be allocated to The University of North Carolina General Administration to provide administrative and technical assistance to constituent institutions with educator preparation programs to support the establishment of lab schools in accordance with this section.

SECTION 11.6.(f) By November 15, 2017, the Board of Governors shall submit a report to the Joint Legislative Education Oversight Committee on the progress of establishing the lab schools as required by Article 29A of Chapter 116 of the General Statutes, including information on student enrollment numbers and the admissions process and any other information the Board deems relevant. By November 15, 2018, the Board of Governors shall submit the initial report required by G.S. 116-239.13 to the Joint Legislative Education Oversight Committee.

UNC ADVANCEMENT ACTIVITY

SECTION 11.7. The Board of Governors shall distribute the five million dollars (\$5,000,000) in nonrecurring funds appropriated to it by this act for the 2016-2017 fiscal year for the purpose of partially offsetting the reduction required by the cap on campus advancement activities established in Section 11.6 of S.L. 2015-241 proportionately among the constituent institutions as follows: the proportionate distributions shall be based on the proportion by which each constituent institution exceeded expenditures of one million dollars (\$1,000,000) in State funds on advancement programs for the 2015-2016 fiscal year.

LRC/STUDY TAXATION OF LESSEES AND USERS OF TAX-EXEMPT CROPLAND OR FORESTLAND

SECTION 11.8.(a) The Legislative Research Commission may study the laws regarding taxation of lessees and users of tax-exempt cropland or forestland, such as Hofmann Forest, to determine the effect of those laws with regard to a governmental entity that owns the property, a governmental entity in which the property is located, a person as defined in G.S. 105-273(12) that leases or uses the property in connection with business conducted for profit, and a person as defined in G.S. 105-273(12) that leases or uses the property in connection with an eleemosynary enterprise of some kind. In addition to the laws regarding taxation, the Commission may study any other issue it deems relevant to this study.

SECTION 11.8.(b) The Legislative Research Commission shall report its findings, together with any recommended legislation, to the 2017 General Assembly upon its convening.

SUBPART XI-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY**MODIFICATIONS TO THE SPECIAL EDUCATION SCHOLARSHIP GRANT PROGRAM FOR CHILDREN WITH DISABILITIES**

SECTION 11A.2.(a) G.S. 115C-112.6 reads as rewritten:
"§ 115C-112.6. Scholarships.

...

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

- (1) ~~Scholarship-Tuition endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds awarded to eligible students for endorsement by at least one of the student's parents or guardians for tuition to attend (i) a North Carolina public school other than the public school to which that student has been assigned as provided in G.S. 115C-366 or (ii) a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education, and reimbursement. – The Authority shall disburse scholarship funds awarded to eligible students for tuition at a nonpublic school based upon the method selected by the nonpublic school. A nonpublic school may elect to participate in the scholarship endorsement for tuition option or the reimbursement for tuition option as set forth in this subdivision. Scholarship funds shall not be provided for tuition for home schooled students. If the student is attending a nonpublic school, the school must be deemed eligible by the Division of Nonpublic Education, pursuant to G.S. 115C-562.4, and the school shall be subject to the requirements of G.S. 115C-562.5. The parent or guardian shall restrictively endorse the scholarship funds awarded to the eligible student to the school for deposit into the account of the school. The~~

parent or guardian shall not designate any entity or individual associated with the school as the parent's attorney-in-fact to endorse the scholarship funds but shall endorse the scholarship funds in person at the site of the school. A parent's or guardian's failure to comply with this section shall result in forfeiture of the scholarship funds. A scholarship forfeited for failure to comply with this section shall be returned to the Authority to be awarded to another student. Scholarship funds for tuition shall be disbursed as follows:

a. Scholarship endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds awarded to eligible students for endorsement by at least one of the student's parents or guardians for tuition to attend a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education, is deemed eligible by the Division, and is subject to the requirements of G.S. 115C-562.5. The parent or guardian shall restrictively endorse the scholarship funds awarded to the eligible student to the school for deposit into the account of the school. The parent or guardian shall not designate any entity or individual associated with the school as the parent's attorney-in-fact to endorse the scholarship funds but shall endorse the scholarship funds in person at the site of the school. A parent's or guardian's failure to comply with this section shall result in forfeiture of the scholarship funds. A scholarship forfeited for failure to comply with this section shall be returned to the Authority to be awarded to another student.

b. Reimbursement for tuition. – The parent or guardian of an eligible student who enrolls in a school that is (i) a North Carolina public school other than the public school to which that student has been assigned as provided in G.S. 115C-366 or (ii) a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education, is deemed eligible by the Division, and is not subject to G.S. 115C-562.5, shall pay tuition directly to the school. The Authority shall reimburse the parent or guardian no sooner than the midpoint of each semester. A parent or guardian may receive reimbursement for tuition if the parent or guardian provides documentation that the student was enrolled in a school under this sub-subdivision.

(2) Scholarship reimbursements for costs. – Scholarship reimbursement for costs incurred shall be provided as follows:

a. Preapproval process. – Prior to the start of each school semester, the parent of an eligible student may submit documentation of the special education, related services, or educational technology the parent anticipates incurring costs on in that semester for preapproval by the Authority.

b. Reimbursement submissions. – Following the conclusion of each school semester, the parent of an eligible student shall submit to the Authority any receipts or other documentation approved by the Authority to demonstrate the costs incurred during the semester. In addition, parents shall provide documentation of the following to seek reimbursement:

1. Special education reimbursement. – Parents may only receive reimbursement for special education if the parent provides documentation that the student received special education for no

- 1 less than 75 days of the semester for which the parent seeks
2 reimbursement. Special education reimbursement shall not be
3 provided for special education instruction provided to a home
4 schooled student by a member of the household of a home
5 school, as defined in G.S. 115C-563(a).
- 6 2. Related services reimbursement. – Parents may only receive
7 reimbursement for related services if the parent provides
8 documentation that the student also received special education
9 for no less than 75 days of the semester for which the parent
10 seeks reimbursement for the related services. Related services
11 reimbursement shall not be provided for related services
12 provided to a home schooled student by a member of the
13 household of a home school, as defined in G.S. 115C-563(a).
- 14 3. Educational technology reimbursement. – Parents may only
15 receive reimbursement for educational technology if the parent
16 provides documentation that the student used the educational
17 technology for no less than 75 days of the semester for which the
18 parent seeks reimbursement.
- 19 c. Scholarship award. – The Authority shall award a scholarship in the
20 amount of costs demonstrated by the parent up to the maximum amount.
21 If the costs incurred by the parent do not meet the maximum ~~amount~~,
22 amount for the fall semester, the Authority shall use the remainder of
23 those funds for the award of scholarships to eligible students for the
24 following ~~semester~~. spring semester. The Authority shall award
25 scholarships to the parents of eligible students at least semiannually.
- 26 d. Carryforward of funds for reimbursements. – Any unexpended
27 scholarship funds at the end of each fiscal year shall revert to the
28 General Fund, except that the Authority may carry forward for the next
29 fiscal year an amount necessary to ensure that any outstanding,
30 allowable reimbursements can be disbursed in accordance with this
31 section. Any funds carried forward for the purpose of meeting
32 anticipated reimbursement obligations from the prior fiscal year that are
33 not expended shall not be used to award additional scholarships to
34 eligible students but shall revert to the General Fund at the end of the
35 that fiscal year.
- 36 (c) Student Continuing Eligibility. – After an eligible student's initial receipt of a
37 scholarship, the Authority shall ensure that the student's continuing eligibility is assessed at least
38 every three years by one of the following:
- 39 (1) The local educational agency. – The local school educational agency shall
40 assess if the child continues to be a child with a disability and verify the
41 outcome on a form to be provided to the Authority.
- 42 (2) A licensed psychologist with a school psychology ~~focus~~. focus or a psychiatrist.
43 – The psychologist or psychiatrist shall assess, after review of appropriate
44 medical and educational records, if the education and related services received
45 by the student in the nonpublic school setting have improved the child's
46 educational performance and if the student would continue to benefit from
47 placement in the nonpublic school setting. The psychologist or psychiatrist shall
48 verify the outcome of the assessment on a form to be provided to the Authority.
- 49"

50 **SECTION 11A.2.(b)** Notwithstanding G.S. 115C-112.5(2)f.1., for the 2016-2017
51 school year only, a child shall be deemed to have met the eligibility requirement of enrollment in a

1 North Carolina public school during the previous semester under G.S. 115C-112.5(2)f.1. if (i) the
2 child's parent or guardian submitted an application and was eligible to receive a scholarship grant
3 under Part 1H of Article 9 of Chapter 115C of the General Statutes for the 2015-2016 school year
4 and was enrolled in a public school for at least 75 days during the spring semester of the
5 2014-2015 school year or (ii) the child was enrolled for at least 75 days during the spring semester
6 of the 2015-2016 school year.

7 **SECTION 11A.2.(c)** Except as otherwise provided in this section, this section applies
8 beginning with the 2016-2017 school year.
9

10 **OPPORTUNITY SCHOLARSHIP PROGRAM FORWARD FUNDING**

11 **SECTION 11A.3.(a)** It is the intent of the General Assembly to move the Opportunity
12 Scholarship Grant program funding into the Opportunity Scholarship Grant Fund Reserve
13 (Reserve) established under G.S. 115C-562.8, as enacted by this act, so that funds appropriated for
14 scholarship grants in a fiscal year are awarded to students for the following school year. This
15 change shall provide additional program stability.

16 **SECTION 11A.3.(b)** G.S. 115C-562.1 is amended by adding a new subdivision to
17 read:

18 "(5a) Reserve. – The Opportunity Scholarship Grant Fund Reserve established under
19 G.S. 115C-562.8."

20 **SECTION 11A.3.(c)** G.S. 115C-562.2 is amended by adding a new subsection to
21 read:

22 "(b1) Beginning with the 2017-2018 school year, within the funds appropriated by the
23 General Assembly to award scholarship grants to eligible students under this Part, the Authority
24 may award scholarship grants to at least 2,000 more eligible students each school year than were
25 served in the prior school year."

26 **SECTION 11A.3.(d)** Part 2A of Article 39 of Chapter 115C of the General Statutes is
27 amended by adding a new section to read:

28 **"§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.**

29 The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be
30 administered by the Board of Governors of The University of North Carolina for the purpose of
31 allocating funds to the Authority for the award of scholarship grants in accordance with this Part.
32 The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the
33 General Assembly. These funds shall be used to award scholarship grants to eligible students for
34 the school year that begins in the fiscal year following the fiscal year in which the appropriation is
35 made to the Reserve. The Board of Governors shall only use monies in the Reserve in accordance
36 with the purposes set forth in this section. The unobligated balance of funds in the Reserve at the
37 end of each fiscal year shall not revert to the General Fund but shall be used for those purposes set
38 forth in this section for the next fiscal year."

39 **SECTION 11A.3.(e)** G.S. 115C-562.8, as enacted by subsection (d) of this section,
40 reads as rewritten:

41 **"§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.**

42 (a) The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be
43 administered by the Board of Governors of The University of North Carolina for the purpose of
44 allocating funds to the Authority for the award of scholarship grants in accordance with this Part.
45 The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the
46 General Assembly to be used to award scholarship grants to eligible students for the school year
47 that begins in the fiscal year following the fiscal year in which the appropriation is made to the
48 Reserve. The Board of Governors shall only use monies in the Reserve in accordance with the
49 purposes set forth in this section. The unobligated balance of funds in the Reserve at the end of
50 each fiscal year shall not revert to the General Fund, but shall be used for those purposes set forth
51 in this section for the next fiscal year.

(b) The General Assembly finds that, due to the critical need in this State to provide opportunity for school choice for North Carolina students, it is imperative that the State provide an increase of funds of at least ten million dollars (\$10,000,000) each fiscal year for 10 years to the Opportunity Scholarship Grant Fund Reserve. Therefore, there is appropriated from the General Fund to the Reserve the following amounts for each fiscal year to be used for the purposes set forth in this section:

<u>Fiscal Year</u>	<u>Appropriation</u>
<u>2017-2018</u>	<u>\$44,840,000</u>
<u>2018-2019</u>	<u>\$54,840,000</u>
<u>2019-2020</u>	<u>\$64,840,000</u>
<u>2020-2021</u>	<u>\$74,840,000</u>
<u>2021-2022</u>	<u>\$84,840,000</u>
<u>2022-2023</u>	<u>\$94,840,000</u>
<u>2023-2024</u>	<u>\$104,840,000</u>
<u>2024-2025</u>	<u>\$114,840,000</u>
<u>2025-2026</u>	<u>\$124,840,000</u>
<u>2026-2027</u>	<u>\$134,840,000</u>

For the 2027-2028 fiscal year and each fiscal year thereafter, there is appropriated from the General Fund to the Reserve the sum of one hundred forty-four million eight hundred forty thousand dollars (\$144,840,000) to be used for the purposes set forth in this section.

(c) Of the funds allocated to the Authority to award scholarship grants under this Part, the Authority may retain the lesser of up to four percent (4%) of the funds appropriated or one million five hundred thousand dollars (\$1,500,000) each fiscal year for administrative costs associated with the scholarship grant program."

SECTION 11A.3.(f) Section 5(b) of S.L. 2013-364, as amended by Section 3.2 of S.L. 2013-363 and Section 11.18 of S.L. 2015-241, is repealed.

SECTION 11A.3.(g) Subsections (e) and (f) of this section become effective July 1, 2017.

ELIMINATE THE TRANSFORMING PRINCIPAL PREPARATION PROGRAM

SECTION 11A.4. Section 11.9 of S.L. 2015-241 is repealed.

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST)

SECTION 12A.1. Section 12A.7 of S.L. 2015-241 reads as rewritten:

"**SECTION 12A.7.(a)** Funds appropriated in this act in the amount of five million eight hundred three thousand dollars (\$5,803,000) for the 2015-2016 fiscal year and thirteen million fifty-two thousand dollars (\$13,052,000) for the 2016-2017 fiscal year along with prior year earned revenue in the amount of nine million four hundred thousand dollars (\$9,400,000) for the 2015-2016 fiscal year and ten million nine hundred eighty-nine thousand seventeen dollars (\$10,989,017) for the 2016-2017 fiscal year; and for each of those fiscal years, 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 the 2015-2016 and 2016-2017 fiscal years to expedite the development and implementation of Child Care, Low Income Energy Assistance, Crisis Intervention Programs, Child Services, and NC FAST Federally-Facilitated Marketplace (FFM) Interoperability—Interoperability, and Additional Medicaid Eligibility Requirements and Enterprise Program Integrity components of the NC FAST

1 program. The Department shall report any changes in approved federal funding or federal match
2 rates within 30 days after the change to the Joint Legislative Oversight Committees on Health and
3 Human Services and Information Technology and the Fiscal Research Division.

4 "SECTION 12A.7.(b) Departmental receipts appropriated in this act in the amount of nine
5 million eight hundred seventy-one thousand fifty-nine dollars (\$9,871,059) for the 2015-2016
6 fiscal year and ~~thirteen million two hundred twenty thousand six hundred sixty five dollars~~
7 ~~(\$13,220,665)~~ twenty-five million eight hundred fifty-eight thousand one hundred eighty-seven
8 dollars (\$25,858,187) for the 2016-2017 fiscal year shall be used to provide ongoing maintenance
9 and operations for the NC FAST system, including the creation of three full-time equivalent
10 technology support analyst positions."

11 12 **ELIMINATION OF NC TRACKS ICD-10 IMPLEMENTATION REPORT**

13 **SECTION 12A.2.** Section 12A.6(b) of S.L. 2015-241 is repealed.
14

15 **FINAL REPORT ON COMMUNITY PARAMEDICINE PILOT PROGRAM**

16 **SECTION 12A.3.** Section 12A.12(e) of S.L. 2015-241 reads as rewritten:

17 "SECTION 12A.12.(e) The Department of Health and Human Services shall submit a final
18 report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal
19 Research Division by ~~November 1, 2016~~ March 1, 2017. At a minimum, the final report shall
20 include all of the following:

- 21 (1) An updated version of the evaluation plan required by subsection (d) of this
22 section.
- 23 (2) An estimate of the cost to expand the program incrementally and statewide.
- 24 (3) An estimate of any potential savings of State funds associated with expansion
25 of the program.
- 26 (4) If expansion of the program is recommended, a time line for expanding the
27 program."
28

29 **CONTRACTING SPECIALIST TRAINING PROGRAM**

30 **SECTION 12A.4.(a)** The School of Government at the University of North Carolina
31 at Chapel Hill (SOG), in collaboration with the Director of Procurement, Contracts and Grants for
32 the Department of Health and Human Services, shall prepare a proposal for the design of a
33 contracting specialist training program for management level personnel within the Department that
34 is based on both national standards and the Certified Local Government Purchasing Officer
35 Program administered by the SOG. By August 1, 2016, the SOG and the Department shall submit
36 the proposal prepared pursuant to this subsection to the Joint Legislative Oversight Committee on
37 Health and Human Services and the Fiscal Research Division.

38 **SECTION 12A.4.(b)** The SOG, in collaboration with the Director of Procurement,
39 Contracts and Grants for the Department of Health and Human Services, shall prepare a proposal
40 for the implementation and administration of the contracting specialist training program for
41 management level personnel within the Department. The proposal shall include budget estimates
42 for program implementation and administration based on the requirements of the program design.
43 The SOG and the Department shall submit the proposal prepared pursuant to this subsection,
44 including budget estimates for program implementation and administration, to the House
45 Appropriations Committee on Health and Human Services, the Senate Appropriations Committee
46 on Health and Human Services, and the Fiscal Research Division for consideration during the
47 2017 Regular Session.

48 **SECTION 12A.4.(c)** This section is effective when it becomes law.
49

50 **REVISE LIST OF INITIATIVES/COMPETITIVE GRANTS/NONPROFIT** 51 **ORGANIZATIONS**

SECTION 12A.5. Section 12A.8(b)(4) of S.L. 2015-241 is amended by adding the following new sub-subdivision to read:

"SECTION 12A.8.(b) The Department shall continue administering a competitive grants process for nonprofit funding. The Department shall administer a plan that, at a minimum, includes each of the following:

...
(4) A process that awards grants to nonprofits that have the capacity to provide services on a statewide basis and that support any of the following State health and wellness initiatives:

...
n. A program that provides year-round sports training and athletic competition for children and adults with disabilities."

FUNDS FOR CONTINUED DEVELOPMENT OF HEALTH ANALYTICS PILOT PROGRAM

SECTION 12A.7. Section 12A.17 of S.L. 2015-241 reads as rewritten:

"SECTION 12A.17.(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 seven hundred fifty thousand dollars (\$750,000) in nonrecurring funds for the 2015-2016 fiscal ~~year and year~~; the sum of two hundred fifty thousand dollars (\$250,000) in recurring funds for each year of the 2015-2016 fiscal year 2015-2017 fiscal biennium; and the sum of one million two hundred fifty thousand dollars (\$1,250,000) in nonrecurring funds for the 2016-2017 fiscal year shall be used for the ~~development and implementation~~ phased development, implementation, and operation of a pilot program for Medicaid claims analytics and population health management.

"SECTION 12A.17.(b) The Department shall coordinate with the Government Data Analytics Center (GDAC) to develop the pilot program and to provide access to needed data sources, including Medicaid claims data, Medicaid beneficiary files, and local management entity/managed care organization (LME/MCO) encounter data for the pilot program. The pilot program shall utilize the subject matter expertise and technology available through existing GDAC public-private partnerships in order to apply analytics in a manner that would maximize health care savings and efficiencies to the State and optimize positive impacts on health outcomes.

"SECTION 12A.17.(b1) During the 2016-2017 fiscal year, the scope of the pilot program shall be expanded to include all of the following:

- (1) The integration of new data sources, such as patient level Healthcare Effectiveness Data and Information Set (HEDIS) quality measures, as prioritized by the Department and GDAC.
- (2) Customized reporting and analytics capabilities.
- (3) A tool to construct and analyze claims as clinical episodes of care in order to assist North Carolina in its transition to capitated managed care and value-based purchasing arrangements.
- (4) Operationalization of the pilot program, including an ongoing feed of the data sources described in subsection (b) of this section and any other data sources mutually agreed upon by the Department and GDAC.

"SECTION 12A.17.(c) By November 30, 2015, the Department shall execute all contractual agreements and interagency data-sharing agreements necessary for development and implementation of the pilot program authorized by this section.

"SECTION 12A.17.(d) The Department and GDAC shall make the following reports on the pilot program authorized by this section:

- (1) By January 15, 2016, the Department and GDAC shall provide a progress report on the pilot program authorized by this section to the Senate Appropriations Committee on Health and Human Services, the House of

Representatives Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

(2) By May 31, 2016, the Department and GDAC shall make ~~a final~~ an interim report of their findings and recommendations on the pilot program authorized by this section to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

(3) By May 31, 2017, the Department and GDAC shall make a final report of their findings and recommendations on the pilot program authorized by this section to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division."

GRADUATE MEDICAL EDUCATION FUNDING/CAPE FEAR VALLEY MEDICAL CENTER

SECTION 12A.8.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for the 2016-2017 fiscal year for Graduate Medical Education, the sum of up to seven million seven hundred thousand dollars (\$7,700,000) in recurring funds shall be allocated to Cape Fear Valley Medical Center to support the establishment of a residency program affiliated with Campbell University Medical School. The amount of funds allocated to Cape Fear Valley Medical Center pursuant to this section shall not exceed the lesser of the following two amounts:

- (1) The total amount of lost Medicare revenues attributed to the hospital's reclassification by the Centers for Medicare and Medicaid Services as a rural hospital minus three million dollars (\$3,000,000) in private donations.
- (2) Seven million seven hundred thousand dollars (\$7,700,000).

SECTION 12A.8.(b) No funds shall be allocated to Cape Fear Valley Medical Center pursuant to subsection (a) of this section until the Office of State Budget and Management certifies, in writing, that the hospital has met the following criteria by June 30, 2017:

- (1) Received private donations for the residency program in the amount of at least three million dollars (\$3,000,000). No funds shall be allocated to Cape Fear Valley Medical Center in any subsequent fiscal year pursuant to this section unless OSBM certifies, in writing, that Cape Fear Valley Medical Center has received three million dollars (\$3,000,000) in private donations for the residency program by June 30th of that fiscal year.
- (2) Received approval from the federal Centers for Medicare and Medicaid Services for reclassification as a rural hospital.
- (3) Obtained accreditation of the residency program with a minimum of 130 additional residency slots by the Accreditation Council for Graduate Medical Education or the American Osteopathic Association.

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K/CLARIFY BUILDING STANDARDS

SECTION 12B.1.(a) Section 12B.1 of S.L. 2015-241 is amended by adding a new subsection to read:

"SECTION 12B.1.(b1) Building Standards. – Notwithstanding G.S. 110-91, private child care facilities and public schools operating prekindergarten classrooms shall meet the building standards for preschool students as provided in G.S. 115C-521.1."

SECTION 12B.1.(b) Section 12B.1(c) of S.L. 2015-241 reads as rewritten:

1 "SECTION 12B.1.(c) Programmatic Standards. – All Except as provided in subsection (b1)
2 of this section. entities operating prekindergarten classrooms shall adhere to all of the policies
3 prescribed by the Division of Child Development and Early Education regarding programmatic
4 standards and classroom requirements."
5

6 STUDY CHILD CARE SUBSIDY RATE SETTING

7 SECTION 12B.2. The Department of Health and Human Services, Division of Child
8 Development and Early Education, shall study how rates are set for child care subsidy. In
9 conducting the study, the Division shall, at a minimum, review market rate studies and other
10 methodologies for establishing rates, including any cost estimation models, along with the pros
11 and cons of each method reviewed. The Division shall report to the House Appropriations
12 Committee on Health and Human Services, the Senate Appropriations Committee on Health and
13 Human Services, and the Fiscal Research Division by March 1, 2017, on any recommendations,
14 including the suggested methodology to be used for setting rates, as well as time frames for
15 implementing the methodology.
16

17 SUBPART XII-C. DIVISION OF SOCIAL SERVICES

18 CHILD WELFARE SYSTEM CHANGES

19 SECTION 12C.1.(a) Federal Improvement Plan Implementation. – The Department
20 of Health and Human Services, Division of Social Services, shall implement the requirements of
21 the federal Program Improvement Plan to bring our State into compliance with national standards
22 for child welfare policy and practices. The Division shall collaborate with county departments of
23 social services to develop a model of oversight that supports program outcomes and a county's
24 ability to meet performance standards as outlined in the Program Improvement Plan. Oversight
25 may include support for continuous quality improvement, staff training, and data analysis. During
26 the first two years of implementing the Program Improvement Plan, the Division shall ensure the
27 three new Human Services/Planner Evaluator positions funded by this act are used to carry out the
28 activities detailed in the Plan. Upon complete implementation of the Plan, these positions shall be
29 used in child welfare services to continually improve outcomes for children and families.
30

31 The Division shall report on the implementation and outcomes of the Program
32 Improvement Plan to the Joint Legislative Oversight Committee on Health and Human Services.
33 The report shall be submitted semiannually on February 1 and August 1 of each year, with the first
34 report submitted on August 1, 2016, and the final report on February 1, 2019.

35 SECTION 12C.1.(b) Statewide Strategic Plan. – The Division of Social Services shall
36 develop a statewide strategic plan for child welfare services that complements the required federal
37 Program Improvement Plan. The statewide strategic plan shall, at a minimum, address the findings
38 of the North Carolina Statewide Child Protective Services Evaluation, which was conducted as
39 required by Section 12C.1(f) of S.L. 2014-100, in the areas of county performance, caseload sizes,
40 administrative structure, adequacy of funding, social worker turnover, and monitoring and
41 oversight. The plan shall also address measures for ensuring that Native American children in this
42 State are served in a culturally appropriate manner, including in placements for adoption and
43 foster care. The Division shall submit the plan to the Joint Legislative Oversight Committee on
44 Health and Human Services by December 1, 2016, for consideration by the 2017 General
45 Assembly.

46 SECTION 12C.1.(c) Child Welfare/NC FAST. – The Department of Health and
47 Human Services, Division of Social Services, shall continue toward completion of the child
48 welfare component of the North Carolina Families Accessing Services Through Technology (NC
49 FAST) system to (i) bring the State into compliance with the Statewide Information System
50 systematic factor of the Child and Family Services Review (CFSR) and (ii) ensure that data

quality meets federal standards and adequate information is collected and available to counties to assist in tracking children and outcomes across counties.

The Department of Health and Human Services, Division of Social Services, shall report on the development, implementation, and outcomes of the child welfare component of the NC FAST system to the Joint Legislative Oversight Committee on Health and Human Services quarterly beginning October 1, 2016, and ending with a final report on October 1, 2018. The report shall include, at a minimum, each of the following:

- (1) The current time line for development and implementation of the child welfare component to NC FAST.
- (2) Any adjustments and justifications for adjustments to the time line.
- (3) Progress on the development and implementation of the system.
- (4) Address any identified issues in developing or implementing the child welfare component to NC FAST and solutions to address those issues.
- (5) The level of county participation and involvement in each phase of the project.
- (6) Any budget and expenditure reports, including overall project budget and expenditures, and current fiscal year budget and expenditures.

SECTION 12C.1.(d) G.S. 7B-101(3) reads as rewritten:

"§ 7B-101. Definitions.

As used in this Subchapter, unless the context clearly requires otherwise, the following words have the listed meanings:

- ...
- (3) Caretaker. – Any person other than a parent, guardian, or custodian who has responsibility for the health and welfare of a juvenile in a residential setting. A person responsible for a juvenile's health and welfare means a stepparent, foster parent, an adult member of the juvenile's household, an adult relative entrusted with the juvenile's care, a potential adoptive parent during a visit or trial placement with a juvenile in the custody of a department, any person such as a house parent or cottage parent who has primary responsibility for supervising a juvenile's health and welfare in a residential child care facility or residential educational facility, or any employee or volunteer of a division, institution, or school operated by the Department of Health and Human Services. Nothing in this subdivision shall be construed to impose a legal duty of support under Chapter 50 or Chapter 110 of the General Statutes. The duty imposed upon a caretaker as defined in this subdivision shall be for the purpose of this Subchapter only."

SECTION 12C.1.(e) G.S. 7B-302(a1)(1) reads as rewritten:

"(a1) All information received by the department of social services, including the identity of the reporter, shall be held in strictest confidence by the department, except under the following circumstances:

- (1) The department shall disclose confidential information to any federal, State, or local government entity or its ~~agent~~ agent, or any private child placing or adoption agency licensed by the Department of Health and Human Services, in order to protect a juvenile from abuse or neglect. Any confidential information disclosed to any federal, State, or local government entity or its agent under this subsection shall remain confidential with the other ~~government~~ government entity or its agent and shall only be redisclosed for purposes directly connected with carrying out that entity's mandated responsibilities."

SECTION 12C.1.(f) G.S. 7B-401.1(h) reads as rewritten:

"(h) Intervention. – Except as provided in G.S. 7B-1103(b) and subsection (e1) of this section, the court shall not allow intervention by a person who is not the juvenile's parent, guardian, or custodian, ~~or caretaker~~ but may allow intervention by another county department of

1 social services that has an interest in the proceeding. This section shall not prohibit the court from
2 consolidating a juvenile proceeding with a civil action or claim for custody pursuant to
3 G.S. 7B-200."

4 **SECTION 12C.1.(g)** G.S. 7B-901(c) reads as rewritten:

5 "(c) If the disposition order places a juvenile in the custody of a county department of social
6 services, the court shall direct that reasonable efforts for reunification as defined in G.S. 7B-101
7 shall not be required if the court makes written findings of fact pertaining to any of the
8 ~~following:~~following, unless the court concludes that there is compelling evidence warranting
9 continued reunification efforts:

10 (1) A court of competent jurisdiction has determined that aggravated circumstances
11 exist because the parent has committed or encouraged the commission of, or
12 allowed the continuation of, any of the following upon the juvenile:

- 13 a. Sexual abuse.
- 14 b. Chronic physical or emotional abuse.
- 15 c. Torture.
- 16 d. Abandonment.
- 17 e. Chronic or toxic exposure to alcohol or controlled substances that
18 causes impairment of or addiction in the juvenile.
- 19 f. Any other act, practice, or conduct that increased the enormity or added
20 to the injurious consequences of the abuse or neglect.

21 (2) A court of competent jurisdiction has terminated involuntarily the parental
22 rights of the parent to another child of the parent.

23 (3) A court of competent jurisdiction has determined that (i) the parent has
24 committed murder or voluntary manslaughter of another child of the parent; (ii)
25 has aided, abetted, attempted, conspired, or solicited to commit murder or
26 voluntary manslaughter of the child or another child of the parent; (iii) has
27 committed a felony assault resulting in serious bodily injury to the child or
28 another child of the parent; (iv) has committed sexual abuse against the child or
29 another child of the parent; or (v) has been required to register as a sex offender
30 on any government-administered registry."

31 **SECTION 12C.1.(h)** G.S. 7B-906.2 is amended by adding a new subsection to read:

32 "(a1) Concurrent planning shall continue until a permanent plan has been achieved."
33

34 **REVISE REPORT DATE/EBCI ASSUMPTION OF SERVICES**

35 **SECTION 12C.2.(a)** Section 12C.10 of S.L. 2015-241, as amended by Section 4.2 of
36 S.L. 2015-268, reads as rewritten:

37 "..."

38 **"SECTION 12C.10.(d)** Approval for the Eastern Band of Cherokee Indians to administer the
39 eligibility process for Medicaid and NC Health Choice is contingent upon federal approval of
40 State Plan amendments and Medicaid waivers by the Centers for Medicare & Medicaid Services
41 (CMS). The Department of Health and Human Services, Division of Medical Assistance (DMA),
42 shall submit any State Plan amendments and Medicaid waivers necessary for the delegation of
43 authority and administrative transfer of function to the Eastern Band of Cherokee Indians or to
44 effectuate the changes required by this section and Section 12C.3 of S.L. 2014-100. All State Plan
45 amendments and Medicaid waivers submitted as allowed under this subsection shall have an
46 effective date of ~~October 1, 2016~~ April 1, 2017. DMA shall submit the State Plan amendments and
47 waivers allowed under this subsection and any related responses to CMS requests for additional
48 information to the Eastern Band of Cherokee Indians for review prior to submission to CMS. If
49 CMS does not approve the State Plan amendments and Medicaid waivers allowed by this
50 subsection, the counties shall continue serving individuals living on the federal lands held in trust
51 by the United States.

1 ~~"SECTION 12C.10.(e) Within 30 days of CMS approval of the State Plan amendments and~~
2 ~~Medicaid waivers submitted as allowed under subsection (d) of this section, the Department of~~
3 ~~Health and Human Services shall submit an Advanced Planning Document Update (APDU) When~~
4 ~~an Advanced Planning Document Update (APDU) is required, the Department of Health and~~
5 ~~Human Services shall submit an APDU within 30 days after CMS approval of the State Plan~~
6 ~~amendments allowed under subsection (d) of this section. The Department shall submit the APDU~~
7 ~~to CMS, the United States Department of Agriculture (USDA), and the Administration for~~
8 ~~Children and Families (ACF). If CMS, USDA, and ACF do not approve the APDU, the counties~~
9 ~~shall continue serving individuals living on the federal lands held in trust by the United States.~~

10 ...
11 "SECTION 12C.10.(f1) The Department, in collaboration with the Eastern Band of Cherokee
12 Indians, shall draft a project plan to meet the ~~October 1, 2016,~~April 1, 2017, effective date
13 required by subsection (d) of this section. The Department shall report on the project plan to the
14 Joint Legislative Oversight Committee on Health and Human Services on or before January 1,
15 2016.

16 "

17 **SECTION 12C.2.(b)** Section 12C.3(b) of S.L. 2014-100, as amended by Section
18 12C.10(e1) of S.L. 2015-241, reads as rewritten:

19 **"SECTION 12C.3.(b)** Beginning October 1, 2014, or upon federal approval, the Eastern
20 Band of Cherokee Indians may begin assuming the responsibility for the Supplemental Nutrition
21 Assistance Program (SNAP). When the Eastern Band of Cherokee Indians assumes responsibility
22 for SNAP, then any State statutes, portions of statutes, or rules relating to the provision of social
23 services regarding SNAP services by a county department of social services for members of the
24 Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions,
25 administration, and funding requirements relating to those social services are thereby delegated to
26 the Eastern Band of Cherokee Indians.

27 No later than ~~October 1, 2016,~~April 1, 2017, and with the exception of services related to
28 special assistance, childcare, and adult care homes, the Eastern Band of Cherokee Indians may
29 assume responsibility for other programs as described under G.S. 108A-25(e), enacted in
30 subsection (c) of this section. When the Eastern Band of Cherokee Indians assumes responsibility
31 for any of those other programs, then any State statutes, portions of statutes, or rules relating to the
32 provision of services for those programs by a county department of social services for members of
33 the Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions,
34 administration, and funding requirements relating to those programs are thereby delegated to the
35 Eastern Band of Cherokee Indians."

36 37 **PILOT PROGRAM/INCREASE ACCESS TO PUBLIC BENEFITS FOR OLDER DUAL** 38 **ELIGIBLE SENIORS**

39 **SECTION 12C.3.(a)** The Department of Health and Human Services, Division of
40 Social Services (Division), shall establish an evidence-based pilot program to increase access to
41 public benefits for seniors aged 65 and older who are dually enrolled in Medicare and Medicaid to
42 (i) improve the health and independence of seniors and (ii) reduce health care costs. On or before
43 January 1, 2017, the Division shall partner with a not-for-profit firm for the purposes of engaging
44 in a data-driven campaign to help seniors aged 65 and older who are dually enrolled in Medicare
45 and Medicaid meet their basic social needs. The not-for-profit firm shall have demonstrated
46 experience in assisting with these types of services and the partnership shall accomplish each of
47 the following:

- 48 (1) Identify through data sharing, dual eligible seniors aged 65 and older who
49 qualify for the Supplemental Nutrition and Assistance Program (SNAP) but are
50 not currently enrolled.

- (2) Conduct an outreach program towards those seniors for the purpose of enrolling them into SNAP.
- (3) Provide comprehensive application assistance through outreach specialists to complete public benefits application processes.
- (4) Evaluate project effectiveness and explore how data can be utilized to achieve optimal outcomes.
- (5) Make recommendations regarding policy options available to the State to streamline access to benefits.

SECTION 12C.3.(b) The Division of Social Services shall report to the Office of the Governor and the Joint Legislative Oversight Committee on Health and Human Services on its progress in the pilot program by February 1 following each year the pilot program is in place. The report shall, at a minimum, include the following:

- (1) The number of seniors age 65 and older who are dual eligibles but are not enrolled in SNAP.
- (2) The number of those identified that would be included in the sample population.
- (3) Methods of outreach toward those seniors in the sample population.
- (4) Number of to date enrollments in SNAP as a direct result of outreach during the pilot program.
- (5) Participation rate to date in SNAP of those seniors in the sample population.
- (6) Any other findings the Division deems relevant.

SECTION 12C.3.(c) If funding and capacity exist, the Division of Social Services may expand the pilot program to include other public benefits programs.

UPDATE DATES/TANF BENEFIT IMPLEMENTATION PLAN

SECTION 12C.5.(a) Section 12C.1 of S.L. 2015-241 is amended by adding a new subsection to read:

"SECTION 12C.1.(f) This section expires September 30, 2016."

SECTION 12C.5.(b) Beginning October 1, 2016, the General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019," 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, 2016, through September 30, 2019. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services.

SECTION 12C.5.(c) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019, as approved by this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 12C.5.(d) 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 2016 through 2019, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2016. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2019.

SECTION 12C.5.(e) For the 2016-2017 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2015-2016 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.5.(f) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2016-2017 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 Oversight Committee on Health and Human Services and the Fiscal Research Division.

SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES [RESERVED]

SUBPART XII-E. DIVISION OF PUBLIC HEALTH

USE OF AIDS DRUG ASSISTANCE PROGRAM (ADAP) FUNDS TO PURCHASE HEALTH INSURANCE

SECTION 12E.1.(a) The Department of Health and Human Services, Division of Public Health, shall create within the North Carolina AIDS Drug Assistance Program (ADAP) a health insurance premium assistance program that utilizes federal funds from Part B of the Ryan White HIV/AIDS Program and ADAP funds to provide eligible beneficiaries with premium and cost-sharing assistance for the purchase or maintenance of private health insurance coverage, including premiums, co-payments, and deductibles. In creating this program, the Department shall ensure full compliance with federal Health Resource and Services Administration (HRSA) guidance, including the methodology used to do all of the following:

- (1) Assess and compare the cost of providing prescription drugs to eligible beneficiaries through the health insurance premium assistance program created pursuant to this section versus the existing ADAP program.
- (2) Ensure that insurance premium assistance program funds are used solely to pay for premium and cost-sharing assistance for the purchase or maintenance of private health insurance coverage that provides, at a minimum, prescription coverage equivalent to the formulary available under Part B of the Ryan White HIV/AIDS Program.
- (3) Limit the total annual amount of funds expended for the health insurance premium assistance program authorized by this section to no more than the total annual cost of maintaining the same individuals on the existing ADAP Program.

SECTION 12E.1.(b) By March 1, 2017, the Department shall submit a report to the House Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the operation of the program authorized by subsection (a) of this section, including any obstacles to implementation.

FUNDING FOR THE ELIMINATION OF HEALTH DISPARITIES

SECTION 12E.3.(a) The Department of Health and Human Services, Division of Public Health, shall not award any new Community-Focused Eliminating Health Disparities Initiative grants under Section 12E.3 of S.L. 2015-241 after June 30, 2016.

SECTION 12E.3.(b) By September 30, 2016, the Department shall terminate all existing grants awarded pursuant to Section 12E.3 of S.L. 2015-241.

SECTION 12E.3.(c) Section 12E.3 of S.L. 2015-241 is repealed effective October 1, 2016.

SECTION 12E.3.(d) Funds appropriated to the Department of Health and Human Services, Division of Public Health, for the Community-Focused Eliminating Health Disparities

Initiative for the 2016-2017 fiscal year shall be used by the Office of Minority Health to fund evidence-based programs designed to address health disparities affecting minority populations. The Office of Minority Health shall award these funds utilizing a methodology approved by the Secretary of Health and Human Services.

VECTOR SURVEILLANCE PROGRAM

SECTION 12E.4.(a) As used in this section, the term vector means a living transporter and transmitter of the causative agent of a disease.

SECTION 12E.4.(b) The Department of Health and Human Services, Division of Public Health, shall establish and administer a vector surveillance program to protect the public health. In conducting the program, the Department shall do all of the following:

- (1) Conduct vector surveillance.
- (2) Characterize vector-borne disease risk.
- (3) Recommend appropriate vector control measures.
- (4) Evaluate the effectiveness of vector control measures.
- (5) Provide comprehensive vector-borne disease consultation, communication, and education.

SECTION 12E.4.(c) The Commission for Public Health is authorized to adopt rules necessary to implement the vector surveillance program established pursuant to this section.

INCREASED FEE FOR NEWBORN SCREENING PROGRAM

SECTION 12E.5.(a) G.S. 130A-125(c), as amended by Section 12E.12 of S.L. 2015-241 reads as rewritten:

"(c) A fee of ~~twenty-four dollars (\$24.00)~~ forty-four dollars (\$44.00) applies to a laboratory test performed by the State Laboratory of Public Health pursuant to this section. The fee for a laboratory test is a departmental receipt of the Department and shall be used to offset the cost of the Newborn Screening Program."

SECTION 12E.5.(b) Subsection (a) of this section becomes effective July 1, 2016, and applies to fees imposed for laboratory tests performed on or after that date.

SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES

MEDICATION-ASSISTED OPIOID USE DISORDER TREATMENT PILOT PROGRAM

SECTION 12F.1.(a) Definitions. – As used in this section, the following terms have the following meanings:

- (1) Department. – The North Carolina Department of Health and Human Services.
- (2) FQHC. – A federally qualified health center located in this State.
- (3) Prescriber. – Anyone authorized to prescribe drugs pursuant to the laws of this State.
- (4) Program participant. – An individual who (i) has been clinically assessed and diagnosed with opioid addiction, (ii) is selected by an FQHC to participate in the pilot program authorized by this section, and (iii) as part of the pilot program, receives the nonnarcotic, nonaddictive, extended-release, injectable formulation of opioid antagonist approved by the United States Food and Drug Administration for the prevention of relapse to opioid dependence.
- (5) Randomized control group member. – An individual who (i) has been clinically assessed and diagnosed with opioid addiction, (ii) is selected by a FQHC to participate in the pilot program authorized by this section, and (iii) as part of the pilot program, does not receive the nonnarcotic, nonaddictive, extended-release,

1 injectable formulation of opioid antagonist approved by the United States Food
2 and Drug Administration for the prevention of relapse to opioid dependence.

3 **SECTION 12F.1.(b)** Pilot Program. – The Department shall oversee the
4 administration of a three-year pilot program to be conducted by designated FQHCs to address
5 North Carolina's growing opioid addiction and overdose crisis. The goal of the pilot program is to
6 study the effectiveness of combining behavioral therapy with the utilization of a nonnarcotic,
7 nonaddictive, extended-release, injectable formulation of opioid antagonist approved by the
8 United States Food and Drug Administration for the prevention of relapse to opioid dependence.
9 In conducting the pilot program, selected FQHCs may collaborate with the Department, the
10 School of Government at the University of North Carolina at Chapel Hill (UNC School of
11 Government), and any other State agency that may be of assistance in accomplishing the
12 objectives of the pilot program. Prior to the initiation of this pilot program, the Department shall,
13 in collaboration with UNC School of Government, determine the number of program participants
14 and randomized control group members needed to participate in the pilot program in order to
15 ensure sufficient statistical significance to support any conclusions about the effectiveness of the
16 pilot program.

17 **SECTION 12F.1.(c)** Selection of Participating FQHCs. – Not later than 30 days after
18 the effective date of this section, the Department shall select a minimum of three and not more
19 than five FQHCs located in different areas of the State to participate in the pilot program
20 authorized by this section, giving first priority to FQHCs that have received supplemental grant
21 funds from the United States Department of Health and Human Services, Health Resources and
22 Services Administration, for substance abuse service expansion with a focus on
23 medication-assisted treatment in opioid use disorders.

24 **SECTION 12F.1.(d)** Selection of Program Participants. – Not later than 60 days after
25 the effective date of this section, the Department shall develop, in collaboration with UNC School
26 of Government, a methodology for selecting program participants and randomized control group
27 members at each FQHC. Only individuals who have been clinically assessed and diagnosed with
28 opioid addiction may be selected and treated as program participants and randomized control
29 group members. Individuals who have been referred from local criminal justice agencies may be
30 selected as program participants and randomized control group members.

31 **SECTION 12F.1.(e)** Treatment Standards. – As a condition of participating in the
32 pilot program authorized by this section, each FQHC shall sign a written participation agreement
33 provided by the Department that requires the FQHC to adhere to at least all of the following
34 treatment standards for the duration of its participation in the pilot program:

- 35 (1) Treatment may be provided to program participants and randomized control
36 group members only by a treatment provider who is affiliated with a
37 participating FQHC.
- 38 (2) Only individuals who have been clinically assessed and diagnosed with opioid
39 addiction may be selected and treated as program participants and randomized
40 control group members.
- 41 (3) Treatment providers at participating FQHCs shall do all of the following:
 - 42 a. Provide treatment based on an integrated service delivery model that
43 consists of the coordination of care between a prescriber and an
44 addiction services provider.
 - 45 b. Conduct any necessary additional professional, comprehensive
46 substance use disorder and mental health diagnostic assessments of
47 individuals under consideration for selection as pilot program
48 participants to determine if they would benefit from substance use
49 disorder treatment and monitoring.

- c. Determine, based on the assessments described in sub-subdivision b. of this subdivision, the treatment needs of the program participants served by the treatment provider.
- d. Develop individualized treatment goals and objectives for each program participant.
- e. Provide program participants with access to medication-assisted treatment utilizing a nonnarcotic, nonaddictive, extended-release, injectable formulation of opioid antagonist.
- f. In addition to medication-assisted treatment, provide program participants with other types of therapies, including behavioral therapies, outpatient programs, and community support, for opioid use disorder and any other disorders that are determined by the treatment provider to be co-occurring disorders.
- g. In the case of medication-assisted treatment provided under the pilot program, a drug may be used only if it has been approved by the United States Food and Drug Administration for use in combination with behavioral therapy for the prevention of relapse to opioid dependence.
- h. Comply with all applicable federal opioid treatment standards.
- i. Monitor the progress of program participants and randomized control group members through the use of regular drug testing, including urinalysis.

SECTION 12F.1.(f) FQHC Reports. – No later than 60 days after the effective date of this section, the Department shall, in collaboration with the UNC School of Government, develop a standardized methodology for the collection of information on program participants and randomized control group members at each FQHC. As a condition of participating in the pilot program authorized by this section, each selected FQHC must agree to follow this standardized methodology for (i) collecting information on program participants and randomized control group members and (ii) annually reporting that information to the Department, in the format prescribed by the Department. The annual report shall include at least all of the following information, in the format prescribed by the Department:

- (1) For each program participant and randomized control group member, that individual's age, sex, and length of treatment. This information shall be reported to the Department in a manner that does not disclose personally identifying information about program participants and randomized control group members.
- (2) The total number of program participants and the total number of randomized control group members who successfully transitioned to opioid abstinence for a minimum of 30 days, 60 days, 90 days, six months, 12 months, and 18 months.
- (3) A comparison of program participants to the randomized control group members.
- (4) The amount of State appropriations expended on a per program participant basis at each participating FQHC.

SECTION 12F.1.(g) Evaluation of Pilot Program. – By November 1, 2020, the Department shall conduct and submit to the Joint Legislative Oversight Committee on Health and Human Services a comprehensive evaluation of the effectiveness of this pilot program in addressing North Carolina's growing opioid addiction and overdose crisis. The Department may contract with an institution of higher education or other qualified entity with expertise in evaluating programs similar to the pilot program authorized by this section. The comprehensive evaluation shall include whether this pilot program was successful as measured by at least all of the following:

(1) The total number of program participants who successfully transitioned to opioid abstinence for a minimum of 30 days, 60 days, 90 days, six months, 12 months, and 18 months.

(2) A comparison of the program participants to the randomized control group members.

(3) A cost-benefit analysis of the pilot program.

SECTION 12F.1.(h) Expiration. – The pilot program conducted at each selected FQHC shall expire no later than three years after the date of its commencement at that particular FQHC.

SECTION 12F.1.(i) Funds in the amount of five hundred thousand dollars (\$500,000) from the federal Substance Abuse Prevention and Treatment Block Grant shall be allocated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2016-2017 fiscal year. These funds shall be allocated to the FQHCs selected to participate in the pilot program authorized by this section on a per program participant basis to offset the cost of the following services:

(1) Medication dispensed to program participants.

(2) Provider fees for services rendered to program participants.

(3) Up to 14 days of detoxification services.

(4) Behavioral therapy for program participants.

(5) Drug testing and monitoring of program participants.

SECTION 12F.1.(j) Subsection (i) of this section becomes effective July 1, 2016. The remainder of this section is effective when it becomes law.

SINGLE-STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES

SECTION 12F.2. Section 12F.2(d) of S.L. 2015-241 reads as rewritten:

"SECTION 12F.2.(d) If, on or after June 1, 2016, the Office of State Budget and Management (OSBM) certifies a Medicaid budget surplus in funds 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for fiscal year 2015-2016, then the DMA may transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less, to offset the reduction in single stream funding required by this section. If, on or after June 1, 2017, (i) the OSBM certifies a Medicaid budget surplus in funds 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for fiscal year ~~2016-2017~~, 2016-2017 and (ii) the LME/MCOs have met the milestones set by the Department of Health and Human Services for consolidation that are required by that date, then the DMA may transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less, to offset the reduction in single stream funding required by this section. The DMH/DD/SAS shall allocate funds transferred pursuant to this subsection among the LME/MCOs based on the individual LME/MCO's percentage of the total cash on hand of all the LME/MCOs in the State, calculated in accordance with subsection (b) of this section. These funds shall be allocated as prescribed by June 30 of each State fiscal year."

USE OF DOROTHEA DIX HOSPITAL PROPERTY FUNDS

SECTION 12F.4.(a) It is the intent of the General Assembly to increase short-term inpatient behavioral health bed capacity in rural areas of the State with the highest need. Toward that end, of the funds appropriated from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2016-2017 fiscal year, the sum of twelve million dollars (\$12,000,000) shall be used to pay for the following costs incurred in establishing new psychiatric units or new facility-based crisis centers in rural areas of

the State with the most limited inpatient behavioral health bed capacity in comparison to their needs:

- (1) The construction of new licensed short-term, inpatient behavioral health beds.
- (2) The conversion of existing inpatient acute care beds into licensed short-term, inpatient behavioral health beds.
- (3) A combination of subdivision (1) and subdivision (2) of this subsection.

Any psychiatric unit or facility-based crisis center that has short-term, inpatient behavioral health beds purchased with funds appropriated under this subsection shall be named in honor of Dorothea Dix.

By December 1, 2017, the Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the number and location of additional licensed short-term, inpatient behavioral health beds brought into operation with funds allocated under this subsection along with a proposal for funding the recurring operating costs of these additional beds, including the identification of potential new funding sources.

SECTION 12F.4.(b) It is the intent of the General Assembly to increase the number of facility-based crisis centers in North Carolina for children and adolescents. Toward that end, of the funds appropriated from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2016-2017 fiscal year the sum of two million dollars (\$2,000,000) shall be used to award grants on a competitive basis for the establishment of up to two new facility-based crisis centers in the State for children and adolescents. The Department shall establish a process for applying for these grants, criteria for evaluating applications, and a process for allocating grants.

TRAUMATIC BRAIN INJURY FUNDING

SECTION 12F.5. Section 12F.6 of S.L. 2015-241 reads as rewritten:

"SECTION 12F.6. 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, ~~for the 2015-2016 fiscal year, each year of the 2015-2017 fiscal biennium,~~ 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, Carolinas Rehabilitation, or other appropriate service providers.
- (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."

IMPROVE CONTROLLED SUBSTANCES REPORTING SYSTEM ACCESS AND UTILIZATION

SECTION 12F.6. G.S. 90-113.74, as amended by Section 12F.16(d) of S.L. 2015-241, reads as rewritten:

"§ 90-113.74. Confidentiality.

...

(f) The Department ~~shall~~ shall, on a quarterly basis, purge from the controlled substances reporting system database all information more than six years old. The Department shall maintain in a separate database all information purged from the controlled substances reporting system database pursuant to this subsection and may release data from that separate database only as provided in subsection (d) of this section.

...."

CONTROLLED SUBSTANCES REPORTING SYSTEM IMPROVEMENTS

SECTION 12F.7.(a) It is the intent of the General Assembly to improve the security, functionality, and interface capabilities of the Controlled Substances Reporting System (CSRS), thereby improving the system's data management and advanced analytics capabilities. Toward that end, funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS), for the 2016-2017 fiscal year for the CSRS shall be used as follows:

- (1) Six hundred thousand dollars (\$600,000) in nonrecurring funds shall be used to upgrade the CSRS database to meet the most current architecture standards of the American Society for Automation in Pharmacy and Prescription Monitoring Information Exchange (PMIX). The upgrade shall be designed to facilitate connectivity with controlled substances reporting systems in surrounding states and the statewide health information exchange network in this State, while protecting the privacy of patient information stored in the system in a manner consistent with federal and State laws. The upgraded database shall be hosted within the Department of Information Technology.
- (2) Three hundred seventy-five thousand dollars (\$375,000) in recurring funds shall be used for ongoing maintenance and operation of the CSRS.
- (3) Six hundred fifty-three thousand four hundred dollars (\$653,400) in nonrecurring funds shall be used to pay for contractual hours to develop software for the performance of advanced analytics within the CSRS in order to achieve the purposes specified in G.S. 90-113.71 and, more specifically, to accomplish at least all of the following:
 - a. To enhance and automate reports solicited by persons or entities authorized under G.S. 90-113.74.
 - b. To enhance the Department's ability to provide data to persons or entities authorized to receive information under G.S. 90-113.74.
 - c. To aggregate data sources, including those available through the Government Data Analytics Center (GDAC), relevant to the identification of unusual prescribing patterns or behavior indicative of abuse, addiction, or criminal activity.

In improving the CSRS as specified in subdivision (3) of this subsection, the DMH/DD/SAS shall utilize subject matter expertise and technology available through existing GDAC public-private partnerships. Upon development and implementation of the advanced analytics software for the CSRS, the DMH/DD/SAS shall coordinate with the Division of Public Health and any other appropriate division within the Department of Health and Human Services to ensure that advanced analytics are performed in a manner that achieves the purposes specified in G.S. 90-113.71.

SECTION 12F.7.(b) By December 1, 2016, the Department shall execute all contractual agreements and interagency data sharing agreements necessary to complete the improvements to the CSRS described in subdivision (3) of subsection (a) of this section.

SECTION 12F.7.(c) Article 5E of Chapter 90 of the General Statutes is amended by adding a new section to read:

"§ 90-113.74A. Mandatory use of controlled substances reporting system by prescribers; disciplinary actions.

(a) Within 30 days after obtaining an initial or renewal license that confers the authority to prescribe a controlled substance for the purpose of providing medical care for a patient, the licensee shall demonstrate to the satisfaction of the licensing board that he or she is registered for access to the controlled substances reporting system. A violation of this section shall constitute cause for the licensing board having jurisdiction over the licensee to suspend or revoke the license.

(b) Each person authorized to prescribe a controlled substance for the purpose of providing medical care for a patient shall, prior to prescribing a controlled substance, review all information pertaining to the patient in the controlled substances reporting system for the preceding 12-month period to determine if the prescription is medically necessary and appropriate. This section does not apply to an emergency situation in which immediate action is necessary to preserve the life or health of a patient. A violation of this section shall constitute cause for the licensing board having jurisdiction over the licensee to suspend or revoke the license.

(c) Each licensing board with jurisdiction over persons with prescribing authority is authorized to adopt rules as necessary to implement this section."

SECTION 12F.7.(d) G.S. 90-113.74A, as enacted by subsection (c) of this section, becomes effective on the date the State Chief Information Officer notifies the Revisor of Statutes that (i) the upgrades to the CSRS database described in subdivisions (1) and (3) of subsection (a) of this section have been completed and (ii) the upgraded CSRS database is fully operational within the Department of Information Technology and connected to the statewide health information exchange; and it applies to acts committed on or after that date. The remainder of this section becomes effective July 1, 2016.

CLOSURE OF WRIGHT SCHOOL

SECTION 12F.8.(a) The Department of Health and Human Services shall not allow any new admissions or readmissions to the Wright School after June 30, 2016. The Department shall, in consultation with local management entities/managed care organizations, develop a plan to transition all students enrolled at the Wright School to other appropriate educational and treatment settings.

SECTION 12F.8.(b) By September 30, 2016, the Department shall permanently cease operations at the Wright School.

SECTION 12F.8.(c) G.S. 122C-181(a)(5)b. is repealed effective October 1, 2016.

EXPANDED USE OF FUNDS FOR INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 12F.9. Subsection (a) of Section 12F.1 of S.L. 2015-241 reads as rewritten:

"SECTION 12F.1.(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 forty million five hundred eighty-three thousand three hundred ninety-four dollars (\$40,583,394) for the 2015-2016 fiscal year and the sum of forty million five hundred eighty-three thousand three hundred ninety-four dollars (\$40,583,394) for the 2016-2017 fiscal year shall be used to purchase additional new or existing local inpatient psychiatric beds or bed days not currently funded by or through LME/MCOs. The Department shall continue to implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels, as defined by the Department. The enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LME/MCOs

1 for community-based mental health, developmental disabilities, and substance abuse services may
2 be used to purchase additional local inpatient psychiatric beds or bed days. Funds designated in
3 this subsection for the purchase of local inpatient psychiatric beds or bed days shall not be used to
4 supplant other funds appropriated or otherwise available to the Department for the purchase of
5 inpatient psychiatric services through contracts with local hospitals.

6 The Department may use up to ten percent (10%) of the funds allocated in this subsection for
7 the 2016-2017 fiscal year for the State's three-way contracts to pay for facility-based crisis
8 services and non-hospital detoxification services for individuals in need of these services,
9 regardless if the individuals are medically indigent, as defined in subsection (b) of this section."

11 STRATEGIC PLAN FOR IMPROVEMENT OF BEHAVIORAL HEALTH SERVICES

12 **SECTION 12F.10.(a)** The General Assembly finds that behavioral health services
13 within the State are fragmented and a statewide comprehensive plan is necessary to ensure that
14 individuals with behavioral health needs are timely served in the most appropriate settings and
15 with the most appropriate services in order to achieve the best possible outcomes. The General
16 Assembly further finds the absence of a statewide strategic plan that defines, coordinates, and
17 facilitates the allocation of resources for needed services is an obstacle to improving the desired
18 outcomes for behavioral health services in this State. It is the intention of the General Assembly to
19 improve the delivery and coordination of behavioral health services across the State by targeting
20 State resources to identified needs of covered populations and to treatments and services most
21 effective at producing positive, measurable outcomes.

22 **SECTION 12F.10.(b)** By November 1, 2017, the Department of Health and Human
23 Services shall develop and submit to the Joint Legislative Oversight Committee on Health and
24 Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health Choice,
25 and the Fiscal Research Division a strategic statewide plan to improve the efficiency and
26 effectiveness of State-funded behavioral health services. The plan shall include at least all of the
27 following:

- 28 (1) Identification of the Division that will (i) assume lead responsibility for the
29 organization and delivery of publicly funded behavioral health services and (ii)
30 define the current and future roles and responsibilities of local management
31 entities/managed care organizations (LME/MCOs) with respect to the
32 organization and delivery of publicly funded behavioral health services.
- 33 (2) A process for ensuring that all State contracts with behavioral health providers
34 and managed care organizations responsible for managing Medicaid behavioral
35 health services (including LME/MCOs) contain goals for overall behavioral
36 health services, along with specific measurable outcomes for all publicly
37 funded mental health, developmental disabilities, substance abuse, and
38 traumatic brain injury services. The process must require that the lead Division
39 utilize a single contract with each provider or managed care organization for all
40 publicly funded behavioral health services regardless of the source of funding.
- 41 (3) A statewide needs assessment for mental health, developmental disabilities,
42 substance abuse, and traumatic brain injury services by county and type of
43 service, broken down by the source of funding. The needs assessment must
44 include a defined service continuum to address identified needs for targeted
45 populations.
- 46 (4) Specific solvency standards to be incorporated into State contracts with
47 LME/MCOs that define appropriate cash balances, predictors for sustainability,
48 and measures for performance that the LME/MCOs will monitor and report to
49 the Department on a monthly, quarterly, and annual basis.

- (5) Any other component the Department deems necessary to achieve the goal of improving the effective and efficient delivery and coordination of publicly funded behavioral health services across the State.

SECTION 12F.10.(c) The Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Medicaid and NC Health Choice shall each establish a subcommittee on Behavioral Health Services. The subcommittees shall meet jointly to do the following:

- (1) Oversee the Department's development of the strategic plan required by subsection (a) of this section.
- (2) Review the strategic plan developed by the Department in accordance with subsection (b) of this section, including a review of all performance-related goals and measures for the delivery of mental health, developmental disabilities, substance abuse, and traumatic brain injury services.
- (3) Review consolidated monthly, quarterly, and annual reports and analyses of behavioral health services funded by Medicaid and State-only appropriations.

The subcommittees shall jointly make recommendations about the areas of oversight and review described in subdivisions (1) through (3) of this subsection and report their findings and recommendations to their respective committees. In conducting the required oversight and review, the subcommittees may seek input from other states, stakeholders, and national experts as they deem necessary in conducting their examination and developing their recommendations.

SECTION 12F.10.(d) This section is effective when it becomes law.

SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION

MORATORIUM ON HOME CARE AGENCY LICENSES FOR IN-HOME AIDE SERVICES

SECTION 12G.1.(a) Section 12G.4(a) of S.L. 2014-100 reads as rewritten:

"**SECTION 12G.4.(a)** For the period commencing on the effective date of this section, and ending ~~June 30, 2016~~, June 30, 2019, and 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~~ companion, sitter, or respite 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.1.(b) This section is effective when it becomes law.

ADULT CARE HOME COST REPORTING

SECTION 12G.2. G.S. 131D-4.2 reads as rewritten:

"**§ 131D-4.2. Adult care homes; family care homes; ~~annual~~ cost reports; exemptions; enforcement.**

(a) Except for family care homes, adult care homes with a licensed capacity of seven to twenty beds, which are licensed pursuant to this Chapter, to Chapter 122C of the General Statutes, and to Chapter 131E of the General Statutes, shall submit audited reports of actual costs to the Department at least every two years in accordance with rules adopted by the Department under

1 G.S. 143B-10. ~~For years in which an audited report of actual costs is not required, an annual cost~~
2 ~~report shall be submitted to the Department in accordance with rules adopted by the Department~~
3 ~~under G.S. 143B-10.~~ Adult care homes licensed under Chapter 131D of the General Statutes that
4 have special care units shall include in reports required under this subsection cost reports specific
5 to the special care unit and shall not average special care costs with other costs of the adult care
6 home.

7 (b) Except for family care homes, adult care homes with a licensed capacity of twenty-one
8 beds or more, which are licensed pursuant to this Chapter, to Chapter 122C of the General
9 Statutes, and to Chapter 131E of the General Statutes, shall submit ~~annual~~ audited reports of actual
10 costs at least every two years to the Department of Health and Human Services, in accordance
11 with rules adopted by the Department under G.S. 143B-10. Adult care homes licensed under
12 Chapter 131D of the General Statutes that have special care units shall include in the reports
13 required under this subsection cost reports specific to the special care unit and shall not average
14 special care costs with other costs of the adult care home.

15 (c) Repealed by Session Laws 1999-334, s. 3.1.

16 (d) Facilities that do not receive State/County Special Assistance or Medicaid personal
17 care are exempt from the reporting requirements of this section.

18 (e) ~~Except as otherwise provided in this subsection, the annual reporting period for~~
19 ~~facilities licensed pursuant to this Chapter or Chapter 131E of the General Statutes shall be~~
20 ~~October 1 through September 30, with the annual report due by the following December 31, unless~~
21 ~~the Department determines there is good cause for delay. The annual report for combination~~
22 ~~facilities and free standing adult care home facilities owned and operated by a hospital shall be~~
23 ~~due 15 days after the hospital's Medicare cost report is due. The annual report for combination~~
24 ~~facilities not owned and operated by a hospital shall be due 15 days after the nursing facility's~~
25 ~~Medicaid cost report is due. The annual reporting period for facilities licensed pursuant to Chapter~~
26 ~~122C of the General Statutes shall be July 1 through June 30, with the annual report due by the~~
27 ~~following December 31, unless the Department determines there is good cause for delay. Under~~
28 ~~this subsection, good cause is an action that is uncontrollable by the provider. The Department~~
29 shall establish specific reporting deadlines for each type of facility required to report under this
30 section. If the Department finds good cause for delay, it may extend the deadline for filing a report
31 for up to an additional 30 days.

32 (f) The Department shall have the authority to conduct audits and review audits submitted
33 pursuant to subsections ~~(a), (b), and (c) above.~~ (a) and (b) of this section.

34 (g) The Department shall suspend admissions to facilities that fail to submit annual reports
35 by December 31, or by the applicable reporting deadline or by the date established by the
36 Department when good cause for delay is found pursuant to G.S. 131D-4.2(e). Suspension of
37 admissions shall remain in effect until reports are submitted or licenses are suspended or revoked
38 under subdivision (2) of this subsection. The Department may take either or both of the following
39 actions to enforce compliance by a facility with this section, or to punish noncompliance:

40 (1) Seek a court order to enforce compliance;

41 (2) Suspend or revoke the facility's license, subject to the provisions of Chapter
42 150B of the General Statutes.

43 (h) The report documentation shall be used to adjust the adult care home rate ~~annually,~~ at
44 least every two years, an adjustment that is in addition to the annual standard adjustment for
45 inflation as determined by the Office of State Budget and Management. Rates for family care
46 homes shall be based on market rate data. The Secretary of Health and Human Services shall
47 adopt rules for the rate-setting methodology and audited cost reports in accordance with
48 G.S. 143B-10."

50 FACILITIES INCLUDED UNDER SINGLE HOSPITAL LICENSE

51 SECTION 12G.3.(a) G.S. 131E-77 is amended by adding a new subsection to read:

"(e1) Any license issued by the Department shall include only facilities, premises, buildings, outpatient clinics, and other locations (i) operated by the hospital within a single county and (ii) operated by the hospital in an immediately adjoining county; provided, however, that facilities, premises, buildings, outpatient clinics, and other locations operated by a hospital in an immediately adjoining county shall only be included under the same license if the applicant demonstrates to the satisfaction of the Department that there was previously a single hospital licensed by the Department in the immediately adjoining county that closed or otherwise ceased providing services to patients no more than three years prior to the applicant's initial establishment of a facility, premises, building, outpatient clinic, or location in the immediately adjoining county. If a hospital establishes its initial facility, premises, building, outpatient clinic, or other location in an immediately adjoining county within three years after the closure of, or cessation of patient services at, a previously licensed hospital within the immediately adjoining county, then any additional facilities, premises, buildings, outpatient clinics, or other locations thereafter developed and operated by the applicant in accordance with applicable law in such immediately adjoining county may also be included within and covered by the license issued to the hospital by the Department."

SECTION 12G.3.(b) This section is effective when it becomes law.

REPEAL OF CERTIFICATE OF PUBLIC ADVANTAGE LAWS

SECTION 12G.4. Section 6 of S.L. 2015-288 reads as rewritten:

"**SECTION 6.** Section 4 of this act is effective ~~January 1, 2018~~ September 30, 2016. The remainder of this act is effective when it becomes law."

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 12H.1. Section 12H.10(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 12H.10.(b)** For the 2015-2016 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred thirty-nine million dollars (\$139,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2016-2017 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred ~~thirty nine~~ forty-seven million dollars ~~(\$139,000,000) — (\$147,000,000)~~ with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals which are used to provide indigent and nonindigent care services. The return from State-owned and State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225."

MEDICAID RECOVERY AND ABLE ACCOUNTS

SECTION 12H.2.(a) G.S. 147-86.73 is amended by adding a new subsection to read:

"(g1) Notice for Designated Beneficiary Receiving Medicaid. – The ABLE Account application form approved in accordance with G.S. 147-86.71(b)(1) shall include notice of the State's right under subsection (e) of this section to file a claim for payment from a designated beneficiary's ABLE account following the death of a beneficiary who received medical assistance benefits."

SECTION 12H.2.(b) G.S. 147-86.73(g) is repealed.

MEDICAID AND HEALTH CHOICE PROVIDER SCREENING

1 **SECTION 12H.3.** G.S. 108C-3 reads as rewritten:

2 **"§ 108C-3. Medicaid and Health Choice provider screening.**

3 ...

4 (g) High Categorical Risk Provider Types. – The following provider types are hereby
5 designated as "high" categorical risk:

6 ...

7 (10) Providers that were excluded, or whose owners, operators, or managing
8 employees were excluded, by the U.S. Department of Health and Human
9 Services Office of Inspector ~~General~~ General, the Medicare program, or another
10 state's Medicaid ~~program~~ or Children's Health Insurance Program within the
11 previous 10 years.

12 ...

13 (j) For out-of-state providers, the Department may rely on the results of the provider
14 screening performed by the Medicaid agencies or Children's Health Insurance Program ~~for~~
15 ~~Children~~ agencies of other states."

16
17 **CONTRACT TO RECOVER CERTAIN OVERPAYMENTS**

18 **SECTION 12H.3A.** No later than October 1, 2016, the Department of Health and
19 Human Services, Division of Medical Assistance, shall issue a request for proposals (RFP) to
20 recover Medicaid and NC Health Choice overpayments to providers when the total amount owed
21 to the State by the provider is less than one hundred fifty dollars (\$150.00). The RFP shall specify
22 that payment under the contract shall be made only in the form of a contingent fee. The contingent
23 fee shall be set at a percentage of the State share of the final overpayment, as defined in
24 G.S. 108C-2(5).

25
26 **CLARIFY DHHS AUTHORITY TO ADMINISTER MEDICAID AND NC HEALTH**
27 **CHOICE PROGRAMS**

28 **SECTION 12H.4.** G.S. 108A-54(e) reads as rewritten:

29 "(e) The Secretary of the Department of Health and Human ~~Services, through the Division~~
30 ~~of Health Benefits, Services~~ shall have the following powers and duties:

31 (1) Administer and operate the Medicaid and NC Health Choice programs,
32 provided that the total expenditures, net of agency receipts, do not exceed the
33 authorized budget for ~~each program~~ the Medicaid program and NC Health
34 Choice program. None of the powers and duties enumerated in the other
35 subdivisions of this subsection shall be construed to limit the broad grant of
36 authority to administer and operate the Medicaid and NC Health Choice
37 programs.

38 "

39
40 **EXPAND SUPPORT FOR PATIENTS WITH ALZHEIMER'S DISEASE AND THEIR**
41 **FAMILIES THROUGH COMMUNITY ALTERNATIVES PROGRAM FOR**
42 **DISABLED ADULTS WAIVER SLOTS**

43 **SECTION 12H.5.(a)** The Department of Health and Human Services, Division of
44 Medical Assistance, shall amend the North Carolina Community Alternatives Program for
45 Disabled Adults (CAP/DA) waiver to increase number of slots available under the waiver by a
46 maximum of 213 slots. These additional slots shall be made available on January 1, 2017.

47 **SECTION 12H.5.(b)** Of the funds appropriated to the Department of Health and
48 Human Services, Division of Medical Assistance, one million dollars (\$1,000,000) for fiscal year
49 2016-2017 shall be used to fund these additional slots.

50
51 **ADULT MEDICAID COVERAGE FOR ROUTINE EYE EXAMINATIONS**

SECTION 12H.5A.(a) Effective January 1, 2017, the Department of Health and Human Services (Department) shall provide Medicaid coverage for routine eye examinations for adults. Medicaid coverage for adult routine eye examinations shall be limited to once every 30 months. The routine eye examinations shall include blood sugar screening, repeat blood sugar screening with fasting when clinically appropriate, and appropriate physician referral, and these services shall not be billed separately. The Department shall adopt clinical coverage policies pursuant to G.S. 108A-54.2 in accordance with the requirements of this section.

SECTION 12H.5A.(b) Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, two million one hundred forty-three thousand five hundred sixty-four dollars (\$2,143,564) shall be used to fund Medicaid coverage for routine eye examinations for adults pursuant to this section.

REMOVE SUNSET ON MEDICAID ELIGIBILITY/COLA DISREGARD

SECTION 12H.7. Section 10.6(c) of S.L. 2012-142 reads as rewritten:

"**SECTION 10.6.(c)** Subsection (a) of this section becomes effective January 1, 2013. The remainder of this section is effective when it becomes law. ~~G.S. 108A-54.4, as enacted by subsection (a) of this section, expires on December 31, 2017.~~"

COMPLETION OF PERFORMANCE AUDIT OF COUNTY DEPARTMENTS OF SOCIAL SERVICES' ADMINISTRATION OF MEDICAID PROGRAM

SECTION 12H.16. Section 11.5(c) of S.L. 2015-7 reads as rewritten:

"**SECTION 11.5.(c)** The State Auditor shall submit a preliminary report on the performance audit required by this section to the Joint Legislative Oversight Committee on Health and Human Services and to the Fiscal Research Division by June 1, 2015, and shall complete the performance audit by ~~February 1, 2016.~~ December 31, 2016. The Department of Health and Human Services and county departments of social services shall give the State Auditor full access to all data necessary to complete the audit and the report."

MEDICAID ELIGIBILITY DETERMINATION TIMELINESS

SECTION 12H.17.(a) The Department of Health and Human Services, Division of Medical Assistance (DHHS), shall submit a report annually for the 2015-2016 and 2016-2017 fiscal year to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division containing the following information:

- (1) The annual statewide percentage of Medicaid applications processed in a timely manner for the fiscal year.
- (2) The statewide average number of days to process Medicaid applications for each month in the fiscal year.
- (3) The annual percentage of Medicaid applications processed in a timely manner by each county department of social services for the fiscal year.
- (4) The average number of days to process Medicaid applications for each month for each county department of social services.
- (5) The number of months during the fiscal year that each county department of social services met the timely processing standards in Part 10 of Article 2 of Chapter 108A of the General Statutes.
- (6) The number of months during the fiscal year that each county department of social services failed to meet the timely processing standards in Part 10 of Article 2 of Chapter 108A of the General Statutes.
- (7) A description of all corrective action activities conducted by DHHS and county departments of social services in accordance with G.S. 108A-70.36.

- (8) A description of how DHHS plans to assist county departments of social services in meeting timely processing standards for Medicaid applications, for every county in which the performance metrics for processing Medicaid applications in a timely manner do not show significant improvement compared to the previous fiscal year.

The report for the 2015-2016 fiscal year shall be submitted by November 1, 2016, and the report for the 2016-2017 fiscal year shall be submitted by November 1, 2017.

SECTION 12H.17.(b) Article 2 of Chapter 108A of the General Statutes is amended by adding a new Part to read:

"Part 10. Medicaid Eligibility Decision Processing Timeliness.

"§ 108A-70.31. Applicability.

If a federally recognized Native American tribe within the State has assumed responsibility for the Medicaid program pursuant to G.S. 108A-25(e), then this Part applies to the tribe in the same manner as it applies to county departments of social services.

"§ 108A-70.32. Timely decision standards.

The county department of social services shall render a decision on an individual's application for Medicaid within 45 calendar days from the date of application, except for applications in which a disability determination has already been made or is needed. For those applications, the county department of social services shall render a decision on an individual's eligibility within 90 calendar days from the date of application.

"§ 108A-70.33. Timely processing standards.

(a) The Department shall require counties to comply with timely processing standards. The timely processing standards are the average processing time standards and the percentage processed timely standards set forth in G.S. 108A-70.34 and G.S. 108A-70.35. The Department shall monitor county department of social services' compliance with these standards in accordance with this Part.

(b) For purposes of this Part, processing time is the number of days between the date of application and the date of disposition of the application, except in cases where an eligibility determination is dependent upon receipt of information related to one or more of the following:

- (1) Medical expenses sufficient to meet a deductible.
- (2) The applicant's need for institutionalization.
- (3) The applicant's plan of care for the home- and community-based waivers.
- (4) The disability decision made by the Disability Determination Services Section of the Division of Vocational Rehabilitation of the Department.
- (5) Medical records needed to determine emergency dates for nonqualified aliens.
- (6) The applicant's application or other information from the federally facilitated marketplace.
- (7) The applicant's application or other information in connection with an application for a Low Income Subsidy for Medicare prescription drug coverage.

In these cases, processing time shall exclude the number of days between the date when the county determines all eligibility criteria other than the criteria in subdivisions (1) through (7) of this subsection and the date when the county receives the information related to the criteria in subdivisions (1) through (7) of this subsection.

(c) Processing times for the following types of cases shall be excluded from the calculation of the average processing time and percent processed timely:

- (1) Newborns who are automatically enrolled based on their mother's eligibility.
- (2) Applications for individuals who are presumptively eligible for Medicaid.
- (3) Active cases in which an individual who is eligible for one program is transferred to another program, regardless of whether the transfer occurs between allowable or nonallowable program categories.

- (4) Cases in which an individual transfers from an open case to another case, including establishing a new administrative case for the individual.
- (5) Actions to post eligibility to a terminated or denied case within one year of the termination or denial.
- (6) Cases that are reopened because they were terminated in error or because reopening of the terminated case is allowed by policy.
- (7) Cases in which the eligibility decision was appealed and the decision was reversed or remanded.

(d) The Department may, in its discretion, exclude days, other than those required by subsection (b) of this section, from the calculation of processing time under this section if the Department determines that the delay was caused by circumstances outside the control of county departments of social services. The Department also may, in its discretion, exclude types of cases, other than those described in subsection (c) of this section, from the calculation of processing time. When the Department exercises its discretion pursuant to this subsection, the Department's determination regarding circumstances outside the control of county departments of social services and the Department's decision to exclude types of cases shall be applied uniformly to all county departments of social services.

"§ 108A-70.34. Average processing time standards.

(a) Average processing time is calculated by finding the processing time for each case that received a disposition during a given month and finding the average of those processing times.

(b) The standard for average processing time is 90 days for cases in which the individual has applied for the Medicaid Aid to the Disabled category (M-AD) and 45 days for all other cases.

"§ 108A-70.35. Percentage processed timely standards.

(a) Percentage processed timely is the percentage of cases that received a timely disposition in a given month. The percentage processed timely is calculated by expressing the number of cases during a given month with a processing time equal to or less than the standard set in G.S. 108A-70.32 as a percentage of the total cases receiving a disposition during that month. When the deadline for meeting the timely decision standard in G.S. 108A-70.32 falls on a weekend or holiday, an application that receives a disposition on the first workday following the deadline shall be considered timely for purposes of calculating the percentage processed timely.

(b) The Department is authorized to adopt rules to establish a percentage standard for each county department of social services that will be the percentage processed timely standard for that county department of social services. Until the Department adopts rules establishing percentage standards for each county, the percentage processed timely standards are those established in 10A NCAC 23C .0203 as of April 2016.

"§ 108A-70.36. Corrective action.

(a) If for any three consecutive months or for any five months out of a period of 12 consecutive months a county department of social services fails to meet either the average processing time standard or the percentage processed timely standard or both standards, the Department and the county department of social services shall enter into a joint corrective action plan to improve the timely processing of applications.

(b) A joint corrective action plan entered into pursuant to this section shall specifically identify the following components:

- (1) The duration of the joint corrective action plan, not to exceed 12 months. If a county department of social services shows measurable progress in meeting the performance requirements in the joint corrective action plan, then the duration of the joint corrective action plan may be extended by six months, but in no case shall a joint corrective action plan exceed 18 months.
- (2) A plan for improving timely processing of applications that specifically describes the actions to be taken by the county department of social services and the Department.

(3) The performance requirements for the county department of social services that constitute successful completion of the joint corrective action plan.

(4) Acknowledgement that failure to successfully complete the joint corrective action plan will result in temporary assumption of Medicaid eligibility administration by the Department, in accordance with G.S. 108A-70.37.

"§ 108A-70.37. Temporary assumption of Medicaid eligibility administration.

(a) If a county department of social services fails to successfully complete its joint corrective action plan, the Department shall give the county department of social services, the county manager, and the board of social services or the consolidated human services board created pursuant to G.S. 153A-77(b) at least 90 days' notice that the Department intends to temporarily assume Medicaid eligibility administration, in accordance with subsection (b) of this section. The notice shall include the following information:

(1) The date on which the Department intends to temporarily assume administration of Medicaid eligibility decisions.

(2) The performance requirements in the joint corrective action plan that the county department of social services failed to meet.

(3) Notice of the county department of social services' right to appeal the decision to the Office of Administrative Hearings, pursuant to Article 3 of Chapter 150B of the General Statutes.

(b) Notwithstanding any provision of law to the contrary, if a county department of social services fails to successfully complete its joint corrective action plan, the Department shall temporarily assume Medicaid eligibility administration for the county upon giving notice as required by subsection (a) of this section. During a period of temporary assumption of Medicaid eligibility administration, the following shall occur:

(1) The Department shall administer the Medicaid eligibility function in the county. Administration by the Department may include direct operation by the Department, including supervision of county Medicaid eligibility workers, or contracts for operation to the extent permitted by federal law and regulations.

(2) The county department of social services is divested of Medicaid administration authority.

(3) The Department shall direct and oversee the expenditure of all funding for the administration of Medicaid eligibility in the county.

(4) The county shall continue to pay the nonfederal share of the cost of Medicaid eligibility administration and shall not withdraw funds previously obligated or appropriated for Medicaid eligibility administration.

(5) The county shall pay the nonfederal share of additional costs incurred to ensure compliance with the timely processing standards required by this Part.

(6) The Department shall work with the county department of social services to develop a plan for the county department of social services to resume Medicaid eligibility administration and perform Medicaid eligibility determinations in a timely manner.

(7) The Department shall inform the county board of commissioners, the county manager, the county director of social services, and the board of social services or the consolidated human services board created pursuant to G.S. 153A-77(b) of key activities and any ongoing concerns during the temporary assumption of Medicaid eligibility administration.

(c) Upon the Department's determination that Medicaid eligibility determinations can be performed in a timely manner based on the standards set forth in G.S. 108A-70.34 and G.S. 108A-70.35 by the county department of social services, the Department shall notify the county department of social services, the county manager, and the board of social services or the consolidated human services board created pursuant to G.S. 153A-77(b) that temporary

1 assumption of Medicaid eligibility administration will be terminated and the effective date of
2 termination. Upon termination, the county department of social services resumes its full authority
3 to administer Medicaid eligibility determinations."

4 **SECTION 12H.17.(c)** G.S. 150B-23 is amended by adding a new subsection to read:

5 "(a5) A county that appeals a decision of the Department of Health and Human Services to
6 temporarily assume Medicaid eligibility administration in accordance with G.S. 108A-70.37 may
7 commence a contested case under this Article in the same manner as any other petitioner. The case
8 shall be conducted in the same manner as other contested cases under this Article."

9 **SECTION 12H.17.(d)** The corrective action procedures described in this section
10 supersede the corrective action procedures in 10A NCAC 23C .0204 and 10A NCAC 23C .0205
11 related to timeliness processing of Medicaid applications by county departments of social services.

12 **SECTION 12H.17.(e)** The Department of Health and Human Services may adopt and
13 amend rules to implement subsections (b) through (d) of this section.

14 **SECTION 12H.17.(f)** Subsections (b) through (d) of this section become effective
15 January 1, 2017, and apply to monthly timely processing standards beginning on that date. The
16 remainder of this section becomes effective July 1, 2016.

17 18 **SUBPART XII-I. MISCELLANEOUS**

19 20 **STUDY ESTABLISHMENT OF OPTOMETRY SCHOOL AT WINGATE UNIVERSITY**

21 **SECTION 12I.1.(a)** Wingate University is encouraged to examine and report on or
22 before May 1, 2017, to the House Appropriations Committee on Health and Human Services, the
23 Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight
24 Committee on Health and Human Services, and the Fiscal Research Division on the feasibility of
25 establishing an affiliated school of optometry in North Carolina. The report should include at least
26 all of the following:

- 27 (1) A breakdown of any projected capital, operational, or other expenditures
28 necessary for establishing and operating an affiliated school of optometry.
29 (2) A breakdown of all funds available to assist the university with these expenses.
30 (3) A projected number of applicants for the affiliated school of optometry.

31 **SECTION 12I.1.(b)** This section is effective when it becomes law.

32 33 **SUBPART XII-J. DIVISIONS OF VOCATIONAL REHABILITATION, SERVICES FOR** 34 **THE BLIND, AND SERVICES FOR THE DEAF AND HARD OF HEARING**

35 36 **DATA COLLECTION AND SERVICE MANAGEMENT INFORMATION SYSTEM**

37 **SECTION 12J.1.** The Department of Health and Human Services shall develop and
38 implement a Data Collection and Service Management Information System to replace the current
39 system in use by the Division of Services for the Deaf and Hard of Hearing. The project shall not
40 proceed until the business case has been approved by the Office of State Budget and Management
41 and the State Chief Information Officer in the Enterprise Project Management Office's
42 Touchdown System. Upon approval, funds available in Budget Code 67425, Fund Code 6726,
43 may be budgeted for transfer to Budget Code 24410 for information technology projects in an
44 amount not to exceed seven hundred fifty thousand dollars (\$750,000).

45 46 **SUBPART XII-K. DHHS BLOCK GRANTS**

47 48 **DHHS BLOCK GRANTS**

49 **SECTION 12K.1.** Section 12I.1 of S.L. 2015-241, as amended by Section 4.6 of S.L.
50 2015-268, reads as rewritten:

51 **"DHHS BLOCK GRANTS**

"SECTION 121.1.(a) Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2017, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	FY 2015-2016	FY 2016-2017
Local Program Expenditures		
Division of Social Services		
01. Work First Family Assistance	\$57,167,454	\$57,167,454 \$54,167,454
02. Work First County Block Grants	80,093,566	78,073,437 80,093,566
03. Work First Electing Counties	2,378,213	2,378,213
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
<u>06A. Child Welfare Initiatives</u>	<u>0</u>	<u>1,400,000</u>
Division of Child Development and Early Education		
07. Subsidized Child Care Program	35,248,910	37,419,801 35,248,910
08. Swap Child Care Subsidy	6,352,644	6,352,644
<u>08A. Additional One-Time Swap/Child Care Subsidy</u>	<u>0</u>	<u>3,600,000</u>
09. Pre-K Swap Out	16,829,306	12,333,981 18,764,790
Division of Public Health		
10. Teen Pregnancy Prevention Initiatives	2,950,000	2,950,000
DHHS Administration		
11. Division of Social Services	2,482,260	2,482,260
12. Office of the Secretary	34,042	34,042
13. Eligibility Systems – Operations and Maintenance	2,738,926	4,206,640
14. NC FAST Implementation	1,313,384	1,865,799

Transfers to Other Block Grants

Division of Child Development and Early Education

15. Transfer to the Child Care and
Development Fund

71,773,001

71,773,001

Division of Social Services

16. Transfer to Social Services Block
Grant for Child Protective Services –
Training

1,300,000

1,300,000

17. Transfer to Social Services Block
Grant for Child Protective Services

5,040,000

5,040,000

18. Transfer to Social Services Block
Grant for County Departments of
Social Services for Children's Services

4,148,001

~~4,148,001~~ 4,500,000

19. Transfer to Social Services Block
Grant – Foster Care Services

1,385,152

1,385,152

**TOTAL TEMPORARY ASSISTANCE FOR
NEEDY FAMILIES (TANF) FUNDS**

\$303,306,543~~**\$300,982,109**~~ **\$309,614,155**

**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)
EMERGENCY CONTINGENCY FUNDS**

Local Program Expenditures

Division of Child Development and Early Education

01. Subsidized Child Care

29,033,340

28,600,000

02. Subsidized Child Care Swap Out

4,547,023

0

Division of Social Services

03. County Child Welfare Program
Improvement Resources

0603,580DHHS Administration

04. DSS State Child Welfare Program
Improvement Resources

0400,000

**TOTAL TEMPORARY ASSISTANCE FOR
NEEDY FAMILIES (TANF) EMERGENCY
CONTINGENCY FUNDS**

\$33,580,363~~**\$28,600,000**~~ **\$29,603,580**

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)	\$27,335,458	\$27,108,324 <u>\$27,215,583</u>
<u>01A. EBCI Tribal Public Health and Human Services</u>	<u>0</u>	<u>244,740</u>
02. Child Protective Services (Transfer From TANF)	5,040,000	5,040,000
03. State In-Home Services Fund	2,209,023	1,943,950
04. Adult Protective Services	1,245,363	1,245,363
05. State Adult Day Care Fund	2,039,647	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
<u>08A. Child Protective Services – Child Welfare Training for Counties/Mobile Training</u>	<u>0</u>	<u>737,067</u>
09. Home and Community Care Block Grant (HCCBG)	1,788,157	1,696,888
10. Child Advocacy Centers	375,000	375,000
11. Guardianship	4,107,032	4,035,704
12. Foster Care Services (Transfer From TANF)	1,385,152	1,385,152
Division of Central Management and Support		
13. DHHS Competitive Block Grants for Nonprofits	3,852,500	3,852,500
14. NC FAST – Operations and Maintenance	712,324	939,315

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 and
Early Education

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 \$61,804,403 ~~\$61,331,027~~ \$62,420,093

LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures

Division of Social Services

01. Low-Income Energy Assistance
Program (LIEAP)

\$40,244,534

~~\$39,303,674~~ \$37,156,492

02. Crisis Intervention Program (CIP)

40,244,534

~~39,303,674~~ 37,156,492

Local Administration

Division of Social Services

03. County DSS Administration	6,454,961	6,454,961 <u>6,102,324</u>
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DHHS Administration

04. Office of the Secretary/DIRM	412,488	412,488
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05. Office of the Secretary/Controller's Office	18,378	18,378
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06. NC FAST Development	1,075,319	3,381,373
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Transfers to Other State Agencies

Department of ~~Environment and Natural~~
Resources (DENR) Environmental Quality (DEQ)

07. Weatherization Program	11,847,017	11,570,050 <u>10,937,968</u>
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08. Heating Air Repair and Replacement Program (HARRP)	6,303,514	6,156,147 <u>5,819,833</u>
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09. Local Residential Energy Efficiency Service Providers – Weatherization	475,046	475,046 <u>449,094</u>
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10. Local Residential Energy Efficiency Service Providers – HARRP	252,761	252,761 <u>238,953</u>
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11. DENR-DEQ – Weatherization Administration	475,046	475,046 <u>449,094</u>
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12. DENR-DEQ – HARRP Administration	252,760	252,760 <u>238,952</u>
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Department of Administration

13. N.C. Commission on Indian Affairs	87,736	87,736
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**TOTAL LOW-INCOME ENERGY
ASSISTANCE BLOCK GRANT**

	\$108,144,094	\$108,144,094 <u>\$102,449,177</u>
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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)	\$154,278,008	\$152,370,856 <u>\$155,125,867</u>
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02. Electronic Tracking System	1,201,240	401,492 <u>1,201,240</u>
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03. Transfer from TANF Block Grant		
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General Assembly Of North Carolina

Session 2015

1	for Child Care Subsidies	71,773,001	71,773,001
2			
3	04. Quality and Availability Initiatives		
4	(TEACH Program \$3,800,000)	26,514,964	26,019,987 35,878,600
5			
6	DHHS Administration		
7			
8	Division of Child Development and Early Education		
9			
10	05. DCDEE Administrative Expenses	9,049,505	9,049,505 9,042,159
11			
12	Division of Social Services		
13			
14	06. Local Subsidized Child Care		
15	Services Support	15,930,279	15,930,279 16,094,325
16			
17	<u>06A. Direct Deposit for Child Care Payments</u>	<u>0</u>	<u>969,610</u>
18			
19	07. NC FAST Development	186,404	586,152
20			
21	Division of Central Administration		
22			
23	08. DHHS Central Administration – DIRM		
24	Technical Services	775,000	775,000
25			
26	09. Central Regional Maintenance	202,000	202,000
27			
28	<u>09A. DHHS Central Administration</u>	<u>0</u>	<u>7,346</u>
29			
30	10. Child Care Health Consultation Contracts	62,205	62,205
31			
32	TOTAL CHILD CARE AND DEVELOPMENT		
33	FUND BLOCK GRANT	\$279,972,606	\$277,170,477291,717,505
34			
35	MENTAL HEALTH SERVICES BLOCK GRANT		
36			
37	Local Program Expenditures		
38			
39	01. Mental Health Services – Child	\$3,619,833	\$3,619,833
40			
41	02. Administration	200,000	200,000
42			
43	03. Mental Health Services – Adult/Child	11,755,152	11,755,152 10,904,077
44			
45	04. Crisis Solutions Initiative – Critical		
46	Time Intervention	750,000	750,000
47			
48	05. Mental Health Services – First		
49	Psychotic Symptom Treatment	643,491	643,491 1,430,851
50			
51	<u>DHHS Administration</u>		

Division of Mental Health

<u>06. Administration</u>	<u>200,000</u>	<u>200,000</u>
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TOTAL MENTAL HEALTH SERVICES

BLOCK GRANT	\$16,968,476	\$16,968,476 \$16,904,761
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SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

Local Program Expenditures

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

01. Substance Abuse – HIV and IV Drug	\$3,919,723	\$3,919,723
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02. Substance Abuse Prevention	8,669,284	8,669,284
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03. Substance Abuse Services – Treatment for Children/Adults <u>(Medication-Assisted Treatment Pilot \$500,000; First Step Farm of WNC, Inc. \$100,000)</u>	29,519,883	29,519,883 30,028,039
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04. Crisis Solutions Initiatives – Walk-In Crisis Centers	420,000	420,000
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05. Crisis Solutions Initiatives – Collegiate Wellness/Addiction Recovery	1,085,000	1,085,000
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06. Crisis Solutions Initiatives – Community Paramedic Mobile Crisis Management	60,000	60,000
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07. Crisis Solutions Initiatives – Innovative Technologies	41,000	41,000
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08. Crisis Solutions Initiatives – Veteran's Crisis	250,000	250,000
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DHHS AdministrationDivision of Mental Health, Developmental
Disabilities, and Substance Abuse Services

09. <u>DMH</u> Administration	454,000	454,000
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09A. <u>Controlled Substance Reporting System Enhancement</u>	<u>0</u>	<u>150,000</u>
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Division of Public Health

10. HIV Testing for Individuals in Substance Abuse Treatment	765,949	765,949
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**TOTAL SUBSTANCE ABUSE PREVENTION
AND TREATMENT BLOCK GRANT**

\$45,184,839 ~~\$45,184,839~~ \$45,842,995

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health

01. Children's Health Services

(Safe Sleep Campaign

\$45,000; Prevent Blindness \$560,837;

Community-Based

Sickle Cell Centers \$100,000)

\$7,574,703

~~\$7,574,703~~ \$7,674,703

02. Women's Health

(March of Dimes \$350,000; Teen Pregnancy

Prevention Initiatives ~~\$650,000~~ \$650,000

[Public Health Division \$400,000 &

SHIFT NC \$250,000];

17P Project \$52,000; Nurse-Family

Partnership \$509,018; Carolina Pregnancy

Care Fellowship \$300,000)

6,520,148

~~6,520,148~~ 6,920,148

03. Oral Health

44,901

44,901

04. Evidence-Based Programs in Counties

With Highest Infant Mortality Rates

1,575,000

1,575,000

DHHS Program Expenditures

Division of Public Health

05. Children's Health Services

1,342,928

~~1,342,928~~ 1,427,323

06. Women's Health – Maternal Health

107,714

~~107,714~~ 169,864

07. State Center for Health Statistics

158,583

158,583

08. Health Promotion – Injury and

Violence Prevention

87,271

87,271

DHHS Administration

Division of Public Health

09. Division of Public Health Administration

552,571

552,571

**TOTAL MATERNAL AND CHILD
HEALTH BLOCK GRANT**

\$17,963,819

~~\$17,963,819~~ \$18,610,364

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01. Physical Activity and Prevention	\$2,444,718	\$2,642,322
02. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	173,476	173,476 <u>237,707</u>
03. Community-Focused Eliminating Health Disparities Initiative Grants	2,756,855	0

DHHS Program Expenditures

Division of Public Health

04. HIV/STD Prevention and Community Planning	145,819	145,819
05. Oral Health Preventive Services	320,074	451,809
06. Laboratory Services – Testing, Training, and Consultation	21,012	21,012
07. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	192,315	192,315 <u>172,561</u>
08. State Laboratory Services – Testing, Training, and Consultation	199,634	199,634
09. Performance Improvement and Accountability	702,850	768,717
10. State Center for Health Statistics	107,291	107,291

DHHS Administration

Division of Public Health

11. Division of Public Health	172,820	172,820
12. Division of Public Health – Physical Activity and Nutrition Branch	1,311,972	68,073

**TOTAL PREVENTIVE HEALTH
SERVICES BLOCK GRANT**

\$8,548,836 ~~\$4,943,288~~ \$4,987,765

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity

01. Community Action Agencies	\$24,047,065	\$24,047,065 <u>\$21,428,074</u>
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02. Limited Purpose Agencies	1,335,948	1,335,948 <u>1,190,448</u>
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DHHS Administration

03. Office of Economic Opportunity	1,335,948	1,335,948 <u>1,190,448</u>
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TOTAL COMMUNITY SERVICES

BLOCK GRANT	\$26,718,961	\$26,718,961 <u>\$23,808,970</u>
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"GENERAL PROVISIONS

"SECTION 121.1.(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 121.1.(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 2015-2016 and 2016-2017, 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 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 and the Fiscal Research Division.

1 "SECTION 12I.1.(d) Except as otherwise provided, appropriations from federal Block Grant
2 funds are made for each year of the fiscal biennium ending June 30, 2017, according to the
3 schedule enacted for State fiscal years 2015-2016 and 2016-2017 or until a new schedule is
4 enacted by the General Assembly.

5 "SECTION 12I.1.(e) All changes to the budgeted allocations to the Block Grants or
6 contingency funds and other grants related to existing Block Grants administered by the
7 Department of Health and Human Services that are not specifically addressed in this section shall
8 be approved by the Office of State Budget and Management, and the Office of State Budget and
9 Management shall consult with the Joint Legislative Oversight Committee on Health and Human
10 Services for review prior to implementing the changes. The report shall include an itemized listing
11 of affected programs, including associated changes in budgeted allocations. All changes to the
12 budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative
13 Oversight Committee on Health and Human Services and the Fiscal Research Division. This
14 subsection does not apply to Block Grant changes caused by legislative salary increases and
15 benefit adjustments.

16 "SECTION 12I.1.(f) Except as otherwise provided, the Department of Health and Human
17 Services shall have flexibility to transfer funding between the Temporary Assistance for Needy
18 Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block Grant so long
19 as the total allocation for the line items within those block grants remains the same.

20
21 **"TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

22 "SECTION 12I.1.(g) The sum of eighty million ninety-three thousand five hundred sixty-six
23 dollars (\$80,093,566) for the 2015-2016 fiscal year and the sum of ~~seventy-eight million~~
24 ~~seventy-three thousand four hundred thirty-seven dollars (\$78,073,437)~~ eighty million ninety-three
25 thousand five hundred sixty-six dollars (\$80,093,566) for the 2016-2017 fiscal year appropriated
26 in this section in TANF funds to the Department of Health and Human Services, Division of
27 Social Services, shall be used for Work First County Block Grants. The Division shall certify
28 these funds in the appropriate State-level services based on prior year actual expenditures. The
29 Division has the authority to realign the authorized budget for these funds among the State-level
30 services based on current year actual expenditures. The Division shall also have the authority to
31 realign appropriated funds from Work First Family Assistance for electing counties to the Work
32 First County Block Grant for electing counties based on current year expenditures so long as the
33 electing counties meet Maintenance of Effort requirements.

34 "SECTION 12I.1.(h) The sum of nine million four hundred twelve thousand three hundred
35 ninety-one dollars (\$9,412,391) appropriated in this section to the Department of Health and
36 Human Services, Division of Social Services, in TANF funds for each year of the 2015-2017
37 fiscal biennium for child welfare improvements shall be allocated to the county departments of
38 social services for hiring or contracting staff to investigate and provide services in Child Protective
39 Services cases; to provide foster care and support services; to recruit, train, license, and support
40 prospective foster and adoptive families; and to provide interstate and post-adoption services for
41 eligible families.

42 Counties shall maintain their level of expenditures in local funds for Child Protective Services
43 workers. Of the Block Grant funds appropriated for Child Protective Services workers, the total
44 expenditures from State and local funds for fiscal years 2015-2016 and 2016-2017 shall not be less
45 than the total expended from State and local funds for the 2012-2013 fiscal year.

46 "SECTION 12I.1.(i) The sum of two million twenty-six thousand eight hundred
47 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the Department
48 of Health and Human Services, Special Children Adoption Fund, for each year of the 2015-2017
49 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division of Social Services,
50 in consultation with the North Carolina Association of County Directors of Social Services and
51 representatives of licensed private adoption agencies, shall develop guidelines for the awarding of

1 funds to licensed public and private adoption agencies upon the adoption of children described in
2 G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by
3 participating agencies shall be used exclusively to enhance the adoption services program. No
4 local match shall be required as a condition for receipt of these funds.

5 "SECTION 12I.1.(i1) The sum of one million four hundred thousand dollars (\$1,400,000)
6 appropriated in this section in TANF funds to the Department of Health and Human Services,
7 Division of Social Services, for the 2016-2017 fiscal year shall be used for child welfare initiatives
8 to (i) enhance the skills of social workers to improve the outcomes for families and children
9 involved in child welfare and (ii) enhance the provision of services to families in their homes in
10 the least restrictive setting.

11
12 **"SOCIAL SERVICES BLOCK GRANT**

13 "SECTION 12I.1.(j) The sum of twenty-seven million three hundred thirty-five thousand
14 four hundred fifty-eight dollars (\$27,335,458) for the 2015-2016 fiscal year and the sum of
15 ~~twenty-seven million one hundred eight thousand three hundred twenty-four dollars (\$27,108,324)~~
16 twenty-seven million two hundred fifteen thousand five hundred eighty-three dollars
17 (\$27,215,583) for the 2016-2017 fiscal year appropriated in this section in the Social Services
18 Block Grant to the Department of Health and Human Services, Division of Social Services, shall
19 be used for county block grants. The Division shall certify these funds in the appropriate
20 State-level services based on prior year actual expenditures. The Division has the authority to
21 realign the authorized budget for these funds, as well as State Social Services Block Grant funds,
22 among the State-level services based on current year actual expenditures.

23 "SECTION 12I.1.(k) The sum of one million three hundred thousand dollars (\$1,300,000)
24 appropriated in this section in the Social Services Block Grant to the Department of Health and
25 Human Services, Division of Social Services, for each year of the 2015-2017 fiscal biennium shall
26 be used to support various child welfare training projects as follows:

- 27 (1) Provide a regional training center in southeastern North Carolina.
- 28 (2) Provide training for residential child caring facilities.
- 29 (3) Provide for various other child welfare training initiatives.

30 "SECTION 12I.1.(l) The Department of Health and Human Services is authorized, subject to
31 the approval of the Office of State Budget and Management, to transfer Social Services Block
32 Grant funding allocated for departmental administration between divisions that have received
33 administrative allocations from the Social Services Block Grant.

34 "SECTION 12I.1.(m) Social Services Block Grant funds appropriated for the Special
35 Children Adoption Incentive Fund will require a fifty-percent (50%) local match.

36 "SECTION 12I.1.(n) The sum of five million forty thousand dollars (\$5,040,000)
37 appropriated in this section in the Social Services Block Grant for each year of the 2015-2017
38 fiscal biennium shall be allocated to the Department of Health and Human Services, Division of
39 Social Services. The Division shall allocate these funds to local departments of social services to
40 replace the loss of Child Protective Services State funds that are currently used by county
41 governments to pay for Child Protective Services staff at the local level. These funds shall be used
42 to maintain the number of Child Protective Services workers throughout the State. These Social
43 Services Block Grant funds shall be used to pay for salaries and related expenses only and are
44 exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

45 "SECTION 12I.1.(o) The sum of three million eight hundred fifty-two thousand five hundred
46 dollars (\$3,852,500) appropriated in this section in the Social Services Block Grant to the
47 Department of Health and Human Services, Division of Central Management and Support, shall
48 be used for DHHS competitive block grants pursuant to Section 12A.8 of this act for each year of
49 the 2015-2017 fiscal biennium. These funds are exempt from the provisions of 10A NCAC 71R
50 .0201(3).

1 "SECTION 12I.1.(p) The sum of three hundred seventy-five thousand dollars (\$375,000)
2 appropriated in this section in the Social Services Block Grant for each year of the 2015-2017
3 fiscal biennium to the Department of Health and Human Services, Division of Social Services,
4 shall be used to continue support for the Child Advocacy Centers, and the funds are exempt from
5 the provisions of 10A NCAC 71R .0201(3).

6 "SECTION 12I.1.(q) The sum of four million one hundred seven thousand thirty-two dollars
7 (\$4,107,032) for the 2015-2016 fiscal year and the sum of four million thirty-five thousand seven
8 hundred four dollars (\$4,035,704) for the 2016-2017 fiscal year appropriated in this section in the
9 Social Services Block Grant to the Department of Health and Human Services, Divisions of Social
10 Services and Aging and Adult Services, shall be used for guardianship services pursuant to
11 Chapter 35A of the General Statutes. The Department may expend funds appropriated in this
12 section to support (i) existing corporate guardianship contracts during the 2015-2016 and
13 2016-2017 fiscal years and (ii) guardianship contracts transferred to the State from local
14 management entities or managed care organizations during the 2015-2016 and 2016-2017 fiscal
15 years.

16 "SECTION 12I.1.(q1) The sum of seven hundred thirty-seven thousand sixty-seven dollars
17 (\$737,067) appropriated in this section in the Social Services Block Grant for the 2016-2017 fiscal
18 year shall be allocated to the Department of Health and Human Services, Division of Social
19 Services. These funds shall be used to assist with training needs for county child welfare training
20 staff and shall not be used to supplant any other source of funding for staff. County departments of
21 social services are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five
22 percent (25%).
23

24 "LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

25 "SECTION 12I.1.(r) Additional emergency contingency funds received may be allocated for
26 Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the
27 Joint Legislative Oversight Committee on Health and Human Services. Additional funds received
28 shall be reported to the Joint Legislative Oversight Committee on Health and Human Services and
29 the Fiscal Research Division upon notification of the award. The Department of Health and
30 Human Services shall not allocate funds for any activities, including increasing administration,
31 other than assistance payments, without prior consultation with the Joint Legislative Oversight
32 Committee on Health and Human Services.

33 "SECTION 12I.1.(s) The sum of forty million two hundred forty-four thousand five hundred
34 thirty-four dollars (\$40,244,534) for the 2015-2016 fiscal year and the sum of ~~thirty-nine million~~
35 ~~three hundred three thousand six hundred seventy-four dollars (\$39,303,674)~~thirty-seven million
36 one hundred fifty-six thousand four hundred ninety-two dollars (\$37,156,492) for the 2016-2017
37 fiscal year appropriated in this section in the Low-Income Energy Assistance Block Grant to the
38 Department of Health and Human Services, Division of Social Services, shall be used for Energy
39 Assistance Payments for the households of (i) elderly persons age 60 and above with income up to
40 one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible
41 for services funded through the Division of Aging and Adult Services.

42 County departments of social services shall submit to the Division of Social Services an
43 outreach plan for targeting households with 60-year-old household members no later than August
44 1 of each year. The outreach plan shall comply with the following:

- 45 (1) Ensure that eligible households are made aware of the available assistance, with
46 particular attention paid to the elderly population age 60 and above and
47 disabled persons receiving services through the Division of Aging and Adult
48 Services.
- 49 (2) Include efforts by the county department of social services to contact other
50 State and local governmental entities and community-based organizations to (i)

- 1 offer the opportunity to provide outreach and (ii) receive applications for
2 energy assistance.
3 (3) Be approved by the local board of social services or human services board prior
4 to submission.
5

6 **"CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

7 "SECTION 12I.1.(t) Payment for subsidized child care services provided with federal TANF
8 funds shall comply with all regulations and policies issued by the Division of Child Development
9 and Early Education for the subsidized child care program.

10 "SECTION 12I.1.(u) If funds appropriated through the Child Care and Development Fund
11 Block Grant for any program cannot be obligated or spent in that program within the obligation or
12 liquidation periods allowed by the federal grants, the Department may move funds to child care
13 subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the
14 federal funds fully.
15

16 **"MENTAL HEALTH SERVICES BLOCK GRANT**

17 "SECTION 12I.1.(v) The sum of six hundred forty-three thousand four hundred ninety-one
18 dollars (\$643,491) appropriated in this section in the Mental Health Services Block Grant to the
19 Department of Health and Human Services, Division of Mental Health, Developmental
20 Disabilities, and Substance Abuse Services, for ~~each year of the 2015-2017 fiscal biennium the~~
21 2015-2016 fiscal year and the sum of one million four hundred thirty thousand eight hundred
22 fifty-one dollars (\$1,430,851) for the 2016-2017 fiscal year is allocated for Mental Health Services
23 – First Psychotic Symptom Treatment. The Division shall report on (i) the specific evidence-based
24 treatment and services provided, (ii) the number of persons treated, and (iii) the measured
25 outcomes or impact on the participants served. The Division shall report to the House of
26 Representatives Appropriations Committee on Health and Human Services, the Senate
27 Appropriations Committee on Health and Human Services, and the Fiscal Research Division no
28 later than December 31, 2016.
29

30 **"SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

31 "SECTION 12I.1.(w) The sum of two hundred fifty thousand dollars (\$250,000) appropriated
32 in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of
33 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
34 Substance Abuse Services, for each year of the 2015-2017 fiscal biennium shall be allocated to the
35 Department of Military and Veterans Affairs, as created in Section 24.1 of this act, to establish a
36 call-in center to assist veterans in locating service benefits and crisis services. The call-in center
37 shall be staffed by certified veteran peers within the Department of Military and Veterans Affairs
38 and trained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse
39 Services.

40 "SECTION 12I.1.(w1) The sum of five hundred thousand dollars (\$500,000) allocated in this
41 section in the Substance Abuse Prevention and Treatment Block Grant to the Department of
42 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
43 Substance Abuse Services, for the 2016-2017 fiscal year shall be used for a medication-assisted
44 opioid use disorder treatment pilot program.
45

46 **"MATERNAL AND CHILD HEALTH BLOCK GRANT**

47 "SECTION 12I.1.(x) If federal funds are received under the Maternal and Child Health Block
48 Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710),
49 for the 2015-2016 fiscal year or the 2016-2017 fiscal year, then those funds shall be transferred to
50 the State Board of Education to be administered by the Department of Public Instruction. The
51 Department of Public Instruction shall use the funds to establish an abstinence until marriage

1 education program and shall delegate to one or more persons the responsibility of implementing
2 the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall
3 carefully and strictly follow federal guidelines in implementing and administering the abstinence
4 education grant funds.

5 "SECTION 12I.1.(y) The Department of Health and Human Services shall ensure that there
6 will be follow-up testing in the Newborn Screening Program.

7 "SECTION 12I.1.(z) The sum of one million five hundred seventy-five thousand dollars
8 (\$1,575,000) appropriated in this section in the Maternal and Child Health Block Grant to the
9 Department of Health and Human Services, Division of Public Health, for each year of the
10 2015-2017 fiscal biennium shall be used for evidence-based programs in counties with the highest
11 infant mortality rates. The Division shall report on (i) the counties selected to receive the
12 allocation, (ii) the specific evidenced-based services provided, (iii) the number of women served,
13 and (iv) any impact on the counties' infant mortality rate. The Division shall report its findings to
14 the House of Representatives Appropriations Committee on Health and Human Services, the
15 Senate Appropriations Committee on Health and Human Services, and the Fiscal Research
16 Division no later than December 31, 2016.

17 "SECTION 12I.1.(aa) The sum of one hundred thousand dollars (\$100,000) allocated in this
18 section in the Maternal and Child Health Block Grant to the Department of Health and Human
19 Services, Division of Public Health, for each year of the 2015-2017 fiscal biennium for
20 community-based sickle cell centers shall not be used to supplant existing State or federal funds.

21 "SECTION 12I.1.(bb) No more than fifteen percent (15%) of the funds provided in this
22 section in the Maternal and Child Health Block Grant to Carolina Pregnancy Care Fellowship
23 shall be used for administrative purposes. The balance of those funds shall be used for direct
24 services."

25 26 **PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

27 28 **FUTURE FARMERS OF AMERICA PILOT PROGRAM**

29 **SECTION 13.3.(a)** Notwithstanding G.S. 143-720 or G.S. 143-721, of the funds
30 appropriated to the Tobacco Trust Fund, three hundred thousand dollars (\$300,000) shall be
31 allocated to the North Carolina Future Farmers of America Foundation (Foundation) for the
32 2016-2017 fiscal year to establish a pilot program focused on increasing the availability of local
33 Future Farmers of America program activities to prepare members for a broad range of
34 agricultural career pathways through leadership development, personal growth, and agriculture
35 education. Funds shall be used only for programming and facilities and shall be allocated as
36 follows:

- 37 (1) Sixty thousand dollars (\$60,000), to be allocated in equal amounts, to the
38 following schools in Beaufort County:
 - 39 a. Northside High School.
 - 40 b. Pungo Christian Academy.
 - 41 c. Southside High School.
 - 42 d. Washington High School.
- 43 (2) Sixty thousand dollars (\$60,000), to be allocated in equal amounts, to high
44 schools with Future Farmers of America programs located in Duplin, Johnston,
45 and Sampson Counties.
- 46 (3) Sixty thousand dollars (\$60,000), to be allocated in equal amounts, to the
47 following schools:
 - 48 a. Jones Senior High School in Jones County.
 - 49 b. Richlands High School in Onslow County.
 - 50 c. White Oak High School in Onslow County.

- (4) Sixty thousand dollars (\$60,000) to Southern Guilford High School in Guilford County.
- (5) Thirty thousand dollars (\$30,000) to North Iredell High School in Iredell County.
- (6) Thirty thousand dollars (\$30,000) to West Rowan High School in Rowan County.

SECTION 13.3.(b) By September 1, 2017, the Foundation shall report to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on program activities, objectives, and accomplishments and itemized expenditures from the funds provided in this section. The Foundation shall assist local Future Farmers of America programs receiving funds pursuant to this section in reporting on the activities for which the funds were used. In addition, the Foundation shall compile a consolidated report of such activities, itemized by recipient.

FUNDING FOR DUPONT STATE RECREATIONAL FOREST

SECTION 13.4.(a) Timber receipts generated from DuPont State Recreational Forest may be used by the Department of Agriculture and Consumer Services for capital, repair, and renovation activities at DuPont State Recreational Forest.

SECTION 13.4.(b) G.S. 106-887(c) reads as rewritten:

"(c) Notwithstanding subsection (a) of G.S. 106-877, with respect to DuPont State Recreational Forest, the Department may cut and remove timber for forest management purposes only, including for the purposes of fire, pest, and disease prevention and control. The Department may cut, remove, and sell timber for the purpose of revenue generation only upon approval of the Governor and the Council of State for capital, repair, and renovation activities at DuPont State Recreational Forest upon appropriation of the receipts by the General Assembly."

SECTION 13.4.(c) G.S. 106-878 is amended by adding a new subsection to read:

"(e) DuPont Forest Fund. – The DuPont Forest Fund is created within the Department of Agriculture and Consumer Services, North Carolina Forest Service, as a special revenue fund. This Fund shall consist of receipts from the sale of forest products from DuPont State Recreational Forest as authorized in G.S. 106-877 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, or otherwise invest in the DuPont State Recreational Forest."

PART XIV. DEPARTMENT OF ENVIRONMENTAL QUALITY

MERCURY SWITCH SUNSET MODIFICATION

SECTION 14.1.(a) Section 9 of S.L. 2007-142 reads as rewritten:

"**SECTION 9.** Sections 1, 2, 6, 7, and 9 of this act become effective when this act becomes law. Sections 3, 4, and 8 of this act become effective 1 July 2007. Section 5 of this act becomes effective 1 July 2007 and applies to violations that occur on or after that date. The Department shall submit the first annual report required by G.S. 130A-310.57, as enacted by Section 7 of this act, on or before 1 October 2008. This act expires on 31 December 2017. Effective June 30, 2017, Part 6 of Article 9 of Chapter 130A of the General Statutes, as amended by this act, is repealed."

SECTION 14.1.(b) Section 13.10B of S.L. 2011-145 is repealed.

SECTION 14.1.(c) Subsection (b) of this section becomes effective June 30, 2017. Funds remaining in the Mercury Pollution Prevention Fund (Fund Code 24300-2119) on that date shall be transferred to the Division of Waste Management (Fund Code 14300-1760).

AIR AND WATER QUALITY ACCOUNT FUNDING

1 **SECTION 14.3.** G.S. 105-449.125, as amended by Section 4.11(a) of S.L. 2016-5,
2 reads as rewritten:

3 **"§ 105-449.125. Distribution of tax revenue among various funds and accounts.**

4 (a) Distribution to Funds. – The Secretary shall allocate the amount of revenue collected
5 under this Article from an excise tax of one-half cent (1/2¢) a gallon to the following funds and
6 accounts in the fraction indicated:

Fund or Account	Amount
Commercial Leaking Petroleum	
Underground Storage Tank Cleanup Fund	Nineteen—thirty—seconds <u>Sixty-two and one-half percent (62.5%)</u>
Water and Air Quality Account	Five—sixteenths <u>Twenty-eight and one-tenth percent (28.1%).</u>

13 (b) Distribution of Remaining Revenue. – The Secretary shall allocate the remaining
14 excise tax revenue collected under this Article, including any revenue that is allocated but not
15 distributed under subsection (a) of this section, as follows:

16 (1) Seventy-one percent (71%) to the Highway Fund.

17 (2) Twenty-nine percent (29%) to the Highway Trust Fund.

18 (c) Accounting. – The Secretary shall charge a proportionate share of a refund allowed
19 under this Article to each fund or account to which revenue collected under this Article is credited.
20 The Secretary shall credit revenue or charge refunds to the appropriate funds or accounts on a
21 monthly basis."

22
23 **RISK-BASED MANAGEMENT ACTIONS PREAPPROVAL**

24 **SECTION 14.5.** G.S. 143-215.94E(e5) is amended by adding a new subdivision to
25 read:

26 "(10) Each fiscal year, the Department may preapprove and authorize tasks, the cost
27 of which is to be paid or reimbursed from the Commercial Fund and the sum
28 total of which shall not exceed five hundred thousand dollars (\$500,000), that
29 have not been authorized pursuant to subdivisions (5) and (6) of this subsection
30 for the purpose of completing risk-based management actions leading to no
31 further action or closure. A claim for payment or reimbursement of costs for
32 tasks that are authorized under this subdivision shall be paid or reimbursed on
33 the same basis as tasks that are authorized under subdivisions (5) and (6) of this
34 subsection."

35
36 **EXPEDITE CLOSURE OF LOW-RISK PRE-1983 LANDFILLS**

37 **SECTION 14.6.** Of the funds appropriated to the Inactive Hazardous Sites Cleanup
38 Fund (Fund Code 65304-6379), the sum of five million dollars (\$5,000,000) may be used by the
39 Department of Environmental Quality in the 2016-2017 fiscal year to expedite closure of lower
40 risk pre-regulatory landfills by funding the assessment and remedial activities needed to achieve a
41 risk-based closure. The Department's activities under this section may proceed notwithstanding the
42 site's relative priority for action established under G.S. 130A-310.6(c), provided that the
43 Department shall only proceed with remediation and expend funds for cleanup of a site pursuant to
44 this section if the cleanup method proposed is determined to be the most cost-effective cleanup for
45 the site, except if cleanup to a more protective standard is necessary to make the site suitable for a
46 proposed economic development opportunity at the site. The Department shall issue written
47 findings of fact to demonstrate that a cleanup method for a site to be remediated pursuant to this
48 section is the most cost-effective cleanup method and, if applicable, a description of a proposed
49 economic development opportunity for a site that would support a cleanup to a more protective
50 standard. For purposes of this section, the term "cost-effective cleanup" means a cleanup method
51 that is the least expensive cleanup based on total cost.

PROMOTE SHELLFISH INDUSTRY**SECTION 14.11.(a)** G.S. 113-202(j) reads as rewritten:

"(j) Initial leases begin upon the issuance of the lease by the Secretary and expire at noon on the first day of July following the tenth anniversary of the granting of the lease. Renewal leases are issued for a period of 10 years from the time of expiration of the previous lease. At the time of making application for renewal of a lease, the applicant must pay a filing fee of one hundred dollars (\$100.00). The rental for initial leases is one dollar (\$1.00) per acre until noon on the first day of July following the first anniversary of the lease. Thereafter, for initial leases and from the beginning for renewals of leases entered into after that date, the rental is ten dollars (\$10.00) per acre per year. Rental must be paid annually in advance prior to the first day of ~~April~~ July each year. Upon initial granting of a lease, the pro rata amount for the portion of the year left until the first day of July must be paid in advance at the rate of one dollar (\$1.00) per acre per year; then, on or before the first day of ~~April~~ July next, the lessee must pay the rental for the next full year."

SECTION 14.11.(b) G.S. 113-202.1 reads as rewritten:**"§ 113-202.1. Water column leases for aquaculture.**

(a) To increase the productivity of leases for shellfish culture issued under G.S. 113-202, the Secretary may amend shellfish cultivation leases to authorize use of the water column superjacent to the leased bottom under the terms of this section when he determines the public interest will benefit from amendment of the leases. Leases with water column amendments must produce shellfish in commercial quantities at four times the minimum production rate of leases issued under G.S. 113-202, or any higher quantity required by the Marine Fisheries Commission through duly adopted rules.

...

(f) Amendments of shellfish cultivation leases to authorize use of the water column ~~are not transferrable except when the Secretary approves the transfer after public notice and hearing consistent with subsection (e) of this section.~~ may be transferred with a bottom lease for the remainder of the term of the amendment at the same rental rate and term as set forth in subsection (d) of this section, and so long as notice of the transfer is provided to the Secretary as required by G.S. 113-202(k).

...

(i) To the extent required by demonstration or research aquaculture development projects, the Secretary may amend existing leases and issue leases that authorize use of the bottom and the water column. Demonstration or research aquaculture development projects may be authorized for ~~two-five~~ years with no more than one renewal and when the project is proposed or formally sponsored by an educational institution which conducts research or demonstration of aquaculture. Production of shellfish with a sales value in excess of ~~one thousand dollars (\$1,000)~~ five thousand dollars (\$5,000) per acre per year shall constitute commercial production. Demonstration or research aquaculture development projects shall be exempt for the rental rate in subsection (d) of this section unless commercial production occurs as a result of the project."

SECTION 14.11.(c) G.S. 113-202.2 reads as rewritten:**"§ 113-202.2. Water column leases for aquaculture for perpetual franchises.**

(a) To increase the productivity of shellfish grants and perpetual franchises for shellfish culture recognized under G.S. 113-206, the Secretary may lease the water column superjacent to such grants or perpetual franchises (hereinafter "perpetual franchises") under the terms of this section when it determines the public interest will benefit from the lease. Perpetual franchises with water column leases must produce shellfish in commercial quantities at four times the minimum production rate of leases issued under G.S. 113-202, or any higher quantity required by the Marine Fisheries Commission by rule.

...

(d) Water column leases to perpetual franchises shall be issued for a period of ~~five~~ 10 years and may be renewed pursuant to subsection (g) of this section. The rental for an initial water column lease issued under this section is the same as the rental set in G.S. 113-202.1 for an initial water column amendment issued under that section, and the rental for a renewed water column lease issued under this section is the same as the rental set in G.S. 113-202.1 for a renewed water column amendment issued under that section.

...

(f) Water column leases to perpetual franchises ~~are not transferrable except when the Secretary approves the transfer after public notice and hearing consistent with G.S. 113-202(f) and (g)~~ may be transferred with a perpetual franchise for the remainder of the term of the lease at the same rental rate and term as set forth in subsection (d) of this section, and so long as notice of the transfer is provided to the Secretary as required by G.S. 113-202(k).

...

(i) Demonstration or research aquaculture development projects may be authorized for ~~two-five~~ years with no more than one renewal and when the project is proposed or formally sponsored by an educational institution which conducts aquaculture research or demonstration projects. Production of shellfish with a sales value in excess of ~~one thousand dollars (\$1,000)~~ five thousand dollars (\$5,000) per acre per year shall constitute commercial production. Demonstration or research aquaculture development projects shall be exempt from the rental rate in subsection (d) of this section unless commercial production occurs as a result of the project."

SECTION 14.11.(d) The Chief Sustainability Officer of the University of North Carolina Chapel Hill shall convene a stakeholder working group to study and advance efforts to ecologically restore and achieve economic stability of the shellfish aquaculture industry, including (i) how best to spend financial resources to counter declining oyster populations and habitats; (ii) the use of nonnative oyster species to accomplish oyster restoration; (iii) means of combating oyster disease and managing harvesting practices to balance the needs of the industry and promote long-term viability and health of oyster habitat and substrate; (iv) economic aquaculture methods to improve oyster stock and populations; (v) long-term, dedicated options for funding sources and water quality improvements; (vi) means to increase oyster production for both population growth and harvest; (vii) options that expand the use of private hatchery capacity in the State; (viii) options for promoting the use of cultch planting to enhance and increase oyster habitat and population; (ix) other resources that might be leveraged to enhance reform efforts; and (x) any other issue the Institute deems relevant.

SECTION 14.11.(e) In the conduct of the study required by subsection (d) of this section, the Officer shall convene and consult with a stakeholders group that includes representatives of the commercial and recreational oyster harvesting industries, the North Carolina Division of Marine Fisheries, the Marine Fisheries Commission, nature conservation entities, and experts in the fields of marine biology and marine ecology.

SECTION 14.11.(f) The University of North Carolina Chapel Hill shall report the results of its study, including any recommendations and suggested legislation needed to implement the recommendations to the Environmental Review Commission and the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources no later than December 31, 2018.

SECTION 14.11.(g) Of the funds appropriated in this act to the Clean Water Management Trust Fund for the 2016-2017 fiscal year, the sum of one million five hundred thousand dollars (\$1,500,000) is allocated to the Department of Environmental Quality to provide funding for the Senator Jean Preston Oyster Sanctuary Network. Funds not expended or encumbered by June 30, 2017, shall revert to the Clean Water Management Trust Fund.

SECTION 14.11.(h) Notwithstanding any other provision of law, funds provided to the Division of Marine Fisheries of the Department of Environmental Quality for contracting with the University of North Carolina Wilmington to develop oyster brood stock to provide seed for

1 aquaculture shall be transferred to, and not through a contractual arrangement with, the University
2 of North Carolina Wilmington for that purpose. No indirect facilities and administrative costs shall
3 be charged by the University against the funds transferred by this subsection.
4

5 CLARIFY AQUATIC WEED CONTROL FUNDING ELIGIBILITY

6 SECTION 14.12.(a) Part 8B of Article 21 of Chapter 143 of the General Statutes
7 reads as rewritten:

8 "Part 8B. Shallow Draft Navigation Channel Dredging and Lake Dredging-Aquatic Weed Fund.

9 "**§ 143-215.73F. Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~**
10 **Aquatic Weed Fund.**

11 (a) Fund Established. – The Shallow Draft Navigation Channel Dredging and ~~Lake~~
12 ~~Maintenance-Aquatic Weed Fund~~ is established as a special revenue fund. The Fund consists of
13 fees credited to it under G.S. 75A-3 and G.S. 75A-38, taxes credited to it under G.S. 105-449.126,
14 and funds contributed by non-State entities.

15 (b) Uses of Fund. – Revenue in the Fund may only be used for the following purposes:

16 (1) To provide the State's share of the costs associated with any dredging project
17 designed to keep shallow draft navigation channels located in State waters or
18 waters of the state located within lakes navigable and safe.

19 (2) For aquatic weed control projects in waters of the State ~~located within lakes~~
20 under Article 15 of Chapter 113A of the General Statutes. Funding for aquatic
21 weed control projects is limited to five hundred thousand dollars (\$500,000) in
22 each fiscal year.

23 (c) Cost-Share. – Any project funded by revenue from the Fund must be cost-shared with
24 non-State dollars as follows:

25 ...

26 (3) The cost-share for ~~a lake maintenance~~ an aquatic weed control project shall be
27 at least one non-State dollar for every dollar from the Fund. The cost-share for ~~a~~
28 ~~lake-an aquatic weed control project~~ located within a component of the State
29 Parks System shall be provided by the Division of Parks and Recreation of the
30 Department of Natural and Cultural Resources. The Division of Parks and
31 Recreation may use funds allocated to the State Parks System for capital
32 projects under G.S. 143B-135.56 for the cost-share.

33 (4) The cost-share for the dredging of the access canal around the Roanoke Island
34 Festival Park may be paid from the Historic Roanoke Island Fund established
35 by G.S. 143-202.3.

36"

37 SECTION 14.12.(b) G.S. 75A-3(c) reads as rewritten:

38 "(c) The Boating Account is established within the Wildlife Resources Fund created under
39 G.S. 143-250. Interest and other investment income earned by the Account accrues to the Account.
40 All moneys collected pursuant to the numbering and titling provisions of this Chapter shall be
41 credited to this Account. Motor fuel excise tax revenue is credited to the Account under
42 G.S. 105-449.126. The Commission shall use revenue in the Account, subject to the Executive
43 Budget Act and the Personnel Act, for the administration and enforcement of this Chapter; for
44 activities relating to boating and water safety including education and waterway marking and
45 improvement; and for boating access area acquisition, development, and maintenance. The
46 Commission shall use at least three dollars (\$3.00) of each one-year certificate of number fee and
47 at least nine dollars (\$9.00) of each three-year certificate of number fee collected under the
48 numbering provisions of G.S. 75A-5 for boating access area acquisition, development, and
49 maintenance. The Commission shall transfer on a quarterly basis fifty percent (50%) of each
50 one-year certificate of number fee and fifty percent (50%) of each three-year certificate of number

1 fee collected under the numbering provisions of G.S. 75A-5 to the Shallow Draft Navigation
2 Channel Dredging and ~~Lake Maintenance~~ Aquatic Weed Fund established by G.S. 143-215.73F."

3 **SECTION 14.12.(c)** G.S. 75A-38(b) reads as rewritten:

4 "(b) The Commission shall charge a fee of thirty dollars (\$30.00) to issue a new or transfer
5 certificate of title. The Commission shall transfer on a quarterly basis at least ten dollars (\$10.00)
6 of each new or transfer certificate of title to the Shallow Draft Navigation Channel Dredging and
7 ~~Lake Maintenance~~ Aquatic Weed Fund established by G.S. 143-215.73F. The Commission shall
8 charge a fee of ten dollars (\$10.00) for each duplicate title it issues and for the recording of a
9 supplemental lien."

10 **SECTION 14.12.(d)** G.S. 105-449.126 reads as rewritten:

11 "**§ 105-449.126. Distribution of part of Highway Fund allocation to Wildlife Resources Fund**
12 **and Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~ Aquatic**
13 **Weed Fund.**

14 ...
15 (b) The Secretary shall credit to the Shallow Draft Navigation Channel Dredging and ~~Lake~~
16 ~~Maintenance~~ Aquatic Weed Fund one percent (1%) of the amount that is allocated to the Highway
17 Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the
18 Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~ Aquatic Weed Fund under
19 this section may be used only for the dredging activities described in G.S. 143-215.73F. The
20 Secretary shall credit revenue to the Shallow Draft Navigation Channel Dredging and ~~Lake~~
21 ~~Maintenance~~ Aquatic Weed Fund on a quarterly basis. The Secretary must make the distribution
22 within 45 days of the end of each quarter."
23

24 **DEVELOPMENT OF NEW COMPREHENSIVE NUTRIENT MANAGEMENT**
25 **REGULATORY FRAMEWORK**

26 **SECTION 14.13.(a)** The General Assembly finds all of the following:

- 27 (1) It is necessary for the State to have a comprehensive management strategy to
28 protect and improve water quality.
29 (2) Four nutrient management strategies currently exist in North Carolina in the
30 Neuse River Basin, Tar-Pamlico Basin, Falls Lake Watershed, and Jordan Lake
31 Watershed (collectively, the State Nutrient Management Strategies). Some of
32 these strategies have now been in place for more than 12 years.
33 (3) Existing nutrient management strategies have shown little to no improvement in
34 water quality, have created an increased regulatory and economic burden in the
35 billions of dollars to the State, its municipalities, and its citizens, and have
36 rendered thousands of acres of public and private property useless.
37 (4) Instead of continuing a regulatory solution that is not improving, nor may ever
38 improve, water quality standards, a new comprehensive management strategy
39 that includes in situ treatment of impaired water bodies must be developed to
40 replace the current flawed, economically irresponsible, and scientifically
41 unjustified approach.

42 **SECTION 14.13.(b)** For the reasons set forth in subsection (a) of this section,
43 subsections (a) and (c) of Section 14.5 of S.L. 2015-241 are repealed and the Department shall
44 terminate the Jordan Lake demonstration project. Any funds allocated under subsection 14.5(a)
45 that are unspent and unencumbered on the effective date of this act shall revert to the Clean Water
46 Management Trust Fund.

47 **SECTION 14.13.(c)** Of the funds appropriated in this act to the Clean Water
48 Management Trust Fund for the 2016-2017 fiscal year, the sum of five hundred thousand dollars
49 (\$500,000) is allocated to the Office of the Chancellor at the University of North Carolina Chapel
50 Hill to designate an entity to study and analyze nutrient management strategies (including in situ
51 strategies) specifically in the context of the State's impaired water bodies. As part of this study, the

entity shall review the data collected by the Department of Environmental Quality from water sampling in areas subject to one of the State Nutrient Management Strategies and compare trends in water quality to the implementation of the various elements of each of the State Nutrient Management Strategies. The entity shall also examine the costs and benefits of basinwide nutrient strategies in other states and the impact (or lack of impact) those strategies have had on water quality. The entity shall report the results of its study and its recommendations for further action (including any statutory or regulatory changes necessary to implement the recommendations) to the Environmental Review Commission, the Environmental Management Commission, and the Department of Environmental Quality no later than December 31, 2018. No indirect or facilities and administrative costs shall be charged by the University against the funds allocated by this section. The Department of Environmental Quality shall provide all necessary data and staff assistance as requested by the entity for the duration of the study required by this subsection. The Department shall also designate from existing positions an employee to serve as liaison between the Department and the entity to facilitate communication and handle data requests for the duration of the project.

SECTION 14.13.(d) As part of the periodic review of rules required by G.S. 150B-21.3A, the Environmental Management Commission shall, based on the study required by subsection (c) of this section, review and revise the State Nutrient Management Strategies, consisting of the following:

- (1) The Neuse River Basin Nutrient Sensitive Waters Management Strategy, 15A NCAC 2B .0232 through .0242 and .0315.
- (2) The Tar-Pamlico Basin Nutrient Sensitive Waters Management Strategy, 15A NCAC 2B .0255 through .0261 and .0316.
- (3) The Falls Water Supply Nutrient Strategy, 15A NCAC 2B .0275 through .0282 and .0315.
- (4) The Jordan Lake Water Supply Nutrient Strategy, 15A NCAC 2B .0263 through .0273 and .0311.
- (5) The Randleman Lake Water Supply Watershed: Protection and Maintenance of Existing Riparian Buffers, 15A NCAC 2B .0250.
- (6) Catawba River Basin: Protection and Maintenance of Existing Riparian Buffers, 15A NCAC 2B .0243.
- (7) The Site Specific Water Quality Management Plan for the Goose Creek Watershed (Yadkin Pee-Dee River Basin), 15A NCAC 2B .0605 and .0607.
- (8) All other regulations imposing riparian buffer requirements for the purpose of nutrient management identified by the report required of the Department of Environmental Quality in this subsection.
- (9) Any changes to these regulations imposed by subsequent acts of the General Assembly.

No later than December 31, 2016, the Department of Environmental Quality shall report to the Environmental Review Commission a list of any other rules and any subsequent acts of the General Assembly changing the rules that impose buffer requirements pertaining to water quality, and the Commission's review shall include the rules identified in this section and in that report. No later than December 31, 2019, and no earlier than October 1, 2019, the Commission shall, based on its review and the study required by subsection (c) of this section, adopt temporary rules based on the revisions to the State Nutrient Management Strategies. As part of its rule-making process, the Commission shall (i) hold public hearings in the upstream and downstream portions of all impacted river basins and subbasins and (ii) no later than December 31, 2016, convene a stakeholder working group that represents all classes of users and all geographic parts of the impacted river basins and subbasins.

SECTION 14.13.(e) The existing rules identified in subsection (d) of this section as well as any other rules and modifications in the Department's December 31, 2016, report required

by that subsection are repealed on the earlier of the effective date of the temporary rules or December 31, 2019.

SECTION 14.13.(f) Of the funds appropriated in this act to the Clean Water Management Trust Fund for the 2016-2017 fiscal year, the sum of five hundred thousand dollars (\$500,000) is allocated to the Wildlife Resources Commission to conduct applied research on endemic freshwater mussel species, including species listed as federally threatened or endangered. Specific research goals shall include determination of filtration capacity, nutrient cycling, and diet preference; development and refinement of in vitro propagation; and determination of population status, restoration goals, and opportunities to augment or restore mussel communities. The Commission shall also assess strategies for use of freshwater mussel species in impaired water bodies in the State, including Jordan and Falls Lakes. The Commission shall provide an interim report no later than March 1, 2017, and a final report no later than May 1, 2018, regarding its implementation of this section to the Environmental Review Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division. Funds allocated under this subsection that are not expended or encumbered at the conclusion of the demonstration project shall revert to the Clean Water Management Trust Fund.

SECTION 14.13.(g) Rules that are a part of the nutrient management strategy for the Jordan Lake watershed and the Falls Lake watershed, but that have effective dates between the effective date of this act and December 31, 2019, shall not take effect and are subject to the repeal set forth in subsection (e) of this section. While delayed, these rules are not subject to existing rule review under G.S. 150B-21.3A.

SECTION 14.13.(h) The cost for nutrient offsets in any watershed subject to a State Nutrient Management Strategy shall be, notwithstanding any other provision of law, no higher than those currently established for the Falls Lake watershed. This subsection expires on the earlier of the effective date of new temporary rules established under subsection (d) of this section or December 31, 2019.

SECTION 14.13.(i) Subsection (b) of this section becomes effective on the earlier of July 1, 2016, or the date of termination of a contract related to in situ water quality remediation strategies that was previously extended pursuant to Section 14.5 of S.L. 2015-241.

RIGHT OF ENTRY CLARIFICATION

SECTION 14.15. Article 17 of Chapter 113 of the General Statutes is amended by adding a new section to read:

"§ 113-221.5. Right of entry to enforce certain sanitation requirements.

(a) The Secretary of Environmental Quality and a local health director shall each have the delegable right of entry upon the premises of any place where entry is necessary to enforce the provisions of G.S. 113-221.2(a) or the rules adopted by the Marine Fisheries Commission or a local board of health. If consent for entry is not obtained, an administrative search and inspection warrant shall be obtained pursuant to G.S. 15-27.2. However, if an imminent hazard exists, no warrant is required for entry upon the premises."

MARINE FISHERIES COMMISSION AMENDMENTS

SECTION 14.16.(a) G.S. 143B-289.52 reads as rewritten:

"§ 143B-289.52. Marine Fisheries Commission – powers and duties.

(e1) A supermajority of the Commission shall be ~~six-five~~ members. A supermajority shall be necessary ~~to override recommendations from the Division of Marine Fisheries regarding measures needed to end overfishing or to rebuild overfished stocks for any action taken under the powers and duties set forth in this section, including, but not limited to, rule making and the regulation of fisheries under a fishery management plan.~~

...."

SECTION 14.16.(b) G.S. 143B-289.54(a)(7)-(8) are repealed.

FISHERIES MANAGEMENT PLANS

SECTION 14.17. G.S. 113-182.1(e1) reads as rewritten:

"(e1) If the Secretary determines that it is in the interest of the long-term viability of a fishery, the Secretary may authorize the Commission to develop expedited temporary management measures to supplement an existing Fishery Management Plan pursuant to this subsection. Management measures considered in a supplement shall be strictly limited to those management strategies contained in the original fishery management plan or subsequent amendments to the plan adopted by the Marine Fisheries Commission and shall not include management measures that were either (i) not originally developed in accordance with this section or (ii) that result in severe curtailment of the usefulness or value of equipment as provided by G.S. 113-221(d). Development of temporary management measures pursuant to this subsection is exempt from subsections (c), (c1), and (e) of this section and the Priority List, Schedule, and guidance criteria established by the Marine Fisheries Commission under G.S. 143B-289.52. During the next review period for a Fishery Management Plan supplemented pursuant to this subsection, the Commission shall either incorporate the temporary management measures into the revised Fishery Management Plan or the temporary management measures shall expire on the date the revised Fishery Management Plan is adopted."

CRAB POT REMOVAL PILOT PROGRAM

SECTION 14.18. Of the funds appropriated to the Department of Environmental Quality, Division of Marine Fisheries, for the 2016-2017 fiscal year, one hundred thousand dollars (\$100,000), nonrecurring, shall be used for a pilot program to be administered by North Carolina Sea Grant at North Carolina State University (Sea Grant) for the removal of derelict crab pots in State waters. Sea Grant may contract with nonprofit organizations to conduct and oversee the removal of derelict crab pots, provided that the nonprofit organizations involved are required to report expenditures and performance data to Sea Grant. No indirect facilities and administrative costs shall be charged by Sea Grant or any constituent institution of the University of North Carolina System against the funds allocated by this section. Sea Grant shall submit a report on the performance of the pilot program, including expenditures and number of derelict crab pots retrieved, to the chairs of the Joint Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on or before May 1, 2017.

SHALLOW DRAFT FUND SPONSORED COASTAL MANAGEMENT POSITION

SECTION 14.19. G.S. 143-215.73F(b) is amended by adding a new subdivision to read:

"(3) For the compensation of a beach and inlet management project manager with the Division of Coastal Management of the Department of Environmental Quality for the purpose of overseeing all activities related to beach and inlet management in the State. Funding for the position is limited to ninety-nine thousand dollars (\$99,000) in each fiscal year."

WASTEWATER DISCHARGE MITIGATION

SECTION 14.20. Of the funds appropriated in this act to the Department of Environmental Quality, Division of Water Infrastructure, the sum of four hundred thousand dollars (\$400,000), nonrecurring, for the 2016-2017 fiscal year shall be used to provide a grant for wastewater infrastructure improvements to a municipality located in a development tier three county where the municipality has a population under 100 according to the most recent decennial

1 census and has been issued Notices of Violation from both a county and the Division of Water
2 Resources for illegal wastewater discharges.

3 4 **CATALOG OF WETLAND AND STREAM MITIGATION CREDITS**

5 **SECTION 14.21.** The Division of Mitigation Services shall catalog all wetland and
6 stream mitigation credits in State ownership. The Department of Transportation shall provide
7 support and assistance to the Division in carrying out the requirements of this section, including
8 providing access to data on mitigation credits acquired by the Department of Transportation
9 associated with completed, ongoing, and planned transportation projects. The Division shall
10 provide the catalog along with any relevant supporting information to the Environmental Review
11 Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and
12 Economic Resources, and the Joint Legislative Transportation Oversight Committee no later than
13 December 31, 2016.

14 15 **BEACH NOURISHMENT STUDIES**

16 **SECTION 14.22.(a)** The Division of Coastal Management and the Department of
17 Environmental Quality shall study and provide an executive summary of readily available data on
18 the physical and economic, storm mitigation, and public safety benefits of beach nourishment.
19 Specific items benefitted by beach nourishment shall include, at a minimum, public infrastructure,
20 private property, and tourism. The results of the study shall be reported no later than November 1,
21 2016, to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic
22 Resources.

23 **SECTION 14.22.(b)** The Register of Deeds of each covered county shall identify all
24 privately owned beachfront property in the county. A covered county includes the Counties of
25 Brunswick, New Hanover, Pender, Onslow, Carteret, Hyde, Dare, and Currituck. Each Register of
26 Deeds shall determine whether the mailing address on the tax record of such property is in a
27 county in this State other than the county where such property is located. Each Register shall send
28 a list of such properties no later than November 1, 2016, to the Department of Environmental
29 Quality and the Joint Legislative Oversight Committee on Agriculture and Natural and Economic
30 Resources.

31 **SECTION 14.22.(c)** The Department of Commerce shall study and provide an
32 executive summary of readily available economic data related to the coastal economy of the State
33 for the purpose of quantifying the contribution of the coastal economy to the economy of the State
34 as a whole, considering, at a minimum, the benefits of travel and tourism, job creation and
35 opportunity, and tax revenues, including property, sales, and income taxes. The Department shall
36 report the results of the study no later than November 1, 2016, to the Department of
37 Environmental Quality and the Joint Legislative Oversight Committee on Agriculture and Natural
38 and Economic Resources.

39 **SECTION 14.22.(d)** The Department of Environmental Quality shall include the
40 studies required by each subsection of this section as appendices to the Beach and Inlet
41 Management Plan required by Section 14.6(b)(4) of S.L. 2015-241.

42 43 **EXTEND THE SUNSET ON ALLOWABLE TERM LENGTH OF CERTAIN STATE** 44 **REVOLVING FUND LOANS**

45 **SECTION 14.23.(a)** G.S. 159G-40(b), as amended by Section 4(a) of S.L. 2015-207,
46 reads as rewritten:

47 "(b) Interest Rate and Maturity. – The interest rate payable on and the maximum maturity of
48 a loan are subject to the following limitations:

49 ...

50 (2) Maturity. – The maximum maturity for a loan for a project that is not a
51 ~~high-unit-cost project may not exceed~~ targeted interest rate project is 20 years

or the project's expected life, whichever is shorter. The maximum maturity for a loan for a ~~high-unit-cost~~ targeted interest rate project is 30 years or the project's expected life, whichever is shorter."

SECTION 14.23.(b) Section 4(b) of S.L. 2015-207 reads as rewritten:

"**SECTION 4.(b)** This section is effective when it becomes law and expires ~~July~~ October 1, 2016. The sunset does not affect the validity of any loan agreement approved by the Local Government Commission prior to the sunset or loan increases approved after the sunset, provided the loan was approved in accordance with G.S. 159G-40, as amended by this section, prior to the sunset."

SECTION 14.23.(c) Subsection (a) of this section becomes effective October 1, 2016. The remainder of this section is effective when it becomes law.

PART XV. DEPARTMENT OF COMMERCE

USE OF DEOBLIGATED CDBG AND FEDERAL FUNDS

SECTION 15.1.(a) Section 15.6(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 15.6.(b)** To allow the Department of Commerce and the Department of Environment and Natural Resources to quickly deploy deobligated CDBG funds and surplus federal administrative funds as they are identified throughout each program year, the following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds, unless otherwise expressly provided by law:

...

(2) In the 2015-2017 fiscal biennium, the Department of Commerce shall use the sum of ~~five million nine hundred eight thousand four hundred ninety seven dollars (\$5,908,497)~~ ten million six hundred forty-eight thousand one hundred eighty-nine dollars (\$10,648,189) in deobligated CDBG funds as follows:

- a. ~~Four-Three million six hundred fifty-eight thousand four hundred ninety-seven dollars (\$4,658,497) for: (\$3,658,497) for providing~~
 1. ~~Providing~~ public services and public facilities. The category of public services includes providing substance abuse services and employment services, including job training, to homeless and at-risk veterans in the State.
 2. ~~If House Bill 108, 2015 Regular Session, becomes law, providing up to one million dollars (\$1,000,000) in the 2016-2017 fiscal year to be used to fund a loan fund for site, infrastructure, and building development. Program income generated from awards made from the loan fund shall be captured in the existing CDBG revolving loan fund.~~
- b. Five hundred thousand dollars (\$500,000) for existing CDBG programs that encounter cost overruns.
- c. Up to ~~seventhree hundred thirty-seven~~ fifty thousand two hundred eighty-four dollars ~~(\$750,000) (\$337,284)~~ for providing training and guidance to local governments relative to the CDBG program, its management, and administration requirements.
- d. Four million nine hundred two thousand four hundred eight dollars (\$4,902,408) to be transferred to the Department of Environmental Quality for water and sewer projects for public schools.
- e. One million two hundred fifty thousand dollars (\$1,250,000) to the Department of Commerce to be used for the State Broadband Plan in coordination with the Broadband Infrastructure Office at the Department of Information Technology.

(3) ~~All deobligated CDBG funds that arise in a category that the Department of Commerce is responsible for administering after the provisions of subdivision (2) of this subsection have been met, and any~~ Any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:

- a. ~~To issue grants in the CDBG economic development program category.~~
- b. ~~For providing training and guidance to local governments relative to the CDBG program, its management, and administrative requirements.~~
- c. ~~For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.~~

...."

SECTION 15.1.(b) The Department of Commerce shall report on its proposed broadband initiative and its proposed use of deobligated CDBG funds to support that initiative. The report shall include details about how the initiative complies with the State broadband plan and the State's CDBG requirements. The report shall also include details about (i) the type of sites it intends to serve, (ii) a time line for proposed projects, (iii) the constituents it intends to serve, and (iv) any other expected outcomes. The Department shall submit the report to the chairs of the Economic Development and Global Engagement Committee and the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources on or before February 1, 2017.

TRAVEL AND TOURISM BOARD CHANGES

SECTION 15.6.(a) G.S. 143B-434.1 reads as rewritten:

"§ 143B-434.1. The North Carolina Travel and Tourism Board – creation, duties, membership.

...
(b) The function and duties of the Board shall be:

(2) To advise the Secretary of Commerce in the development of a budget for achieving the goals of the Travel and Tourism Policy Act, as provided in G.S. 143B-434.2, 143B-434.2 and the nonprofit corporation contracted to promote and market tourism.

...
(5) ~~To name a three-member subcommittee, with one member from each of the eastern, central, and western regions of the State, to make recommendations to the Secretary of Commerce regarding any revisions in the matching funds tourism grants program, project applications, and criteria for projects that qualify for participation in the program.~~

...
(9) To promote policies that support tourism in North Carolina.

(10) To advise the General Assembly on tourism policy matters upon request of the Joint Legislative Oversight Committee on Governmental Operations or the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources.

(c) The Board shall consist of ~~29~~ 15 members as follows:

(1) The Secretary of Commerce, who shall not be a voting member.

(2) The chief executive officer of the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431.01(b), who shall not be a voting member.

- 1 (3) ~~Two members~~One member designated by the Board of Directors of the North
- 2 Carolina Restaurant and Lodging Association, representing the lodging sector.
- 3 (4) ~~Two members~~One member designated by the Board of Directors of the North
- 4 Carolina Restaurant and Lodging Association, representing the restaurant
- 5 sector.
- 6 (5) ~~Three Directors of Convention and Visitor Bureaus designated by the Board of~~
- 7 ~~Directors of the North Carolina Association of Convention and Visitor~~
- 8 ~~Bureaus.~~One member of the Destination Marketing Association of North
- 9 Carolina designated by the Board of Directors of the Destination Marketing
- 10 Association of North Carolina.
- 11 (6) ~~The Chairperson~~Chair of the Travel and Tourism Coalition or the
- 12 ~~Chairperson's~~Chair's designee.
- 13 (7) ~~The President of the North Carolina Travel Industry Association.~~One person
- 14 who is a member of the Travel and Tourism Coalition designated by the Board
- 15 of Directors of the Travel and Tourism Coalition.
- 16 (8) A member designated by the Board of Directors of the North Carolina Travel
- 17 Industry Association.
- 18 (9) ~~The President of the North Carolina Chamber.~~
- 19 (10) ~~One member designated by the North Carolina Petroleum Marketers~~
- 20 ~~Association.~~
- 21 (11) Two persons appointed by the Speaker of the House of Representatives; One
- 22 person~~one~~ of whom shall be associated with the tourism attractions in North
- 23 ~~Carolina, appointed by the Speaker of the House of Representatives.~~
- 24 ~~One~~industry and one of whom ~~person who is~~shall not be a member of the
- 25 ~~General Assembly, appointed by the Speaker of the House of~~
- 26 ~~Representatives.~~Assembly.
- 27 (12) Two persons appointed by the President Pro Tempore of the Senate; One
- 28 person~~one~~ of whom shall be associated with the ~~tourism-related transportation~~
- 29 ~~industry;~~tourism industry and one of whom shall not be appointed by the
- 30 ~~President Pro Tempore of the Senate. One person who is not a member of the~~
- 31 ~~General Assembly, appointed by the President Pro Tempore of the~~
- 32 ~~Senate.~~Assembly.
- 33 (13) ~~Four public members each interested in matters relating to travel and tourism;~~
- 34 ~~two appointed by the Governor (one from a rural area and one from an urban~~
- 35 ~~area), one appointed by the Speaker of the House, and one appointed by the~~
- 36 ~~President Pro Tempore of the Senate.~~
- 37 (14) ~~One member associated with the major cultural resources and activities of the~~
- 38 ~~State in North Carolina. Two members appointed by the Governor.~~Governor,
- 39 one of whom is involved in the tourism industry.
- 40 (15) ~~Two members of the House of Representatives, appointed by the Speaker of the~~
- 41 ~~House of Representatives.~~One at-large member appointed by the Board of the
- 42 nonprofit corporation with which the Department contracts pursuant to
- 43 G.S. 143B-431.01(b).
- 44 (16) ~~Two members of the Senate, appointed by the President Pro Tempore of the~~
- 45 ~~Senate.~~
- 46 (17) ~~Two members designated by the Board of Directors of North Carolina~~
- 47 ~~Watermen United who represent the charter boat/headboat industry.~~
- 48 (d) The members of the Board shall serve the following terms: the Secretary of Commerce,
- 49 the chief executive officer of the nonprofit corporation with which the Department contracts
- 50 pursuant to G.S. 143B-431.01(b), and ~~the Chairperson~~Chair of the Travel and Tourism
- 51 ~~Coalition.~~Coalition ~~the President of the North Carolina Travel Industry Association, and the~~

1 ~~President of the North Carolina Chamber~~ shall serve on the Board while they hold their respective
2 offices. Each member of the Board appointed by the Governor shall serve during his or her term of
3 office. The members of the Board appointed by the General Assembly shall serve two-year terms
4 beginning on ~~January-September 1~~ of odd-numbered years and ending on ~~December 31 of the~~
5 ~~following year.~~August 31. The first such term shall begin on ~~January 1, 1991,~~September 1, 2016,
6 or as soon thereafter as the member is appointed to the Board, and end on ~~December 31,~~
7 ~~1992.~~August 31, 2018. All other members of the Board shall serve a term which ~~consists~~
8 ~~of~~includes the portion of calendar year ~~1991-2016~~ that remains following their appointment or
9 designation and ends on August 31, 2017, and, thereafter, two-year terms which shall begin on
10 ~~January-September 1~~ of an even-numbered year and end on ~~December 31 of the following~~
11 ~~year.~~August 31. The first such two-year term shall begin on ~~January 1, 1992,~~September 1, 2017,
12 and end on ~~December 31, 1994.~~August 31, 2019.

13 ...

14 (g) Board members who are employees of the State shall receive travel allowances at the
15 rate set forth in G.S. 138-6. Board members who are legislators shall be reimbursed for travel and
16 subsistence in accordance with G.S. 120-3.1. All other Board members, except those serving
17 pursuant to subdivisions (3) through ~~(4)-(7)~~ of subsection (c) of this section, shall receive per
18 diem, subsistence, and travel expenses, paid by the Department of Commerce, at the rate set forth
19 in G.S. 138-5. Board members serving pursuant to subdivisions (3) through ~~(4)-(7)~~ of subsection
20 (c) of this section shall not receive per diem, subsistence, or travel expenses. ~~The expenses set~~
21 ~~forth in this section shall be paid by the Department of Commerce.~~expenses but shall be
22 reimbursed at the discretion of the appointing organization.

23 (h) ~~At its first meeting in 1991, the~~The Board shall elect one of its voting members to
24 serve as ~~Chairperson during calendar year 1991.~~Chairperson. At its last regularly scheduled
25 meeting ~~in 1991, and at its last regularly scheduled meeting in each year thereafter,~~year, the Board
26 shall elect one of its voting members to serve as Chairperson for the coming calendar year. No
27 person shall serve as Chairperson during more than three consecutive calendar years. The
28 Chairperson shall continue to serve until his or her successor is elected.

29"

30 **SECTION 15.6.(b)** G.S. 143B-431.01(c) reads as rewritten:

31 "(c) Oversight. – There is established the Economic Development Accountability &
32 Standards Committee, which shall be treated as a board for purposes of Chapter 138A of the
33 General Statutes. The Committee shall consist of seven members as follows: the Secretary of
34 Commerce as Chair of the Committee, the Secretary of Transportation, the Secretary of
35 Environmental Quality, the Secretary of Revenue, the Chair of the North Carolina Travel and
36 Tourism Board, one member appointed by the General Assembly upon recommendation of the
37 Speaker of the House of Representatives, and one member appointed by the General Assembly
38 upon recommendation of the President Pro Tempore of the Senate, ~~and one member appointed by~~
39 ~~the General Assembly upon the joint recommendation of the Speaker of the House of~~
40 ~~Representatives and the President Pro Tempore of the Senate.~~ Members appointed by the General
41 Assembly shall be appointed for four-year terms beginning July 1 and may not be members of the
42 General Assembly.

43 The Committee shall be administratively housed in the Department of Commerce. The
44 Department of Commerce shall provide for the administrative costs of the Committee and shall
45 provide staff to the Committee. The Committee shall meet at least quarterly upon the call of the
46 Chair. The duties of the Committee shall include all of the following:

47 ...

- 48 (4) Auditing, at least biennially, by the Office of State Budget and Management,
49 State Auditor, or internal auditors of the Department, the records of the North
50 Carolina nonprofit corporation with which the Department has contracted
51 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. A copy of any audit performed at the request of the Committee shall be forwarded to the North Carolina Travel and Tourism Board.

...."

SECTION 15.6.(c) Subsection (a) of this section is effective when it becomes law and applies to appointments made on or after that date. Terms of appointees serving on the Board at that time expire on the effective date, but members may continue to serve until new members are appointed under this section.

PART XVI. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES

UMSTEAD ACT CONFORMING CHANGES

SECTION 16.3. 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:

...

(9) ~~The Department of Environmental Quality.~~ The North Carolina Wildlife Resources Commission ~~may sell for the sale of~~ wildlife memorabilia as a service to members of the public interested in wildlife conservation.

(9a) The North Carolina Forest Service.

(9b) The Department of Natural and Cultural Resources for the sale of food pursuant to G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related items and revenues from public and private special events, activities, and programming at State parks, State aquariums, historic sites and museums administered by the Department, provided that the resulting profits are used to support the operation of historic sites or museums and provided further that the those sites. This exemption does not allow the Department shall not to construct, maintain, operate, or lease a hotel or tourist inn in any park site or facility over which it has jurisdiction; jurisdiction; provided, however, that the North Carolina Zoological Park and the State parks may enter into public-private partnerships for the construction, operation, or lease of a hotel or tourist inn.

...."

GRASSROOTS SCIENCE AMENDMENTS

SECTION 16.5. G.S. 143B-135.227 reads as rewritten:

1 "~~§ 143B-135.227. Grassroots science competitive grant program.~~North Carolina Science
2 Museums Grant Program.

3 (a) The North Carolina State Museum of Natural Sciences (hereinafter "Museum of
4 Natural Sciences") shall administer the ~~Grassroots Science~~North Carolina Science Museums Grant
5 Program as a competitive grant program. Any museum in the State may apply for a grant under
6 the program, including a museum that has previously received a grant-in-aid from the Program or
7 as a grassroots science museum in prior fiscal years, but grant funds shall be awarded only if the
8 museum meets the criteria established in subsection (d) of this section. No museum shall be
9 guaranteed a grant under the competitive grant program.

10 ...

11 (d) To be eligible to receive a grant under the competitive grant program, a museum shall
12 demonstrate:

- 13 (1) That it is a science center or museum or a children's museum that is physically
14 located in the State.
15 (2) That it has been open, operating, and exhibiting science or science, technology,
16 engineering, and math (STEM) education objects to the general public at least
17 120 days of each year for the past two or more years.
18 (3) That it is either (i) a nonprofit organization that is exempt from federal income
19 taxes pursuant to section 501(c)(3) of the Internal Revenue Code, Code or (ii) an
20 organization that received funding in fiscal year 2015-2016 from the Grassroots
21 Science Program.
22 (4) That it has on its staff at least one full-time professional person.
23 (5) That its governing body has adopted a mission statement that includes language
24 that shows the museum has a concentration on science or STEM ~~education and~~
25 ~~that the adopted mission statement has been in effect for the past two or more~~
26 ~~years.~~education.
27 (6) In its application, in a format to be determined by the Museum of Natural
28 Sciences, a detailed plan for (i) the proposed use of the funds and (ii)
29 measurements to demonstrate at the end of the grant cycle that the use of the
30 funds has had the projected results.

31 ...

32 (f) The Department may create one new position to administer the program using no more
33 than fifty thousand dollars (\$50,000) of funds appropriated to the North Carolina Science
34 Museums Grant Program in each fiscal year. In addition to administering the Grant Program, this
35 position shall also (i) serve as a liaison between grant applicants or recipients and the Museum to
36 answer questions and assist with grant applications; (ii) foster collaboration between the Museum
37 and grant recipients with respect to education program development and the loaning of exhibits
38 from the Museum or between grantee institutions; and (iii) undertake other duties in support of the
39 Grant Program at the discretion of the Director of the Museum."

40
41 **MODIFY ZOO AND AQUARIUM SPECIAL FUNDS**

42 **SECTION 16.6.(a)** G.S. 143B-135.209 reads as rewritten:

43 "**§ 143B-135.209. North Carolina Zoo Fund.**

44 ...

45 (b) Disposition of ~~Fees.~~Receipts. – All fee-receipts derived from the collection of
46 admissions charges and other fees and the lease or rental of property or facilities shall be credited
47 to the North Carolina Zoological Park's General Fund operating budget. At the end of each fiscal
48 year, the Secretary may transfer from the North Carolina Zoological Park's General Fund
49 operating budget to the North Carolina Zoo Fund an amount not to exceed ~~one million dollars~~
50 (\$1,000,000); the sum of one million five hundred thousand dollars (\$1,500,000) and any private
51 donations received by the North Carolina Zoological Park.

(c) Approval. – The Secretary may approve the use of the North Carolina Zoo Fund for repair and renovation projects at the North Carolina Zoological Park recommended by the Council that comply with the following:

- (1) The total project cost is less than three hundred thousand dollars (\$300,000).
- (2) The project meets the requirements of G.S. 143C-4-3(b).
- (3) The project is paid for from funds appropriated to the Fund.
- (4) The project does not obligate the State to provide increased recurring funding for operations.

(d) Report. – The Department shall submit to the ~~House and Senate appropriations committees with jurisdiction over natural and economic resources~~ Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division by September 30 of each year a report on the North Carolina Zoo Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 16.6.(b) G.S. 143B-135.188 reads as rewritten:

"§ 143B-135.188. North Carolina Aquariums; fees; fund.

(c) Disposition of ~~Fees-Receipts~~. – All ~~fee~~-receipts derived from the collection of admissions charges and other fees and the lease or rental of property or facilities shall be credited to the aquariums' General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from the North Carolina aquariums' General Fund operating budget to the North Carolina Aquariums Fund an amount not to exceed the sum of the following:

- (1) ~~One million dollars (\$1,000,000).~~ One million five hundred thousand dollars (\$1,500,000).
- (2) The amount needed to cover the expenses described by subdivision (2) of subsection (b) this section.
- (3) Any private donations received by the North Carolina aquariums.

(d) Approval. – The Secretary may approve the use of the North Carolina Aquariums Fund for repair and renovation projects at the aquariums-related facilities that comply with the following:

- (1) The total project cost is less than three hundred thousand dollars (\$300,000).
- (2) The project meets the requirements of G.S. 143C-4-3(b).
- (3) The project is paid for from funds appropriated to the Fund.
- (4) The project does not obligate the State to provide increased recurring funding for operations.

(f) Report. – The Department shall submit to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division by September 30 of each year a report on the North Carolina Aquariums Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

ROANOKE ISLAND ATTRACTIONS STAFFING

SECTION 16.8. The Director of the North Carolina Aquarium on Roanoke Island shall also serve as the Director of Jennette's Pier. The Department of Natural and Cultural Resources may adjust the salary for the merged position commensurate with the increase in duties and shall use receipts from Jennette's Pier to pay for fifty percent (50%) of the adjusted salary.

UPDATE SYMPHONY CONTRACT

SECTION 16.9. The North Carolina Symphony and the North Carolina Symphony Society, Inc., shall review and update the contractual agreement used with all nonsymphony

performers no later than October 1, 2016, and shall submit for review the updated agreement to the Joint Legislative Commission on Government Operations by November 1, 2016, together with a summary of all changes made to the agreement as a result of the review.

ZOO STATE CONSTRUCTION EXEMPTIONS

SECTION 16.10.(a) G.S. 143-341 reads as rewritten:

"§ 143-341. Powers and duties of Department.

The Department of Administration has the following powers and duties:

- ...
- (3) Architecture and Engineering:
- ...

Except for sub-subdivisions b., b1., e., and f. of this subdivision, this subdivision does not apply to either (i) the design, construction, or renovation of projects by The University of North Carolina pursuant to ~~G.S. 116-31.11~~ G.S. 116-31.11 or (ii) the North Carolina Zoological Park Council and the Department of Natural and Cultural Resources, with respect to projects at the North Carolina Zoological Park pursuant to G.S. 143B-135.214.

...."

SECTION 16.10.(b) Part 39 of Article 2 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-135.214. Powers of Council and Department regarding certain fee negotiations, contracts, and capital improvements.

(a) The exception for the North Carolina Zoological Park set forth in G.S. 143-341(3) shall apply only to projects requiring the estimated expenditure of public money of one million dollars (\$1,000,000) or less. The Council and the Department of Natural and Cultural Resources shall, with respect to the design, construction, or renovation of buildings, utilities, and other property developments of the North Carolina Zoological Park that fall below that threshold:

- (1) Conduct the fee negotiations for all design contracts and supervise the letting of all construction and design contracts.
- (2) Develop procedures governing the responsibilities of the Council and the Department to perform the duties of the Department of Administration under G.S. 133-1.1(d) and G.S. 143-341(3).
- (3) Develop procedures and reasonable limitations governing the use of open-end design agreements, subject to the approval of the State Building Commission.
- (4) Use existing plans and specifications for construction projects, where feasible. Prior to designing a project, the Board shall consult with the Department of Administration on the availability of existing plans and specifications and the feasibility of using them for a project.

(b) The Council and Department shall use the standard contracts for design and construction currently in use for State capital improvement projects by the Office of State Construction of the Department of Administration.

(c) A contract may not be divided for the purpose of evading the monetary limit under this section.

(d) Notwithstanding any other provision of this Chapter, the Department of Administration shall not be the awarding authority for contracts awarded pursuant to this section.

(e) This section does not exempt any capital improvement project from review and approval as may be required by law by the city or county having jurisdiction over the property.

(f) The Department shall annually report to the State Building Commission the following:

- (1) A list of projects governed by this section.
- (2) The estimated cost of each project along with the actual cost.
- (3) The name of each person awarded a contract under this section.

- (4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g)."

PART XVII. DEPARTMENT OF PUBLIC SAFETY

SUBPART XVII-A. GENERAL PROVISIONS

REPEAL POSITION RECLASSIFICATION AUTHORITY

SECTION 17A.1. Section 16A.3 of S.L. 2015-241 is repealed.

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 17A.2.(a) Notwithstanding any other provision of law, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the Department of Public Safety to any other State agency during the 2015-2017 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium. This subsection shall not apply to any of the following annual transfers to the Office of the Governor:

- (1) Two hundred thirty-four thousand eight hundred ninety-one dollars (\$234,891) for administrative support.
- (2) Up to fifty thousand dollars (\$50,000) for litigation expenses.

SECTION 17A.2.(b) This section becomes effective July 1, 2015. If any transfers that violate this section are made prior to this section becoming effective, those transfers shall be undone within 15 days of this section becoming effective.

CLARIFY THAT SBI DIRECTOR EXERCISES POWERS INDEPENDENTLY

SECTION 17A.3. G.S. 143B-600(b) reads as rewritten:

"(b) The powers and duties of the deputy secretaries, commissioners, directors, and the divisions of the Department shall be subject to the direction and control of the Secretary of Public Safety, except that the powers and duties of the ~~North Carolina Alcoholic Beverage Control Commission shall be exercised independently of the Secretary, in accordance with G.S. 18B-200.~~ following agencies shall be exercised independently of the Secretary in accordance with the following statutes:

- (1) The North Carolina Alcoholic Beverage Control Commission, in accordance with G.S. 18B-200.
- (2) The State Bureau of Investigation, in accordance with G.S. 143B-915."

SUBPART XVII-B. DIVISION OF LAW ENFORCEMENT

REQUIRE QUARTERLY VIPER REPORT

SECTION 17B.1. Section 16B.2 of S.L. 2015-241 reads as rewritten:

"**SECTION 16B.2.** The Department of Public Safety shall report ~~annually~~ no later than March 1 and quarterly thereafter to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the progress of the State's VIPER system."

CHANGE DOMESTIC VIOLENCE HOMICIDE REPORT DUE DATE

SECTION 17B.2. G.S. 143B-901 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 Department of Public Safety, in consultation with the North Carolina Council for Women/Domestic Violence Commission, the North Carolina Sheriffs' Association, and the North

1 Carolina Association of Chiefs of Police, shall develop a reporting system and database that
2 reflects the number of homicides in the State where the offender and the victim had a personal
3 relationship, as defined by G.S. 50B-1(b). The information in the database shall also include the
4 type of personal relationship that existed between the offender and the victim, whether the victim
5 had obtained an order pursuant to G.S. 50B-3, and whether there was a pending charge for which
6 the offender was on pretrial release pursuant to G.S. 15A-534.1. All State and local law
7 enforcement agencies shall report information to the Department of Public Safety upon making a
8 determination that a homicide meets the reporting system's criteria. The report shall be made in the
9 format adopted by the Department of Public Safety. The Department of Public Safety shall report
10 to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, no later
11 than ~~February~~ April 1 of each year, with the data collected for the previous calendar year."

13 SUBPART XVII-C. DIVISION OF ADULT CORRECTION

15 MISDEMEANANT CONFINEMENT PROGRAM

16 **SECTION 17C.1.(a)** Funds appropriated for the Statewide Misdemeanant
17 Confinement Program shall not be transferred to a special fund. This section shall remain in effect
18 until repealed or amended by the General Assembly.

19 **SECTION 17C.1.(b)** G.S. 148-10.4(e) is repealed.

20 **SECTION 17C.1.(c)** Of the funds appropriated in this act for the Statewide
21 Misdemeanant Confinement Program:

22 (1) The sum of one million dollars (\$1,000,000) shall be transferred to the North
23 Carolina Sheriffs' Association, Inc., a nonprofit corporation, to support the
24 Program and for administrative and operating expenses of the Association and
25 its staff.

26 (2) The sum of two hundred twenty-five thousand dollars (\$225,000) shall be
27 allocated to the Division of Adult Correction for its administrative and
28 operating expenses for the Program.

29 **SECTION 17C.1.(d)** G.S. 148-32.1 reads as rewritten:

30 **"§ 148-32.1. Local confinement, costs, alternate facilities, parole, work release.**

31 ...
32 (b1) It is the intent of the General Assembly to authorize the Division of Adult Correction to
33 enter into voluntary agreements with counties to provide housing for misdemeanants serving
34 periods of confinement of more than 90 days and for all sentences imposed for impaired driving
35 under G.S. 20-138.1, regardless of length. It is further the intent of the General Assembly that the
36 Division of Adult Correction, in conjunction with the North Carolina Sheriffs' Association, Inc.,
37 establish a program for housing misdemeanants serving periods of confinement of more than 90
38 days and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length.
39 It is also the intent of the General Assembly that the Division of Adult Correction contract with
40 the North Carolina Sheriffs' Association, Inc., to provide a service that identifies space in local
41 confinement facilities that is available for housing these misdemeanants.

42 The General Assembly intends that the cost of housing and caring for these misdemeanants,
43 including, but not limited to, care, supervision, transportation, medical, and any other related
44 costs, be covered by State funds and not be imposed as a local cost. Therefore, the General
45 Assembly intends that the funds ~~in the Statewide Misdemeanant Confinement Fund established in~~
46 ~~G.S. 148-10.4~~ appropriated for the Statewide Misdemeanant Confinement Program be used to
47 provide funding to cover the costs of managing a system for providing that housing of
48 misdemeanants in local confinement facilities as well as reimbursing the counties for housing and
49 related expenses for those misdemeanants.

50 (b2) The Statewide Misdemeanant Confinement Program is established. The Program shall
51 provide for the housing of misdemeanants from all counties serving sentences imposed for a

1 period of more than 90 days and for all sentences imposed for impaired driving under
2 G.S. 20-138.1, regardless of length. Those misdemeanants shall be confined in local confinement
3 facilities except as provided in subsections (b3) and (b4) of this section. The Program shall
4 address methods for the placement and transportation of inmates and reimbursement to counties
5 for the housing of those inmates. Any county that voluntarily agrees to house misdemeanants from
6 that county or from other counties pursuant to the Program may enter into a written agreement
7 with the Division of Adult Correction to do so.

8 ~~This Program shall only operate as long as sufficient State funds are available through the~~
9 ~~Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4(c).~~

10"

11 12 INMATE GRIEVANCE RESOLUTION BOARD REPORT CHANGES

13 **SECTION 17C.2.** Section 16C.13B(b) of S.L. 2015-241 reads as rewritten:

14 "SECTION 16C.13B.(b) The Department of Public Safety and the Inmate Grievance
15 Resolution Board shall report by October 1 of each year to the chairs of the House of
16 Representatives and Senate Appropriations Committees on Justice and Public Safety and the Joint
17 Legislative Oversight Committee on Justice and Public Safety on the Inmate Grievance Resolution
18 Board. The annual report shall include the following with respect to the prior fiscal year:

- 19 (1) Brief summary of the inmate grievance process.
20 (2) Number of ~~grievances submitted to~~ grievance appeals received by the Board.
21 (3) Number of ~~grievances~~ grievance appeals resolved by the Board.
22 (4) Type of grievance by category.
23 (5) Number of orders ~~filed~~ written by examiners."

24 25 MEDICAL COSTS FOR INMATES AND JUVENILE OFFENDERS

26 **SECTION 17C.2A.** G.S. 143B-707.3 reads as rewritten:

27 "§ 143B-707.3. Medical costs for inmates and juvenile offenders.

28 ...

29 (c) The Department of Public Safety shall report November 1, 2016 and quarterly thereafter
30 to the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the
31 House of Representatives and Senate Appropriations Committees on Justice and Public Safety on:

- 32 (1) The number of the total inmates and juvenile offenders requiring hospitalization
33 or hospital services who receive that treatment at each hospital.
34 (2) ~~The volume of services provided by community medical providers that can be~~
35 ~~scheduled in advance and, of that volume, the percentage of those services that~~
36 ~~are provided by contracted providers.~~
37 (3) ~~The volume of services provided by community medical providers that cannot~~
38 ~~be scheduled in advance and, of that volume, the percentage of those services~~
39 ~~that are provided by contracted providers.~~
40 (4) ~~The volume of services provided by community medical providers that are~~
41 ~~emergent cases requiring hospital admissions and emergent cases not requiring~~
42 ~~hospital admissions.~~
43 (4a) The volume of scheduled and emergent services listed by hospital and, of that
44 volume, the number of those services that are provided by contracted and
45 noncontracted providers.
46 (4b) The volume of scheduled and emergent admissions listed by hospital and, of
47 that volume, the percentage of those services that are provided by contracted
48 and noncontracted providers.
49 (5) The volume of inpatient medical services provided to Medicaid-eligible inmates
50 and juvenile offenders, the cost of treatment, ~~and~~ the estimated savings of
51 paying the nonfederal portion of Medicaid for the ~~services~~ services, and the

length of time between the date the claim was filed and the date the claim was paid.

(5a) The status of the implementation of the claims processing system and efforts to address the backlog of unpaid claims.

(6) The hospital utilization, including the amount paid to individual hospitals, the number of inmates and juvenile offenders served, ~~and~~ the number of ~~claims~~ claims, and whether the hospital was a contracted or noncontracted facility.

(7) The total cost and volume for the previous fiscal quarter for emergency room visits originating from Central Prison and NCCIW Hospitals to UNC Hospitals, UNC Rex Healthcare, and WakeMed Hospital.

(8) The total payments for Medicaid and non-Medicaid eligible inmates to UNC Hospitals, UNC Rex Healthcare, and WakeMed Hospital, including the number of days between the date the claim was filed and the date the claim was paid.

(9) A list of hospitals under contract.

Reports submitted on August 1 shall include totals for the previous fiscal year for all the information requested.

(d) The Department of Public Safety shall study whether contracts to provide inmate health services can be expanded to additional hospitals. The Department shall report the findings of its study to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety no later than February 1, 2017. The report shall include a list of hospitals considered for expansion and reasons for or against expanding to each hospital."

STUDY WHETHER PROBATION AND PAROLE OFFICERS SHOULD TAKE STATE VEHICLES HOME

SECTION 17C.3. The Department of Public Safety, in consultation with the Department of Administration and the Department of Revenue, shall study whether probation and parole officers should be allowed to take their State vehicles home with them, and the possible tax implications of doing so, and report their findings and recommendations to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by March 1, 2017.

REVISION TO TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION REPORT

SECTION 17C.4. G.S. 143B-1155(c) reads as rewritten:

"(c) ~~The Division of Adult Correction~~ The Department of Public Safety, Community Corrections Section, shall report by March 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on the status of the programs funded through the Treatment for Effective Community Supervision Program. The report shall include the following ~~information:~~ information from each of the following components:

(1) ~~The dollar amount and purpose of funds provided on a contractual basis to service providers for the previous fiscal year and the amount of any funds carried over from the previous fiscal year.~~ Recidivism Reduction Services:

a. The method by which offenders are referred to the program.

b. The target population.

c. The amount of services contracted for and the amount of funding expended in each fiscal year.

d. The supervision type.

e. The risk level of the offenders served.

f. The number of successful and unsuccessful core service exits with a breakdown of reasons for unsuccessful exits.

- 1 g. The demographics of the population served.
- 2 h. The number and kind of mandatory and optional services received by
- 3 offenders in this program.
- 4 i. Employment status at entry and exit.
- 5 j. Supervision outcomes, including completion, revocation, and
- 6 termination.
- 7 (2) ~~An analysis of offender participation data received, including the~~
- 8 ~~following:~~Community Intervention Centers (CIC):
- 9 a. ~~The number of people on probation and post release supervision that are~~
- 10 ~~in the priority population that received services.~~The target population.
- 11 b. ~~The number of people on probation and post release supervision that are~~
- 12 ~~in the priority population that did not receive services.~~The amount of
- 13 funds contracted for and expended each fiscal year.
- 14 c. ~~The number of people on probation and post release supervision outside~~
- 15 ~~of the priority population that received services.~~The supervision type.
- 16 d. ~~The type of services provided to these populations, including data on~~
- 17 ~~each program's utilization, capacity, and completion rates.~~The risk level
- 18 of the offenders served.
- 19 e. ~~The rate of revocations and the educational progress and employment~~
- 20 ~~status of people who received services.~~The number of successful and
- 21 unsuccessful core service exits with a breakdown of reasons for
- 22 unsuccessful exits.
- 23 f. ~~Other measures as determined appropriate.~~The demographics of the
- 24 population served.
- 25 g. Supervision outcomes, including completion, revocation, and
- 26 termination.
- 27 (3) ~~The dollar amount needed to provide additional services to meet the needs of~~
- 28 ~~the priority population in the upcoming budget year.~~Transitional and
- 29 Temporary Housing:
- 30 a. The target population.
- 31 b. The amount of funds contracted for and expended each fiscal year.
- 32 c. The supervision type.
- 33 d. The risk level of the offenders served.
- 34 e. The number of successful and unsuccessful core service exits with a
- 35 breakdown of reasons for unsuccessful exits.
- 36 f. The demographics of the population served.
- 37 g. The employment status at entry and exit.
- 38 h. Supervision outcomes, including completion, revocation, and
- 39 termination.
- 40 (4) ~~Details of personnel, travel, contractual, operating, and equipment expenditures~~
- 41 ~~for each program type.~~Local Reentry Councils (LRC):
- 42 a. The target population.
- 43 b. The amount of funds contracted for and expended each fiscal year.
- 44 c. The supervision type.
- 45 d. The risk level of the offenders served.
- 46 e. The number of successful and unsuccessful core service exits with a
- 47 breakdown of reasons for unsuccessful exits.
- 48 f. The demographics of the population served.
- 49 g. The employment status at entry and exit including, wherever possible,
- 50 the average wage received at entry and exit.

- 1 h. Supervision outcomes, including completion, revocation, and
2 termination.
3 (5) Intensive Outpatient Services. – If the Department enters into a contract for
4 Intensive Outpatient Services, the Department of Public Safety shall report in
5 the next fiscal year on this service including the following:
6 a. The target population.
7 b. The amount of funds contracted for and expended each fiscal year.
8 c. The supervision type.
9 d. The risk level of the offenders served.
10 e. The number of successful and unsuccessful core service exits with a
11 breakdown of reasons for unsuccessful exits.
12 f. The demographics of the population served.
13 g. Supervision outcomes, including completion, revocation, and
14 termination."

15 16 CHANGE PAYMENT STRUCTURE FOR RECIDIVISM REDUCTION SERVICES

17 SECTION 17C.5. G.S. 143B-1156 is amended by adding a new subsection to read:

18 "(e) The Department shall pay service providers the contract base award upon initiation of
19 services with the remaining payments made as milestones are reached as stated in the contract for
20 services. Should the vendor cancel or terminate the contract prior to its conclusion, the vendor
21 shall reimburse the Department for the unearned pro rata portion of the base award."

22 23 SUBPART XVII-D. NATIONAL GUARD [RESERVED]

24 25 PART XVIII. DEPARTMENT OF JUSTICE

26 27 CREATION OF SOCIAL MEDIA TRAINING FOR LAW ENFORCEMENT

28 SECTION 18.1. The North Carolina Justice Academy shall develop and make
29 available to law enforcement officers in this State an online training course on the use of social
30 media. The course shall include methods individual law enforcement officers can take to protect
31 their personal information.

32 33 LAW ENFORCEMENT CERTIFICATION AND TRAINING CLARIFICATION

34 SECTION 18.2. G.S. 17C-6(a)(7) reads as rewritten:

35 "(7) Certify and recertify, suspend, revoke, or deny, pursuant to the standards that it
36 has established for the purpose, criminal justice instructors and school directors
37 who participate in programs or courses of instruction that are required by this
38 ~~Chapter~~Chapter or are required and approved by their respective criminal
39 justice agency to include those certified under Chapter 17E or an educational
40 institution accredited by the Commission."

41 42 PART XIX. JUDICIAL DEPARTMENT

43 44 SUBPART XIX-A. OFFICE OF INDIGENT DEFENSE SERVICES

45 46 STUDY CAPITAL CASE PROSECUTION

47 SECTION 19A.3.(a) The Office of Indigent Defense Services, in consultation with
48 the Conference of District Attorneys, shall study what changes can be made to the current system
49 of identifying, from the pool of cases in which a defendant is charged with first degree or
50 undesignated murder, those that merit the cost of a capital prosecution and defense. The study
51 shall also examine what steps can be taken to facilitate the appointment of local counsel in most

cases and determine if any costs or savings may be realized by changing the current procedures for prosecuting or defending capital cases. The Office of Indigent Defense Services shall report its findings and make any recommendations to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by October 1, 2016.

SECTION 19A.3.(b) The Office of Indigent Defense Services shall study the need for new satellite offices to handle potentially capital cases at the trial level which shall be staffed by full-time assistant capital defenders and appropriate support staff in areas in which the use of salaried attorneys will ensure that effective representation is provided in a cost-effective manner. The Office of Indigent Defense Services shall consider the addition of capital defenders to existing public defender offices before making a recommendation as to the creation of separate satellite offices. If it is determined that such offices should be established, the Office of Indigent Defense Services shall provide data regarding (i) the determination to create new satellite offices, (ii) the counties to be serviced by the offices, (iii) the number of attorney appointments made in the counties served, (iv) the number of attorney appointments made in the counties served in the past three fiscal years, and (v) the current number of eligible private counsel and local public defenders who are available in those counties. The Office of Indigent Services shall report its findings and recommendations to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by March 1, 2017.

UNIFORM FEE SCHEDULE FOR IDS PILOT PROJECT

SECTION 19A.4.(a) Pilot Project. – The Administrative Office of the Courts, in conjunction with the Office of Indigent Defense Services and the chief district court judges and judicial district bars of certain selected judicial districts, shall establish and implement a pilot project to establish a uniform fee schedule for the payment of attorneys' fees for legal representation of indigent persons in district court. The purpose of the project is to create a uniform fee schedule that (i) provides the funding necessary to cover the cost of legal representation of indigent persons and (ii) may be used as a standard to compare and evaluate attorneys' fees paid for the representation of persons in district court in any of the legal actions or proceedings listed in G.S. 7A-451(a).

SECTION 19A.4.(b) Sites. – The Administrative Office of the Courts shall, after consultation with the Office of Indigent Defense Services, select one or more counties in at least six judicial districts in which to implement the pilot project. Two of those counties shall have small caseloads in district court; two shall have medium caseloads in district court; and two shall have large caseloads in district court. Any judicial district selected by the Administrative Office of the Courts shall participate in the pilot project. The following districts shall not be selected as sites for the implementation of the pilot project: District 10, District 18, and District 26.

SECTION 19A.4.(c) Criteria. – The Administrative Office of the Courts shall consult with and collaborate with the Office of Indigent Defense Services and with the chief district court judges and district bar of each of the judicial districts selected to participate in the pilot project when developing the fee schedule and the plan for its implementation. All of the following criteria shall be considered and addressed when developing the fee schedule:

- (1) The amount required to cover the full cost of providing adequate legal services and representation to indigent persons.
- (2) The procedure for and time frame within which attorneys' fees shall be awarded.
- (3) A methodology, to be implemented as part of the pilot project, that provides for review of the uniform fee schedule at least every biennium and that incorporates appropriate increases in the uniform fee schedule based on the information from the review.
- (4) Any other criteria deemed relevant by the Administrative Office of the Courts.

SECTION 19A.4.(d) Time Frame. – The Administrative Office of the Courts shall select one or more counties in at least six judicial districts to participate in the pilot project by February 1, 2017. The Administrative Office of the Courts shall complete the development of the fee schedule for the pilot project by March 1, 2017. The Administrative Office of the Courts, the Office of Indigent Defense Services, and the selected judicial districts shall begin implementation of the pilot project within the district court of each judicial district by April 1, 2017.

SECTION 19A.4.(e) Report. – The Administrative Office of the Courts shall report by May 1, 2017, to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the status of the six judicial districts selected and the fee schedule developed. The Administrative Office of the Courts shall report on the results of the pilot project to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by March 15, 2018. The Administrative Office of the Courts shall continue to monitor the pilot project after making its initial report and shall report by March 15 every two years thereafter on its findings and any recommendations regarding the pilot projects to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

SUBPART XIX-B. ADMINISTRATIVE OFFICE OF THE COURTS

GRANT FUNDS

SECTION 19B.1. Section 18A.4 of S.L. 2015-241 reads as rewritten:

"**SECTION 18A.4.** Notwithstanding G.S. 143C-6-9, the Administrative Office of the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000) in each year of the fiscal biennium from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds."

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 19B.2. Section 18A.5(a) of S.L. 2015-241 reads as rewritten

"**SECTION 18A.5.(a)** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2015, for the purchase or repair of office or information technology equipment during the 2015-2016 fiscal year year-year and may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2016, for the purchase or repair of office or information technology equipment during the 2016-2017 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases."

ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS

SECTION 19B.3. G.S. 7A-60 reads as rewritten:

"§ 7A-60. **District attorneys and prosecutorial districts.**

...

(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties ~~and the number of full-time assistant district attorneys~~ set forth in the following table:

Prosecutorial District	Counties	No. of Full Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	11

1	2	Beaufort, Hyde, Martin,	8
2		Tyrrell, Washington	
3	3A	Pitt	11
4	3B	Carteret, Craven, Pamlico	12
5	4	Duplin, Jones, Onslow,	18
6		Sampson	
7	5	New Hanover, Pender	18
8	6	Bertie, Halifax, Hertford,	10
9		Northampton	
10	7	Edgecombe, Nash, Wilson	18
11	8	Greene, Lenoir, Wayne	14
12	9	Franklin, Granville,	10
13		Vance, Warren	
14	9A	Person, Caswell	6
15	10	Wake	41
16	11A	Harnett, Lee	9
17	11B	Johnston	10
18	12	Cumberland	23
19	13	Bladen, Brunswick, Columbus	13
20	14	Durham	18
21	15A	Alamance	11
22	15B	Orange, Chatham	10
23	16A	Scotland, Hoke	7
24	16B	Robeson	12
25	16C	Anson, Richmond	6
26	17A	Rockingham	7
27	17B	Stokes, Surry	8
28	18	Guilford	32
29	19A	Cabarrus	9
30	19B	Montgomery, Randolph	9
31	19C	Rowan	8
32	19D	Moore	5
33	20A		5
34		Stanly	
35	20B	Union	10
36	21	Forsyth	25
37	22A	Alexander, Iredell	11
38	22B	Davidson, Davie	11
39	23	Alleghany, Ashe, Wilkes,	8
40		Yadkin	
41	24	Avery, Madison, Mitchell,	7
42		Watauga, Yancey	
43	25	Burke, Caldwell, Catawba	18
44	26	Mecklenburg	58
45	27A	Gaston	14
46	27B	Cleveland,	11
47		Lincoln	
48	28	Buncombe	14
49	29A	McDowell, Rutherford	7
50	29B	Henderson, Polk, Transylvania	8
51	30	Cherokee, Clay, Graham,	10

Haywood, Jackson, Macon,
Swain.

(a2) ~~Upon the convening of each regular session of the General Assembly and its reconvening in the even-numbered year, the~~ The Administrative Office of the Courts shall report by March 15 of each year on its ~~recommendations regarding the~~ allocation of assistant district attorneys for the upcoming fiscal biennium and fiscal year to the General Assembly, including any request for additional assistant district attorneys. The report shall include the number of assistant district attorneys that the Administrative Office of the Courts ~~recommends to be~~ has allocated to each prosecutorial district and the workload formula established through the National Center for State Courts on which each ~~recommended~~ allocation is based. Any reports required under this subsection shall be made to ~~the Joint Legislative Commission of Governmental Operations, the~~ House of Representatives and Senate Appropriations ~~Subcommittees~~ Committees on Justice and ~~Public, Public Safety~~ and the Fiscal Research Division.
...."

PART XX. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

RENAME BLACK MOUNTAIN VETERANS HOME

SECTION 20.1. The North Carolina State Veterans Home in Black Mountain shall be renamed the "Zebulon Doyle Alley State Veterans Home".

STUDY CREATION OF NORTH CAROLINA MILITARY HALL OF FAME

SECTION 20.2. The Department of Military and Veterans Affairs shall study the feasibility of creating a North Carolina Military Hall of Fame to recognize the contributions to the State and nation of members of the military with connections to North Carolina. The Department shall report its findings to the chairs of the Joint Legislative Oversight Committee on General Government no later than November 1, 2016. The report required by this section shall address all of the following:

- (1) The desirability and feasibility of creating a North Carolina Military Hall of Fame.
- (2) Appropriate potential locations in this State for a Military Hall of Fame.
- (3) Projected costs of creating a Military Hall of Fame and potential revenue streams associated with the Military Hall of Fame that could be used to offset some or all of those costs.
- (4) Recommendations regarding the structure of the administration of the Military Hall of Fame.
- (5) Potential processes for selecting members of the military for inclusion in the Military Hall of Fame.
- (6) Methods for ensuring active involvement of the active and reserve components of the military in the operation of the Military Hall of Fame.
- (7) Any other matter that the Department deems relevant.

CHANGE DAYS OF WEEK FOR BURIAL AT STATE VETERANS CEMETERIES

SECTION 20.3. G.S. 65-44 reads as rewritten:

"§ 65-44. Days for burial.

Notwithstanding any other provision of law, burial services shall be conducted at all State veterans cemeteries from Monday through ~~Sunday~~ Friday, except when the day for services falls on a State or federal holiday."

PART XXI. OFFICE OF ADMINISTRATIVE HEARINGS [RESERVED]

PART XXII. TREASURER**ABLE PROGRAM TRUST REPORT**

SECTION 22.2. No later than December 1, 2016, the Department of State Treasurer shall report to the Joint Legislative Oversight Committee on General Government on the status of the Achieving a Better Life Experience (ABLE) Program Trust as established under Article 6F of Chapter 147 of the General Statutes. The report shall include all of the following:

- (1) A description of various organizational structures and approaches that may be utilized to implement the ABLE Program Trust.
- (2) A comparison of the advantages and disadvantages of the various organizational structures and approaches that may be utilized to implement the ABLE Program Trust.
- (3) Information regarding implementation discussions and plans of the multistate ABLE consortium.
- (4) Information about plan design and implementation in other states, including Virginia, South Carolina, and Tennessee.
- (5) Detailed costs of implementing and operating the ABLE Program Trust as a single-state program operated within North Carolina as compared to entering into an agreement with another state or states for operation.
- (6) Upon consideration of the various approaches to implementation of the ABLE Program Trust, a detailed plan for implementation in North Carolina and the status of that implementation. The cost of the detailed plan for implementation shall be within the Department of State Treasurer's current appropriation for the ABLE Program Trust.

PART XXIII. DEPARTMENT OF INSURANCE**INSURANCE REGULATORY CHARGE**

SECTION 23.1. The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2017 calendar year.

PART XXIV. STATE BOARD OF ELECTIONS**STATE BOARD OF ELECTIONS/ACCESS TO DMV RECORDS**

SECTION 24.1. 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 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~~ purposes or to the State Chief Information Officer for purposes of G.S. 143B-1385 or the State Board of Elections in connection with its official duties under Chapter 163 of the General Statutes. 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 State Chief Information Officer for the purposes of ~~G.S. 143B-1385~~ G.S. 143B-1385 or the State Board of Elections in connection with its official duties under Chapter 163 of the General Statutes."

PART XXV. GENERAL ASSEMBLY**SCHOOL CONSTRUCTION NEEDS STUDY**

SECTION 25.1. The Joint Legislative Program Evaluation Oversight Committee shall amend the 2016-2017 Program Evaluation Division work plan to direct the Division to contract with an outside entity (i) to perform an independent assessment of school construction needs in certain local school administrative units determined under the low-wealth school funding formula to have the lowest ability to pay for school facilities and (ii) to determine which of those units have the highest facility needs in relation to their capacity to raise revenue to meet those needs. The Program Evaluation Division shall report the results of this study to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Economic Development and Global Engagement Oversight Committee on or before March 15, 2017.

PART XXVI. OFFICE OF THE GOVERNOR [RESERVED]

PART XXVII. OFFICE OF STATE BUDGET AND MANAGEMENT

IMPROVE BUDGETING TRANSPARENCY/OFFICE OF STATE TREASURER

SECTION 27.1.(a) The Office of State Budget and Management shall study the feasibility of converting the following Funds within Budget Code 13410, Department of the State Treasurer, from receipt-supported to General Fund-supported: 1110 General Administration, 1130 Escheat Fund, 1150 Information Services, 1210 Investment Management Division, 1310 Local Government, 1410 Retirement Operations Division Fund, and 1510 Financial Operations Division. The Office of State Budget and Management shall develop a proposed plan and schedule to adjust the Base Budget as follows:

- (1) Show that receipts from the Funds listed in this subsection are used to offset General Fund appropriations.
- (2) Reflect that receipts generated from the Investment Management Division, the Escheat Fund, and the Local Government Operations Division Fund and any interest earnings be deposited as nontax revenue.
- (3) Eliminate all transfers used to pay for administration in Funds 1110, 1150, and 1510 from Funds 1130, 1210, 1310, and 1410.
- (4) Identify any amendments to current law needed to implement the proposed plan.

SECTION 27.1.(b) The Office of State Budget and Management shall present its proposed plan and recommendations to the December 2016 meeting of the Joint Legislative Oversight Committee on General Government. The Office of State Budget and Management shall not make any changes to the presentation format of the Treasurer's budget until the General Assembly enacts changes.

SECTION 27.1.(c) Effective on the date this act becomes law, all expenditures of the Department of State Treasurer shall be recorded into the North Carolina Accounting System.

DISPOSITION OF CERTAIN FUNDS

SECTION 27.4.(a) G.S. 143C-6-23(f1) shall not apply to school construction funds appropriated in the 2015-2016 fiscal year for the construction of a collocated middle and high school in Jones County.

SECTION 27.4.(b) This section is effective when it becomes law.

PART XXVIII. STATE AUDITOR [RESERVED]

PART XXIX. HOUSING FINANCE AGENCY [RESERVED]

PART XXX. DEPARTMENT OF THE SECRETARY OF STATE [RESERVED]

PART XXXI. OFFICE OF LT. GOVERNOR [RESERVED]

PART XXXII. DEPARTMENT OF ADMINISTRATION

AUTOCLAVE MAINTENANCE

SECTION 32.4. The Department of Administration (DOA) shall, in conjunction with the Office of State Budget and Management and the Department of Health and Human Services, identify available funds which shall be used to pay the vendor with whom DOA has a contract for the 2016-2017 fiscal year for the maintenance of the autoclave in the State Public Health Laboratory. DOA shall not renew the contract when it expires and shall not enter into any other contract or agreement for the maintenance of the autoclave. Upon the expiration of the contract between DOA and the vendor, the Division of Public Health, Department of Health and Human Services, is authorized to enter into a contract for the maintenance of the autoclave.

TRANSFER FUNCTIONS OF YOUTH ADVOCACY AND INVOLVEMENT OFFICE TO COUNCIL FOR WOMEN

SECTION 32.5.(a) The North Carolina Council for Women and the Youth Advocacy and Involvement Office shall be consolidated within the Department of Administration and reorganized as the North Carolina Council for Women and Youth Involvement, as provided in subsection (b) of this section.

SECTION 32.5.(b) Part 10 of Article 9 of Chapter 143B of the General Statutes reads as rewritten:

"Part 10. North Carolina Council for ~~Women~~ Women and Youth Involvement.

"§ 143B-393. North Carolina Council for Women and Youth Involvement – creation; powers and duties.

(a) There is hereby created the North Carolina Council for Women and Youth Involvement of the Department of Administration. The ~~North Carolina Council for Women~~ shall have the following functions and duties:

...

(1a) To advise the Governor or Secretary of Administration upon any matter relating to the following programs and organizations:

- a.** North Carolina Internship Council and the North Carolina State Government Internship Program.
- b.** SADD (Students Against Destructive Decisions).
- c.** State Youth Councils.
- d.** Youth Legislative Assembly.

...

(b) The programs listed in subdivision (1a) of subsection (a) of this section shall be administered in a nonpartisan manner and shall not disseminate or advocate partisan principles or ideas, promote the candidacy of any person seeking public office or preferment, or use State funds to disseminate or advocate partisan principles or ideas or to promote political candidates or appointees.

...."

SECTION 32.5.(c) Article 9 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 10E. Youth Councils."

SECTION 32.5.(d) G.S. 143B-385 through G.S. 143B-388 are recodified as G.S. 143B-394.25 through G.S. 143B-394.29 under Part 10E of Article 9 of Chapter 143B of the General Statutes, as enacted by subsection (c) of this section.

SECTION 32.5.(e) Article 9 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 10F. North Carolina Internship Council."

SECTION 32.5.(f) G.S. 143B-417 through G.S. 143B-419 are recodified as G.S. 143B-394.31 through G.S. 143B-394.33 under Part 10F of Article 9 of Chapter 143B of the General Statutes, as enacted by subsection (e) of this section.

SECTION 32.5.(g) G.S. 143B-419, as recodified by subsection (f) of this section, reads as rewritten:

"§ 143B-394.33. North Carolina Internship Council – committees for screening applications.

The North Carolina Internship Council may designate one representative from each office or department enumerated in ~~G.S. 143B-417~~ G.S. 143B-394.31 to serve on a committee to assist pursuant to guidelines adopted by the Council, in the screening and selection of applicants for student internships."

SECTION 32.5.(h) 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 members, 11 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;~~ chair of the Council for Women and Youth Involvement;

...."

SECTION 32.5.(i) The Office of State Budget and Management shall make necessary revisions to the budget for the Council for Women and Youth Involvement, established in subsection (a) of this section, based upon the organizational structure provided for in this section, including the movement of positions or funds between fund codes.

DOMESTIC VIOLENCE CENTER FUND/DEVELOP NEW GRANT FORMULA

SECTION 32.6.(a) Development of New Grant Formula. – The Department of Administration, North Carolina Council for Women (hereinafter "Council"), in consultation with the Domestic Violence Commission, shall develop a new formula for awarding grants from the Domestic Violence Center Fund to eligible centers for victims of domestic violence (hereinafter "center") that is based upon the services provided by the centers. Current law, G.S. 50B-9, requires that each eligible center receive the same amount in grant funds. In developing the new formula, the Council shall consider the following:

- (1) The types of services each center currently provides and the cost of those services, including around-the-clock shelter services, job search assistance, legal assistance, clothing costs, and child care costs.
- (2) The number of clients served annually by each center and the service area of each center.
- (3) The availability of external funding sources for each center, including federal, State, and local grants, and private donations.
- (4) Any other relevant information that may be helpful in developing a new formula for the awarding of grants.

SECTION 32.6.(b) Report. – By November 1, 2016, the Council shall report its findings and recommendations to the Joint Legislative Oversight Committee on General Government. The Council shall not make any changes to the current allocation of funds until directed to do so by the General Assembly.

SECTION 32.6.(c) Grant Moratorium for New Grantees. – Notwithstanding the provisions of G.S. 50B-9, for the 2016-2017 fiscal year, the Council shall not award grants from the Domestic Violence Center Fund to any center that did not receive a grant for the 2015-2016 fiscal year. The Council shall continue to award grants to The North Carolina Coalition Against Domestic Violence, Inc., as provided in G.S. 50B-9.

PART XXXIII. DEPARTMENT OF REVENUE [RESERVED]

PART XXXIV. OFFICE OF STATE CONTROLLER [RESERVED]

PART XXXV. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 35.2.(a) Subsections (a) and (b) of Section 29.1 of S.L. 2015-241 are repealed.

SECTION 35.2.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2017-2018	\$2,027.8 million
For Fiscal Year 2018-2019	\$2,077.8 million
For Fiscal Year 2019-2020	\$2,121.9 million
For Fiscal Year 2020-2021	\$2,170.2 million

SECTION 35.2.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2017-2018	\$1,393.0 million
For Fiscal Year 2018-2019	\$1,423.8 million
For Fiscal Year 2019-2020	\$1,441.9 million
For Fiscal Year 2020-2021	\$1,463.3 million

ELIMINATE PORTION OF DMV TRANSACTION FEES SET ASIDE FOR MERCURY SWITCH REMOVAL ACCOUNT

SECTION 35.3.(a) G.S. 20-85(a1) reads as rewritten:

"(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 Environmental Quality.~~"

SECTION 35.3.(b) This section becomes effective July 1, 2016, and applies to fees paid on or after that date.

PROMOTE NORTH CAROLINA HISTORICAL SITES

SECTION 35.4. G.S. 136-42.3 reads as rewritten:

"§ 136-42.3. Historical marker program.

The Department of Transportation may spend up to ~~forty-six~~ sixty thousand dollars ~~(\$40,000)~~ (\$60,000) a year to purchase historical markers prepared and delivered to it by the Department of Natural and Cultural Resources. The Department of Transportation shall erect the markers on sites selected by the Department of Natural and Cultural Resources. This expenditure is hereby declared to be a valid expenditure of State highway maintenance funds. No provision in this section shall be construed to prevent the expenditure of any federal highway funds that may be available for this purpose."

INCREASE DOT BID THRESHOLD & REPORT

SECTION 35.5.(a) G.S. 136-28.1 reads as rewritten:

"§ 136-28.1. Letting of contracts to bidders after advertisement; exceptions.

(a) All contracts over ~~twofive~~ million ~~five hundred thousand~~ dollars ~~(\$2,500,000)~~ (\$5,000,000) that the Department of Transportation may let for construction, maintenance, operations, or repair necessary to carry out the provisions of this ~~Chapter~~ Chapter, shall be let to a responsible bidder after public advertising under rules and regulations to be made and published by the Department of Transportation. The right to reject any and all bids shall be reserved to the Board of Transportation. Contracts for construction or repair for federal aid projects entered into pursuant to this section shall not contain the standardized contract clauses prescribed by 23 U.S.C. § 112(e) and 23 C.F.R. § 635.109 for differing site conditions, suspensions of work ordered by the engineer or significant changes in the character of the work. For those federal aid projects, the Department of Transportation shall use only the contract provisions for differing site conditions, suspensions of work ordered by the engineer, or significant changes in the character of the work developed by the North Carolina Department of Transportation and approved by the Board of Transportation.

(b) For contracts let to carry out the provisions of this Chapter in which the amount of work to be let to contract for transportation infrastructure construction or repair is ~~twofive~~ million ~~five hundred thousand~~ dollars ~~(\$2,500,000)~~ (\$5,000,000) or less, and for transportation infrastructure maintenance, excluding resurfacing, that is ~~twofive~~ million ~~five hundred thousand~~ dollars ~~(\$2,500,000)~~ (\$5,000,000) per year or less, at least three informal bids shall be solicited. The term "informal bids" is defined as bids in writing, received pursuant to a written request, without public advertising. All such contracts shall be awarded to the lowest responsible bidder. The Secretary of Transportation shall keep a record of all bids submitted, which record shall be subject to public inspection at any time after the bids are opened.

...

(f) Notwithstanding any other provision of law, the Department of Transportation may solicit proposals under rules and regulations adopted by the Department of Transportation for all contracts for professional engineering services and other kinds of professional or specialized services necessary in connection with the planning, operations, design, maintenance, repair, and construction of transportation infrastructure. In order to promote engineering and design quality and ensure maximum competition by professional firms of all sizes, the Department may establish fiscal guidelines and limitations necessary to promote cost-efficiencies in overhead, salary, and expense reimbursement rates. The right to reject any and all proposals is reserved to the Board of Transportation.

...."

SECTION 35.5.(b) The Department of Transportation shall provide an annual report by May 1 to the chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation on the impact of the implementation of this section, specifically the impact of the implementation of this section on small businesses.

SECTION 35.5.(c) This section becomes effective July 1, 2016, and applies to bids solicited on or after that date.

REVISE DOT BIDDING PROCESS

SECTION 35.6.(a) G.S. 136-28.1, as amended by Section 35.5 of this act, reads as rewritten:

"§ 136-28.1. Letting of contracts to bidders after advertisement; exceptions.

...

(b) For contracts let to carry out the provisions of this Chapter in which the amount of work to be let to contract for transportation infrastructure construction or repair is five million dollars (\$5,000,000) or less, and for transportation infrastructure maintenance, excluding resurfacing, that is five million dollars (\$5,000,000) per year or less, at least three informal bids shall be solicited. The term "informal bids" is defined as bids in writing, received pursuant to a written request, without public advertising. All such contracts shall be awarded to the lowest responsible bidder. Where public advertising is used for a contract subject to this subsection, the Highway Division shall post the advertisement at least 14 calendar days prior to the letting date of the contract. The Secretary of Transportation shall keep a record of all bids submitted, which record shall be subject to public inspection at any time after the bids are opened. The Highway Divisions shall publish the results of a bidding process no later than three business days after the contract bid upon is awarded.

(b1) Notwithstanding any provision of G.S. 136-28.5 to the contrary, and except as prohibited by other State or federal law, the Department of Transportation shall, at the time and place bids solicited for a contract subject to this section are opened, make public all cost estimates prepared by the Department for the purpose of comparing the bids.

...."

SECTION 35.6.(b) This section becomes effective July 1, 2016, and applies to bids solicited on or after that date.

FUNDS FOR LITTER PREVENTION AND REMOVAL

SECTION 35.8.(a) Definition. – For purposes of this section, the terms "Tier 1 county," "Tier 2 county," and "Tier 3 county" are as defined in G.S. 143B-472.35.

SECTION 35.8.(b) Funds. – Of the additional funds appropriated in this act to the Department of Transportation for litter prevention and removal, the Department shall distribute the funds to each of the 14 Highway Divisions to be used for the purposes set forth in subsections (c) and (d) of this section. The amount of funds distributed by the Department to each Highway Division shall be based on the total lane miles within the respective Highway Division.

SECTION 35.8.(c) Matching Grants. – Fifty percent (50%) of the funds distributed under subsection (b) of this section shall be used to provide matching grants to local governments to use for the prevention and removal of litter alongside roads within the jurisdiction of the local government. The Department shall develop guidelines and procedures for the administration and distribution of these grants by the Highway Divisions, which shall include all of the following requirements and limitations:

- (1) The maximum grant amount shall not exceed twenty percent (20%) of the total amount of funds distributed to the respective Highway Division under subsection (b) of this section.
- (2) Recipient local governments shall be required to provide the following amounts in local funds for every one dollar (\$1.00) of grant funds received:
 - a. For local governments within a Tier 1 county, twenty-five cents (25¢).
 - b. For local governments within a Tier 2 county, fifty cents (50¢).
 - c. For local governments within a Tier 3 county, seventy-five cents (75¢).
- (3) Local governments must apply for a grant under this subsection by no later than December 31, 2016. The application must include evidence satisfactory to the Highway Division that the local government has sufficient local funds to match.

SECTION 35.8.(d) Remaining Funds. – The remainder of funds distributed under subsection (b) of this section, including any funds not provided by April 1, 2017, as grants under subsection (c) of this section, shall be used by the Highway Divisions to pay costs associated with contracted litter removal services to remove litter alongside roads within the respective Highway Division.

1 **SECTION 35.8.(e)** Report. – By April 15, 2017, the Department shall provide a report
2 to the chairs of the House of Representatives Committee on Transportation Appropriations and the
3 Senate Appropriations Committee on Department of Transportation on the amount and recipients
4 of funds distributed under subsection (c) of this section and the amount and use of funds under
5 subsection (d) of this section.
6

7 **STUDY/OFF-HIGHWAY PARKING FOR TRACTOR-TRAILERS & SEMI-TRAILERS**

8 **SECTION 35.9.(a)** Study. – The Department of Transportation, in collaboration with
9 the Departments of Public Safety and Commerce, shall study ways to provide additional
10 off-highway parking and rest areas for tractor-trailers and semi-trailers. Included within the study
11 shall be the feasibility and cost of converting abandoned highway rest stops into parking and rest
12 areas for tractor-trailers and semi-trailers. In conducting the study, the Departments shall consult
13 with the North Carolina Trucking Association and include any recommendations the Association
14 may have as part of the report required under subsection (b) of this section.

15 **SECTION 35.9.(b)** Report. – By February 1, 2017, the Departments shall jointly
16 report their findings and recommendations, including any legislative proposals, to the chairs of the
17 House of Representatives Committee on Transportation Appropriations and the Senate
18 Appropriations Committee on Department of Transportation.
19

20 **DOT/REPORT ON RECOMMENDATIONS FOR REVISING METHOD FOR**
21 **MEASURING OUTSOURCING OF PRECONSTRUCTION ACTIVITIES**

22 **SECTION 35.11.** Section 34.13(d) of S.L. 2014-100, as amended by Section 29.13(b)
23 of S.L. 2015-241, reads as rewritten:

24 **"SECTION 34.13.(d)** The Department shall report no later than October 1, 2015, and
25 quarterly thereafter, to the Joint Legislative Transportation Oversight Committee and the Fiscal
26 Research Division regarding its implementation of this section, including any reductions in force
27 used to meet privatization requirements. In addition, the Department shall report by March 1,
28 2017, to the chairs of the House of Representatives Committee on Transportation Appropriations
29 and the Senate Appropriations Committee on Department of Transportation on the Department's
30 recommendations for revising, based on the study and review required under Section 29.14(d) of
31 S.L. 2015-241, the method used for measuring the outsourcing of preconstruction activities subject
32 to subsection (a) of this section."
33

34 **REPEAL LIGHT RAIL FUNDING CAP/FEE FOR PRIORITY BOARDING ON FERRIES**

35 **SECTION 35.12.(a)** Subsection (e1) of G.S. 136-189.11 is repealed.

36 **SECTION 35.12.(b)** Light rail projects subject to the maximum amount set in
37 subsection (e1) of G.S. 136-189.11 prior to its repeal under subsection (a) of this section are
38 ineligible for scoring and reprioritization until the Prioritization 5.0 process established under
39 Article 14B of Chapter 136 of the General Statutes.

40 **SECTION 35.12.(c)** G.S. 136-189.10(3)g. reads as rewritten:

41 " g. Public transportation service that spans two or more counties and that
42 serves more than one municipality. Programmed funds pursuant to this
43 sub-subdivision shall not exceed ten percent (10%) of any distribution
44 region allocation. This sub-subdivision includes commuter rail, intercity
45 rail, and light rail. Total State funding for a commuter rail, intercity rail,
46 or light rail project shall not exceed ten percent (10%) of the estimated
47 total project costs used during the prioritization scoring process. The
48 State shall not be responsible or liable for any project costs in excess of
49 the maximum established under this sub-subdivision. Any agreement
50 entered into by the State to fund a commuter rail, intercity rail, or light

1 rail project shall include language setting out the limitations set forth in
2 this sub-subdivision."

3 **SECTION 35.12.(d)** G.S. 136-189.10(2)e. reads as rewritten:

4 "e. Public transportation service not included in subdivision (3) or (4) of
5 this section. This sub-subdivision includes commuter rail, intercity rail,
6 and light rail. Nothing in this sub-subdivision shall be construed as
7 authorizing total State funding in excess of the maximum established in
8 sub-subdivision g. of subdivision (3) of this section for commuter rail,
9 intercity rail, and light rail projects."

10 **SECTION 35.12.(e)** G.S. 136-82 is amended by adding a new subsection to read:

11 "(f2) Priority Boarding. – The Department of Transportation may issue annual passes to
12 individual passengers that entitle the passengers to priority when boarding a ferry passenger
13 vessel. The Department of Transportation shall charge an annual fee of one hundred fifty dollars
14 (\$150.00) for each pass issued under this subsection. The fee would be in addition to any
15 applicable ferry toll. Proceeds from fees collected under this subsection shall be credited and used
16 in the same manner as toll proceeds under subsection (d) of this section. Notwithstanding any
17 other provision of law, and except as authorized under this subsection or for emergency vehicles
18 responding to an emergency, the Department of Transportation shall not provide priority boarding
19 of a ferry passenger vessel to any passenger or vehicle. For purposes of this subsection, the term
20 "emergency vehicle" has the same meaning as in G.S. 20-146.2."

21 **SECTION 35.12.(f)** This section becomes effective July 1, 2016, and the fee
22 established in subsection (e) of this section applies to passes issued on or after that date.

23 **DMV/FUNDING FOR CONTRACTUAL DRIVER LICENSE EXAMINER STAFFING**

24 **SECTION 35.14.** Of the funds appropriated in this act to the Department of
25 Transportation, the sum of two million nine hundred one thousand six hundred fifty-six dollars
26 (\$2,901,656) in recurring funds for the 2016-2017 fiscal year shall be allocated to the Division of
27 Motor Vehicles to be used for contractual driver license examiner staffing to provide additional
28 support, improve customer service, and decrease wait times in high-volume Division office
29 locations. Nothing in this section shall be construed as authorizing the Division to hire permanent
30 or temporary employees to serve as additional driver license examiner staffing.

31 **MAKE TIME-LIMITED POSITIONS IN SUPPORT OF THE COMBINED MOTOR** 32 **VEHICLE REGISTRATION AND PROPERTY TAX COLLECTION SYSTEM** 33 **PERMANENT**

34 **SECTION 35.15.(a)** Section 24.10(a) of S.L. 2012-142, as amended by Section 29.37
35 of S.L. 2015-241, reads as rewritten:

36 "SECTION 24.10.(a) Upon request from the Department of Transportation and
37 notwithstanding any other provision of law to the contrary, the Office of State Budget and
38 Management may authorize the creation of ~~time-limited~~ permanent, full-time ~~equivalent~~ positions
39 within the Department of Transportation and its Division of Motor Vehicles in excess of the
40 positions authorized by this act for the ~~sole~~ purposes of implementing and administering the
41 combined motor vehicle registration and property tax collection ~~system~~ system and providing
42 other support as determined necessary by the Commissioner of the Division of Motor Vehicles.
43 Positions created under this authorization shall be funded with receipts from the fee assessed under
44 ~~G.S. 105-330.5(b) and shall terminate no later than June 30, 2016.~~ G.S. 105-330.5(b)."

45 **SECTION 35.15.(b)** Nothing in subsection (a) of this section shall be construed as
46 authorizing the creation of any positions in addition to the 45 remaining positions authorized
47 under Section 24.10(a) of S.L. 2012-142.

48 **SECTION 35.15.(c)** This section becomes effective June 30, 2016.

RESTORE FUNDING FOR SMALL CONSTRUCTION PROJECTS

SECTION 35.19. Section 29.2(a)(1) of S.L. 2015-241 reads as rewritten:

"(1) ~~Two~~ Beginning in the 2016-2017 fiscal year, two million five hundred thousand dollars (\$2,500,000) ~~for the 2015-2016 fiscal year in recurring funds~~ shall be allocated for small construction projects recommended by the Chief Engineer in consultation with the Chief Operating Officer and approved by the Secretary of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects. Members of the Board of Transportation are prohibited from accessing and using the funds allocated under this subdivision."

REVISIONS TO DMV MEDICAL REVIEW PROGRAM

SECTION 35.20.(a) G.S. 20-4.01(2) reads as rewritten:

"(2) Canceled. – As applied to drivers' licenses and permits, a declaration that a license or permit which was issued through error or fraud, or to which ~~G.S. 20-15(a)(3)~~ G.S. 20-15(a) applies, is void and terminated."

SECTION 35.20.(b) G.S. 20-7(e) reads as rewritten:

"(e) Restrictions. – The Division may impose any restriction it finds advisable on a drivers license. It is unlawful for the holder of a restricted license to operate a motor vehicle without complying with the restriction and is the equivalent of operating a motor vehicle without a license. If any applicant shall suffer from any physical ~~defector~~ mental disability or disease ~~which that~~ affects his or her operation of a motor vehicle, the Division may require to be filed with it a certificate of ~~such the~~ applicant's condition signed by ~~some a~~ medical authority of the applicant's community designated by the Division. The Division may, in its discretion, require the certificate to be completed and submitted after a license or renewal has been issued based on the applicant's performance during a road test administered by the Division. Upon submission, the certificate shall be reviewed in accordance with the procedure set forth in G.S. 20-9(g)(3). This certificate shall in all cases be treated as confidential. Nothing in this subsection shall be construed to prevent the Division from refusing to issue a license, either restricted or unrestricted, to any person deemed to be incapable of safely operating a motor ~~vehicle.~~ vehicle based on information observed or received by the Division, including observations during a road test and medical information submitted about the applicant. An applicant may seek review pursuant to G.S. 20-9(g)(4) of a licensing decision made on the basis of a physical or mental disability or disease. This subsection does not prohibit deaf persons from operating motor vehicles who in every other way meet the requirements of this section."

SECTION 35.20.(c) G.S. 20-9 reads as rewritten:

"§ 20-9. **What persons shall not be licensed.**

...
(e) The Division shall not issue a driver's license to any person when in the opinion of the Division ~~such the~~ person is ~~afflicted with or suffering from such physical or mental disability or disease as will serve to prevent such person from exercising~~ unable to exercise reasonable and ordinary control over a motor vehicle while operating the ~~same vehicle~~ upon the highways, nor shall a license be issued to any person who is unable to understand highway warnings or direction signs.

...
(g) The Division may issue a restricted or unrestricted driver's license to any applicant covered by subsection (e) of this section under the following conditions: conditions to an otherwise eligible applicant suffering from a physical or mental disability or disease that affects his or her ability to exercise reasonable and ordinary control of a motor vehicle:

(1) ~~The Division may issue a license to any person who is afflicted with or suffering from a physical or mental disability set out in subsection (e) of this~~

- 1 section who is otherwise qualified to obtain a license, provided such
2 ~~person~~applicant submits to the Division a certificate in the form prescribed in
3 subdivision (2). The Division may request the certificate at the applicant's
4 initial application, at any time following the issuance of the license, or at the
5 initial application and any time following the issuance of the license. Until a
6 license issued under this subdivision ~~expires~~expires, is cancelled, or is revoked,
7 the license continues in force as long as the licensee presents to the Division a
8 certificate in the form prescribed in subdivision (2) of this subsection at the
9 intervals determined by the Division to be in the best interests of public safety.
- 10 (2) ~~The Division shall not issue a license pursuant to this section unless the~~
11 ~~applicant has submitted to a physical examination by a physician or surgeon~~
12 ~~duly licensed to practice medicine in this State or in any other state of the~~
13 ~~United States and unless such examining physician or surgeon has completed~~
14 ~~and signed the certificate required by subdivision (1).~~ SuchThe Division may
15 request a signed certificate from a health care provider duly licensed to practice
16 medicine in the United States that the applicant or licensee has submitted to a
17 physical examination by the health care provider. The certificate shall be
18 devised by the Commissioner with the advice of qualified experts in the field of
19 diagnosing and treating physical and mental disordersdisabilities and diseases
20 as hethe Commissioner may select to assist him or her and shall be designed to
21 elicit the maximum medical information necessary to aid in determining
22 whether or not it would be a hazard to public safety to permit the applicant or
23 licensee to operate a motor vehicle, including, if such is the fact, the examining
24 physician'sprovider's statement that the applicant or licensee is under
25 medication and treatment and that such person'sthe applicant's or licensee's
26 physical or mental disability or disease is controlled. The certificate shall
27 contain a waiver of privilege and the recommendation of the examining
28 physicianprovider to the Commissioner as to whether a license should be issued
29 to the applicant.applicant or licensee and whether the applicant or licensee can
30 safely operate a motor vehicle.
- 31 (3) ~~The Commissioner is not bound by the recommendation of the examining~~
32 ~~physician~~health care provider but shall give fair consideration to such
33 recommendation in exercising his or her discretion in acting upon the
34 application.making licensing decisions, the criterion being whether or not, upon
35 all the evidence, it appears that it is safe to permit the applicant or licensee to
36 operate a motor vehicle. The burden of proof of such fact is upon the
37 applicant.applicant or licensee. In deciding whether to issueissue, restrict,
38 cancel, or deny a license, the Commissioner may be guided by the opinion of
39 experts in the field of diagnosing and treating the specific physical or mental
40 disorderdisability or disease suffered by an applicant or licensee and suchthe
41 experts may be compensated for their services on an equitable basis. The
42 Commissioner may also take into consideration any other factors which bear on
43 the issue of public safety.
- 44 (4) ~~Whenever a license is restricted, cancelled, or denied by the Commissioner,~~
45 ~~such denial~~Commissioner on the basis of a physical or mental disability or
46 disease, the action may be reviewed by a reviewing board upon written request
47 of the applicant or licensee filed with the Division within 10 days after receipt
48 of such denial.notice given in accordance with G.S. 20-48 of the action taken.
49 The reviewing board shall consist of the Commissioner or his authorized
50 representative and four persons designated by the chairman of the Commission
51 for Public Health. The persons designated by the chairman of the Commission

1 for Public Health shall be either members of the Commission for Public Health
2 or physicians duly licensed to practice medicine in this State. The members so
3 designated by the chairman of the Commission for Public Health shall receive
4 the same per diem and expenses as provided by law for members of the
5 Commission for Public Health, which per diem and expenses shall be charged
6 to the same appropriation as per diems and expenses for members of the
7 Commission for Public Health. at least two medical professionals selected by
8 the Commissioner and duly licensed to practice medicine by the appropriate
9 licensing authority in the State. The medical professionals selected by the
10 Commissioner may be compensated for their services on an equitable basis,
11 including reimbursement for ordinary and necessary travel expenses. The
12 Commissioner or his authorized representative, plus any two ~~of the members~~
13 ~~designated by the chairman of the Commission for Public Health,~~ medical
14 professionals selected by the Commissioner, shall constitute a quorum. The
15 procedure for hearings authorized by this section shall be as follows:

- 16 a. Applicants shall be afforded an opportunity for hearing, after reasonable
17 notice of not less than 10 days, before the review board established by
18 ~~subdivision (4).~~ this subdivision. The notice shall be in writing and shall
19 be delivered to the applicant in person or sent by certified mail, with
20 return receipt requested. The notice shall state the time, place, and
21 subject of the hearing. If a hearing is requested under this subdivision to
22 contest a restriction placed on a license under subdivision (3) of this
23 subsection, the restriction shall be stayed unless the Division determines
24 there is an imminent threat to public safety if continued unrestricted
25 driving is permitted. No stay shall be granted if a hearing is requested
26 under this subdivision to contest a denial or cancellation of a license
27 under subdivision (3) of this subsection. Nothing in this sub-subdivision
28 shall be construed as authorizing the stay of a restriction placed on a
29 license pursuant to another provision of law.
- 30 b. The review board may compel the attendance of witnesses and the
31 production of such books, records and papers as it desires at a hearing
32 authorized by the section. Upon request of an ~~applicant,~~ applicant or
33 licensee, a subpoena to compel the attendance of any witness or a
34 subpoena duces tecum to compel the production of any books, records,
35 or papers shall be issued by the board. Subpoenas shall be directed to
36 the sheriff of the county where the witness resides or is found and shall
37 be served and returned in the same manner as a subpoena in a criminal
38 case. Fees of the sheriff and witnesses shall be the same as that allowed
39 in the district court in cases before that court and shall be paid in the
40 same manner as other expenses of the Division of Motor Vehicles are
41 paid. In any case of disobedience or neglect of any subpoena served on
42 any person, or the refusal of any witness to testify to any matters
43 regarding which he may be lawfully interrogated, the district court or
44 superior court where such disobedience, neglect or refusal occurs, or
45 any judge thereof, on application by the board, shall compel obedience
46 or punish as for contempt.
- 47 c. A hearing may be continued upon motion of the applicant or licensee
48 for good cause shown with approval of the board or upon order of the
49 board.
- 50 d. The board shall pass upon the admissibility of evidence at a hearing but
51 the applicant or licensee affected may at the time object to the board's

1 ruling, and, if evidence offered by an applicant or licensee is rejected the
2 party may proffer the evidence, and such proffer shall be made a part of
3 the record. The board shall not be bound by common law or statutory
4 rules of evidence which prevail in courts of law or equity and may admit
5 and give probative value to evidence which possesses probative value
6 commonly accepted by reasonably prudent ~~men~~persons in the conduct
7 of their affairs. They may exclude incompetent, immaterial, irrelevant
8 and unduly repetitious evidence. Uncontested facts may be stipulated by
9 agreement between an applicant or licensee and the board and evidence
10 relating thereto may be excluded. All evidence, including records and
11 documents in the possession of the Division of Motor Vehicles or the
12 board, of which the board desires to avail itself shall be made a part of
13 the record. Documentary evidence may be received in the form of
14 copies or excerpts, or by incorporation by reference. The board shall
15 prepare an official record, which shall include testimony and exhibits. A
16 record of the testimony and other evidence submitted shall be taken, but
17 it shall not be necessary to transcribe shorthand notes or electronic
18 recordings unless requested for purposes of court review.

- 19 e. Every decision and order adverse to an applicant or licensee shall be in
20 writing or stated in the record and shall be accompanied by findings of
21 fact and conclusions of law. The findings of fact shall consist of a
22 concise statement of the board's conclusions on each contested issue of
23 fact. ~~Counsel for applicant, or applicant, if he has no counsel,~~The
24 applicant or licensee shall be notified of the board's decision in person
25 or by registered mail with return receipt requested. A copy of the board's
26 decision with accompanying findings and conclusions shall be delivered
27 or mailed upon request to the applicant's or licensee's attorney of record
28 or to ~~applicant,~~the applicant or licensee, if he or she has no attorney.

- 29 ...
30 h. All records and evidence collected and compiled by the Division and the
31 reviewing board shall not be considered public records within the
32 meaning of Chapter ~~[section] 132-1, and following,~~132 of the General
33 Statutes of North Carolina and may be made available to the public only
34 upon an order of a court of competent jurisdiction. An applicant or
35 licensee may obtain, without a court order, a copy of records and
36 evidence collected and compiled under this subdivision about the
37 applicant or licensee by submitting a written request to the Division,
38 signing any release forms required by the Division, and remitting the
39 required fee set by the Division. All information furnished by~~by~~, about,
40 or on behalf of an applicant or licensee under this section shall be
41 without prejudice and shall be for the use of the Division, the reviewing
42 board or the court in administering this section and shall not be used in
43 any manner as evidence, or for any other purposes in any trial, civil or
44 criminal. The prohibition on release and use under this sub-subdivision
45 applies without regard to who authored or produced the information
46 collected, compiled, and used by the Division under this subdivision.

47"

48 SECTION 35.20.(d) G.S. 20-9.1 reads as rewritten:

49 "§ 20-9.1. ~~Physicians and psychologists~~ Physicians, psychologists, and other medical
50 providers providing medical information on drivers with physical and mental
51 disabilities or mental disabilities or diseases.

(a) Notwithstanding G.S. 8-53 for physicians and G.S. 8-53.3 for psychologists, or any other law relating to confidentiality of communications between ~~physicians or psychologists~~ physicians, psychologists, or other medical providers and their patients, a ~~physician or a psychologist~~ physician, psychologist, or other medical provider duly licensed in the State of North Carolina may disclose after consultation with the patient to the Commissioner information about a patient who has a ~~mental or physical~~ mental disability or disease that the ~~physician or psychologist~~ physician, psychologist, or other medical provider believes may affect the patient's ability to safely operate a motor vehicle. This information shall be limited to the patient's name, address, date of birth, and diagnosis.

...

(c) A ~~physician or psychologist~~ physician, psychologist, or other medical provider disclosing or not disclosing information pursuant to this ~~section~~ section, or conducting an evaluation and making a recommendation to the Division regarding a person's ability to safely operate a motor vehicle, is immune from any civil or criminal liability that might otherwise be incurred or imposed based on the ~~disclosure or lack of disclosure~~ reaction taken provided that the ~~physician or psychologist~~ physician, psychologist, or other medical provider was acting in good faith and without malice. In any proceeding involving liability, good faith and lack of malice are presumed."

SECTION 35.20.(e) G.S. 20-15(a) reads as rewritten:

"(a) The Division shall have authority to cancel any driver's license upon determining any of the following:

...

(4) The licensee suffers from a physical or mental disability or disease that affects his or her ability to safely operate a motor vehicle, as determined by the applicable State or federal law, rule, or regulation.

(5) The licensee has failed to submit the certificate required under G.S. 20-7(e) and G.S. 20-9(g)."

SECTION 35.20.(f) Reclassification of Vacant Positions. – The Division of Motor Vehicles may reclassify up to seven vacant positions within the Division to use as supplemental staffing to implement the provisions of this section.

SECTION 35.20.(g) This section becomes effective July 1, 2016, and subsections (a) through (e) apply to drivers licenses issued or renewed on or after that date and hearings requested on or after that date.

REVISIONS/FREIGHT RAIL & RAIL CROSSING SAFETY IMPROVEMENT FUND AND SHORT-LINE RAILROAD ASSISTANCE

SECTION 35.21.(a) G.S. 124-5.1 reads as rewritten:

"§ 124-5.1. North Carolina Railroad Company dividends deposited to Highway Fund.

Any dividends of the North Carolina Railroad Company received by the State shall be 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 ~~services~~ service, short-line railroad assistance, and railroad-roadway crossing safety, which may include the following project types:

...

(6) Subject to federal or other state law, improvements to rail lines and corridors in this State and through portions of a bordering state for the purpose of connecting with the national railroad system.

(7) Other short-line railroad projects.

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."

SECTION 35.21.(b) G.S. 136-44.39 reads as rewritten:

"§ 136-44.39. Department to provide State and federal financial assistance to short-line railroads.

The Department of Transportation is authorized to provide assistance to short-line railroads to continue and enhance common carrier rail service in the State so as to assist in economic development and access to ports and military installations. Assistance under this section may ~~involve both~~ include funds from the Rail Industrial Access Program and Program, the Short Line Infrastructure Access Program, as well as other innovative programs and any other programs that may exist or be established for these purposes. Grants under this section shall not exceed fifty percent (50%) of the nonfederal share and must be matched by equal or greater funding from the applicant."

DOT/IMPLEMENTATION OF REDUCTION PLAN

SECTION 35.22.(a) Reduction Schedule. – The Department of Transportation shall complete the reductions through reorganization and reductions in force identified in the plan required under Section 29.14(d)(4) of S.L. 2015-241 according to the following schedule:

- (1) The Department shall reduce through reorganization (i) at least 15 employees from the Division of Highways and (ii) at least 10 employees from the Technical Services Division. The Department shall complete the reductions required under this subdivision by September 1, 2016.
- (2) The Department shall reduce through reorganization or reduce in force (i) at least 21 employees from the Planning and Programming Division, with a minimum of five employees reduced through reorganization; (ii) at least 49 employees from the Technical Services Division; and (iii) at least 186 employees from the Division of Highways. The Department shall complete the reductions through reorganization required under this subdivision by December 15, 2016, and the reductions in force required under this subdivision by January 1, 2017.

SECTION 35.22.(b) Report. – The Department shall report to the Joint Legislative Transportation Oversight Committee (i) by September 16, 2016, on the reductions completed under subdivision (1) of subsection (a) of this section and (ii) by January 16, 2017, on the reductions completed under subdivision (2) of subsection (a) of this section. The report shall identify the number of reductions, the type of reduction, and the positions that were reduced.

PROHIBIT CHIP SEAL TREATMENT ON SUBDIVISION STREETS

SECTION 35.23. G.S. 136-44.3A reads as rewritten:

"§ 136-44.3A. Highway Maintenance Improvement Program.

(e) ~~Single Chip Seal Treatment Prohibited on Subdivision Streets and Access Routes.~~ – Except as authorized in subsection (f) of this section, and unless used in combination with a slurry seal, microsurfacing, or resurfacing treatment, the Department shall not use single chip seal treatment on ~~subdivision streets or access routes~~ for Surface Transportation Assistance Act Dimensioned Vehicles.

(f) Authorized Use of Single Chip Seal Treatment on Secondary Roads. – The Department may use single chip seal treatments on secondary roads only under any of the following conditions:

- (1) The secondary road has a daily traffic volume of less than 15,000 vehicles. Single chip treatments used under this subdivision shall be capped with a final riding surface of sand or material of equivalent size to fill voids to create a smooth riding surface.
- (2) The single chip seal treatment is used in combination with a slurry seal, microsurfacing, or resurfacing treatment.

- (3) The condition of the secondary road requires a rough surface to improve traction, such as a secondary road in a mountainous community or another area with low skid resistance.

(f1) Chip Seal Treatment Prohibited on Subdivision Streets. – Unless used in combination with a fog seal, the Department shall not use chip seal treatment on subdivision streets.

...."

CONSOLIDATE MAINTENANCE ACCOUNTS

SECTION 35.24.(a) The Department of Transportation shall transfer all funds in the Primary Maintenance Account (Fund Code 7821) and the Secondary Road Maintenance and Improvement Fund (Fund Code 7822) to the Reserve for General Maintenance (Fund Code 0934). Upon completion of the transfer, the Department shall close the Primary Maintenance Account and the Secondary Road Maintenance and Improvement Fund.

SECTION 35.24.(b) The Department of Transportation, in consultation with its Division Engineers, shall determine the amount of funds from the Reserve for General Maintenance needed for other purposes prior to making the allocation under G.S. 136-44.6, as amended by subsection (c) of this section. The term "other purposes" includes emergency responses, weather-related events, and Statewide programs. By July 15, 2016, the Department shall report its findings to the chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation, including the total amount of funds needed, an identification of the purposes the funds are needed for, and the amount of funds needed for each purpose.

SECTION 35.24.(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~~ funds for primary and secondary road maintenance.

The Department of ~~Transportation~~ Transportation, in consultation with its Division Engineers, shall develop a uniformly applicable formula for the allocation of ~~secondary roads maintenance and improvement funds~~ funds from the Reserve for General Maintenance in the Highway Fund for ~~use~~ maintenance on primary and secondary roads in each ~~county~~ Highway Division. The formula shall take into consideration the number of paved and unpaved miles of state-maintained secondary roads in each ~~county~~ Highway Division and such other factors as experience may dictate. Each Division Engineer shall have discretion in using funds allocated under this section to his or her Highway Division for maintenance activities. This section shall not apply to projects to pave unpaved roads under G.S. 136-44.2D."

SECTION 35.24.(d) G.S. 136-44.2(e) reads as rewritten:

"(e) The "Current Operations Appropriations Act" shall also contain the proposed appropriations of State funds for use in each ~~county~~ Highway Division for maintenance and improvement of secondary roads, to be allocated in accordance with G.S. 136-44.6. State funds appropriated for secondary roads shall not be transferred nor used except for the construction, maintenance, and improvement of secondary roads in the county for which they are allocated pursuant to G.S. 136-44.6."

CRASH REPORTING PROGRAM MAINTENANCE

SECTION 35.25.(a) Establishment. – The Division of Motor Vehicles shall, through an open request for proposal process, seek to procure a contract with a private vendor for the statewide maintenance of the Crash Reporting Program. The Crash Reporting Program shall include at least all of the following components:

- (1) A comprehensive data repository for collision data.
- (2) A document repository for all collision reports in the State.

- (3) The capability to process paper reports, including scanning, data entry, validation of data against business edits, quality control application for reviewing reports, the ability to return or reject reports, and the ability to reprocess corrected reports.
- (4) The creation of an electronic submission application that incorporates all State validation rules to ensure that submitted reports are complete, accurate, and error-free.
- (5) A database capable of sharing statewide collision data with State and federal traffic safety partners, State law enforcement agencies, and the public.
- (6) A Web portal capability allowing authorized users to perform search functions and data extraction, obtain statistical traffic safety reports, map collision result sets, review configurable collision data dashboards, and perform data analysis against statewide collision data.
- (7) Compatibility with all data file formats and submission requirements for State and federal entities that require access to State collision data.
- (8) Capability to leverage predictive analytics to optimize resource allocation in order to improve traffic safety.

SECTION 35.25.(b) Vendor and Contract Requirements. – By December 31, 2016, the Division shall enter into a contract under subsection (a) of this section with the lowest responsible vendor who provides evidence satisfactory to the Division of a demonstrated history of providing similar statewide services.

SECTION 35.25.(c) Reports. – The Division shall provide the following reports:

- (1) By April 30, 2017, a report to the Office of State Budget and Management and chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation on (i) the completion of the RFP process, including the name and qualifications of the firm awarded the contract; (ii) progress on the transition of the maintenance of the Program; and (iii) any other findings of interest determined by the Division.
- (2) By April 30, 2018, a report to the Office of State Budget and Management and chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation on (i) the number of accident reports purchased through the e-commerce site; (ii) the revenue generated to the Division through the contract with the vendor; and (iii) any savings realized by the Division from private vendor maintenance of the Program.

DOT/CLARIFY AUTHORITY OF CHIEF AND DIVISION ENGINEERS

SECTION 35.26.(a) G.S. 136-4 reads as rewritten:

"§ 136-4. Chief Engineer.

There shall be a Chief Engineer, who shall be a career official and who shall be the administrative officer of the Department of Transportation for highway matters. For purposes of this section, the term "highway matters" includes planning, design, construction, maintenance, operations, procurements, agreements, delivery methods, standards, and specifications for current and future State-maintained roads. The Chief Engineer shall be appointed by the Secretary of Transportation and he may be removed at any time by the Secretary of Transportation. He shall be paid a salary to be set in accordance with Chapter 126 of the General Statutes, the North Carolina Human Resources Act. The Chief Engineer shall have such powers and perform such duties as the Secretary of Transportation shall prescribe."

SECTION 35.26.(b) By December 1, 2016, the Chief Engineer of the Department of Transportation shall develop and implement a policy for delegating authority to the Division

Engineers to execute capital and maintenance programs within the Division Engineers' respective divisions. By December 15, 2016, the Chief Engineer shall report to the Joint Legislative Transportation Oversight Committee with a detailed summary of the policy developed under this subsection.

PART XXXVI. SALARIES AND BENEFITS

STATE-FUNDED PERSONNEL/ANNUAL SALARY INCREASES BY EMPLOYING AGENCIES AUTHORIZED/MERIT-BASED BONUSES ALLOWED

SECTION 36.1A.(a) Funds for Salary Increases. – Of the funds appropriated in this act from the General Fund and the Highway Fund to the Reserves for Compensation Increases, recurring funds for the 2016-2017 fiscal year are authorized generally to provide employing agencies with funds to award salary increases to State-funded personnel in accordance with eligibility policies adopted by each employing agency. At a minimum, the employing agency eligibility policy shall include provisions for increases based upon performance, to achieve market-based rates, to allow for retention, and to address receipt-supported positions. The eligibility policy shall not provide an across-the-board increase.

SECTION 36.1A.(b) Funds for Bonuses. – Of the funds appropriated in this act from the General Fund and Highway Fund to the Reserves for Compensation Increases, nonrecurring funds for the 2016-2017 fiscal year are authorized generally to provide employing agencies with funds to award one-time merit-based bonuses to State-funded personnel in accordance with eligibility policies adopted by the employing agencies. The eligibility policy shall not provide an across-the-board bonus. Notwithstanding G.S. 135-1(7a) and G.S. 135-53(5), merit-based bonuses awarded under this Part are not compensation under Chapter 135 of the General Statutes. Employees of local boards of education are not eligible to receive bonuses authorized by this subsection.

SECTION 36.1A.(c) Employing Agency. – For the purposes of this Part, "employing agency" includes the following entities employing State-funded personnel:

- (1) The Office of State Human Resources, for executive branch departments with respect to both EHRA and SHRA employees, except University of North Carolina EHRA employees.
- (2) The Administrative Office of the Courts and the Commission on Indigent Defense Services, for the judicial branch.
- (3) The Legislative Services Commission, for the legislative branch.
- (4) The Board of Governors of The University of North Carolina, except as to its SHRA employees.
- (5) The State Board of Community Colleges, for the North Carolina Community College System.
- (6) The local boards of education, for central office and noncertified personnel. Certified personnel and school-based administrators are not eligible.

SECTION 36.1A.(d) Reporting. – Each employing agency shall report to the chairs of the Senate Appropriations/Base Budget Committee and House of Representatives Committee on Appropriations and the Fiscal Research Division on the use of these funds by no later than February 1, 2017.

JUDICIAL BRANCH SALARIES

SECTION 36.3.(a) Section 30.3(b) of S.L. 2015-241 reads as rewritten:

"SECTION 30.3.(b) The annual salaries of permanent full-time employees of the Judicial Department whose salaries are not itemized in this act shall not be legislatively increased for the ~~2015-2017 fiscal biennium~~, 2015-2016 fiscal year but may be increased as otherwise allowed by law."

SECTION 36.3.(b) For the 2016-2017 fiscal year, the annual salaries of employees of the Judicial Department whose salaries are not itemized in this act are eligible to be increased in accordance with the provisions of this Part.

SECTION 36.3.(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 minimum salary of any assistant district attorney or assistant public defender is at least forty thousand dollars (\$40,000), effective July 1, 2016.

ASSISTANT AND DEPUTY CLERKS OF COURT

SECTION 36.5. Effective July, 2016, 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	<u>Minimum</u> Annual Salary
Minimum	\$32,609
Maximum	56,424
Deputy Clerks	Annual Salary
Minimum	\$28,223 \$28,223.
Maximum	44,107."

MAGISTRATES

SECTION 36.6. Effective July 1, 2016, G.S. 7A-171.1 reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

(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 at least 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.

Table of Salaries of Full-Time Magistrates

Step Level	<u>Minimum</u> Annual Salary
Entry Rate	\$35,275
Step 1	37,950
Step 2	40,835
Step 3	43,890
Step 4	47,550
Step 5	51,960
Step 6	56,900.

- (2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a

part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.

- (3) Notwithstanding any other provision of this subsection, a magistrate who is licensed to practice law in North Carolina or any other state shall receive at least the annual salary provided in the Table in subdivision (1) of this subsection for Step 4.

(a1) Notwithstanding subsection (a) of this section, the following minimum 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	<u>\$27,846</u>	<u>\$27,846</u>
1 or more but less than 3 years of service	<u>28,027</u>	<u>29,027</u>
3 or more but less than 5 years of service	<u>30,405</u>	<u>31,405</u>

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

- (2) The minimum salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1
9 or more but less than 11 years of service	Step 2
11 or more years of service	Step 3

Thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

- (3) The minimum salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

- (4) The minimum salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection.

(a2) The Administrative Officer of the Courts shall provide magistrates with longevity pay at the same rates as are provided by the State to its employees subject to the North Carolina Human Resources Act.

(b) Notwithstanding G.S. 138-6, a magistrate may not be reimbursed by the State for travel expenses incurred on official business within the county in which the magistrate resides."

LEGISLATIVE BRANCH SALARIES

SECTION 36.7.(a) Section 30.4(b) of S.L. 2015-241 reads as rewritten:

"SECTION 30.4.(b) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2015, shall not be legislatively increased

1 for the ~~2015-2017 fiscal biennium, 2015-2016 fiscal year~~ but may be increased as otherwise
2 allowed by law."

3 **SECTION 36.7.(b)** The annual salaries of the Legislative Services Officer and of
4 nonelected employees of the General Assembly in effect on June 30, 2016, may be increased in
5 accordance with this Part and as otherwise allowed by law.
6

7 **GENERAL ASSEMBLY PRINCIPAL CLERKS**

8 **SECTION 36.8.** Effective July 1, 2016, G.S. 120-37(c) reads as rewritten:

9 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to
10 other benefits available to permanent legislative employees and shall be paid an annual salary of at
11 least one hundred six thousand three hundred thirty-three dollars (\$106,333), payable monthly.
12 Each principal clerk shall also receive such additional compensation as approved by the Speaker
13 of the House of Representatives or the President Pro Tempore of the Senate, respectively, for
14 additional employment duties beyond those provided by the rules of their House. The Legislative
15 Services Commission shall review the salary of the principal clerks prior to submission of the
16 proposed operating budget of the General Assembly to the Governor and shall make appropriate
17 recommendations for changes in those salaries. Any changes enacted by the General Assembly
18 shall be by amendment to this paragraph."
19

20 **SERGEANT-AT-ARMS AND READING CLERKS**

21 **SECTION 36.9.** Effective July 1, 2016, G.S. 120-37(b) reads as rewritten:

22 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of at
23 least four hundred four dollars (\$404.00) per week plus subsistence at the same daily rate provided
24 for members of the General Assembly, plus mileage at the rate provided for members of the
25 General Assembly for one round trip only from their homes to Raleigh and return. The
26 sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to
27 the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by
28 the Legislative Services Commission. The reading clerks shall serve during sessions only."
29

30 **COMMUNITY COLLEGES PERSONNEL**

31 **SECTION 36.10.(a)** Section 30.5(b) of S.L. 2015-241 reads as rewritten:

32 "**SECTION 30.5.(b)** For the ~~2015-2017 fiscal biennium, 2015-2016 fiscal year~~, the
33 community college boards of trustees may provide personnel a salary increase pursuant to the
34 policies adopted by the State Board of Community Colleges. Funds for compensation increases
35 may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board
36 increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation
37 increase pursuant to policies adopted by the State Board of Community Colleges. The State Board
38 of Community Colleges shall make a report on the use of these funds to the 2016 Regular Session
39 of the 2015 General Assembly no later than March 1, 2016."
40

41 **SECTION 36.10.(b)** The annual salaries of community college employees are eligible
42 to be increased in accordance with the provisions of this Part pursuant to eligibility policies
43 adopted by the State Board of Community Colleges.
44

44 **UNIVERSITY OF NORTH CAROLINA SYSTEM**

45 **SECTION 36.11.(a)** Section 30.6 of S.L. 2015-241 reads as rewritten:

46 "**SECTION 30.6.** Effective for the ~~2015-2017 fiscal biennium, 2015-2016 fiscal year~~, the
47 annual compensation of all full-time University of North Carolina SHRA and EHRA employees
48 shall not be legislatively increased for the 2015-2017 fiscal biennium, but may be increased as
49 otherwise allowed by law."
50

51 **SECTION 36.11.(b)** Effective for the 2016-2017 fiscal year, the annual compensation
of University of North Carolina EHRA employees may be increased in accordance with the

provisions of this Part pursuant to eligibility policies adopted by the Board of Governors of The University of North Carolina.

STATE AGENCY TEACHERS

SECTION 36.12. Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the State Board of Education, and employees of the School of Science and Mathematics of the University of North Carolina who are paid on the Teacher Salary Schedule shall be paid as authorized by Section 9.1 of this act.

ALL STATE-SUPPORTED PERSONNEL

SECTION 36.14.(a) Section 30.8(a) of S.L. 2015-241 reads as rewritten:

"**SECTION 30.8.(a)** For the ~~2015-2017 fiscal biennium~~; 2015-2016 fiscal year:
...."

SECTION 36.14.(a1) For the 2016-2017 fiscal year, each employing agency may increase the annual salaries of, and award one-time merit-based bonuses to, State-supported personnel in accordance with policies adopted by the employing agency.

SECTION 36.14.(b) Salaries and Related Benefits for Positions That Are Funded. – Salaries and related benefits for positions that are funded:

- (1) 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.
- (2) Fully from sources other than the General Fund or Highway Fund shall be increased as provided by this Part.

The Director of the Budget may increase expenditures of receipts from these sources in the certified budget by the amount necessary to provide the increases authorized by this Part to receipt-supported personnel.

SECTION 36.14.(c) Except as otherwise provided, the salary increases provided in this act 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, 2016.

SECTION 36.14.(d) Employees eligible for statutory increases under G.S. 20-187.3, 7A-102, and 7A-171.1 may receive the increases and bonuses authorized by this section.

SECTION 36.14.(e) Payroll checks issued to employees after July 1, 2016, that represent payment of services provided prior to July 1, 2016, 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 36.14.(f) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

MOST STATE EMPLOYEES

SECTION 36.15.(a) Section 30.9 of S.L. 2015-241 reads as rewritten:

"**SECTION 30.9.** For the ~~2015-2017 fiscal biennium~~, 2015-2016 fiscal year, except as otherwise provided by this Part, the annual salaries in effect June 30, 2015, for the following employees shall not be legislatively increased, but may be increased as otherwise allowed by law:

- (1) Permanent full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.
- (2) Permanent full-time State officials and persons in positions exempt from the State Human Resources Act.
- (3) Permanent part-time State employees.
- (4) Temporary and permanent hourly State employees."

SECTION 36.15.(b) For the 2016-2017 fiscal year, employing agencies may award increases and merit-based bonuses to eligible employees who are any of the following:

- (1) Permanent full-time State employees whose salaries are set in accordance with the State Human Resources Act.
- (2) Permanent full-time State employees in positions exempt from the State Human Resources Act.
- (3) Permanent part-time State employees.
- (4) Temporary and permanent hourly State employees.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED EMPLOYEE BENEFITS

SECTION 36.17.(a) The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated employee benefits in amounts set forth in the committee report described in Section 39.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for the purposes of legislatively mandated employee benefits. Any funds remaining shall revert in accordance with G.S. 143C-1-2(b), unless otherwise provided by law.

SECTION 36.17.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated employee benefits exceed the amount required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated employee benefits.

SECTION 36.17.(c) No later than March 1, 2017, 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 employee benefits. This report shall include at least the following information for each State agency for the 2016-2017 fiscal year:

- (1) The total amount of funds that the agency received for legislatively mandated employee benefits.
- (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 employee benefits.
- (4) The amount of funds expected to revert under subsection (a) of this section.

MITIGATE BONUS LEAVE

SECTION 36.18. During the 2016-2017 fiscal year, State agencies, departments, institutions, the North Carolina Community College System, and The University of North Carolina may offer State employees the opportunity to use or to cash in special bonus leave benefits that have accrued pursuant to Section 28.3A of S.L. 2002-126, Section 30.12B(a) of S.L. 2003-284, Section 29.14A of S.L. 2005-276, and Section 35.10A of S.L. 2014-100 but only if all of the following requirements are met:

- (1) Employee participation in the program must be voluntary.
- (2) Special leave that is liquidated for cash payment to an employee must be valued at the amount based on the employee's current annual salary rate.
- (3) Agencies shall collect and report demographic information on the employees who opt to use or cash in special leave under the incentive program. By March 1, 2017, the demographic information shall be reported to the respective agency head or employing agency and to the Fiscal Research Division.

EXTEND VOLUNTARY SHARED LEAVE TO COMMUNITY COLLEGES EMPLOYEES

1 **SECTION 36.19.** G.S. 115D-25.3 reads as rewritten:

2 **"§ 115D-25.3. Voluntary shared leave.**

3 (a) The State Board of Community Colleges, in cooperation with the State Board of
4 Education and the State Human Resources Commission, shall adopt rules and policies to allow
5 any employee at a community college to share leave voluntarily with an immediate family
6 member who is an employee of a community college, public school, or State agency; and with a
7 coworker's immediate family member who is an employee of a community college, public school,
8 or State agency. For the purposes of this section, the term "immediate family member" means a
9 spouse, parent, child, brother, sister, grandparent, or grandchild. The term includes the step, half,
10 and in-law relationships. The term "coworker" means that the employee donating the leave is
11 employed by the same agency, department, institution, university, local school administrative unit,
12 or community college as the employee whose immediate family member is receiving the leave.

13 (b) The State Board of Community Colleges, in cooperation with the State Human
14 Resources Commission, shall adopt rules and policies consistent with policies of the Commission
15 to allow any employee at a community college to share leave voluntarily with a nonfamily
16 member who is an employee of a community college. A community college employee who
17 donates leave to a community college employee who is a nonfamily member shall not donate more
18 than five days of leave per year to any one nonfamily community college employee. The
19 combined total of leave donated to a community college employee from nonfamily community
20 college employee donors shall not exceed 20 days per year. Donated leave shall not be used for
21 retirement purposes, and community college employees who donate leave shall be notified in
22 writing of the consequences of donating leave in regard to State retirement system service credit."
23

24 **DELAY STATEWIDE COMPENSATION SYSTEM PROJECT IMPLEMENTATION**

25 **SECTION 36.19A.(a)** The Office of State Human Resources shall not commence the
26 implementation phase of the Statewide Compensation System Project (Project) prior to February
27 1, 2017.

28 **SECTION 36.19A.(b)** When the implementation phase commences, the Director of
29 the Budget may increase expenditures of receipts to the amount necessary to fund salary
30 adjustments authorized by the Office of State Human Resources for receipt-supported positions
31 that fall below the minimum of the new salary grade assigned to those positions during the
32 realignment of salary grades pursuant to the Project.
33

34 **SALARY-RELATED CONTRIBUTIONS**

35 **SECTION 36.20.(a)** Section 30.20 of S.L. 2015-241 reads as rewritten:

36 **"SALARY-RELATED CONTRIBUTIONS**

37 ...
38 **"SECTION 30.20.(b)** Effective July 1, 2015, the State's employer contribution rates budgeted
39 for retirement and related benefits as a percentage of covered salaries for the ~~2015-2017 fiscal~~
40 ~~biennium-2015-2016 fiscal year~~ are (i) fifteen and thirty-two hundredths percent (15.32%) –
41 Teachers and State Employees; (ii) twenty and thirty-two hundredths percent (20.32%) – State
42 Law Enforcement Officers; (iii) twelve and eighty-five hundredths percent (12.85%) – University
43 Employees' Optional Retirement Program; (iv) twelve and eighty-five hundredths percent
44 (12.85%) – Community College Optional Retirement Program; (v) thirty-two and eighty-one
45 hundredths percent (32.81%) – Consolidated Judicial Retirement System; and (vi) seven and forty
46 hundredths percent (7.40%) – Legislative Retirement System. Each of the foregoing contribution
47 rates includes five and sixty hundredths percent (5.60%) for hospital and medical benefits. The
48 rate for the Teachers and State Employees, State Law Enforcement Officers, University
49 Employees' Optional Retirement Program, and the Community College Optional Retirement
50 Program includes forty-one hundredths percent (0.41%) for the Disability Income Plan. The rates
51 for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths

1 percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes
2 five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State
3 Employees and State Law Enforcement Officers includes one hundredth percent (0.01%) for the
4 Qualified Excess Benefit Arrangement.

5 "SECTION 30.20.(b1) Effective July 1, 2016, the State's employer contribution rates
6 budgeted for retirement and related benefits as a percentage of covered salaries for the 2016-2017
7 fiscal year are (i) fifteen and sixty-four hundredths percent (15.64%) – Teachers and State
8 Employees; (ii) twenty and sixty-four hundredths percent (20.64%) – State Law Enforcement
9 Officers; (iii) twelve and eighty-two hundredths percent (12.82%) – University Employees'
10 Optional Retirement Program; (iv) twelve and eighty-two hundredths percent (12.82%) –
11 Community College Optional Retirement Program; (v) thirty-four and thirteen hundredths percent
12 (34.13%) – Consolidated Judicial Retirement System; and (vi) twenty-two and sixty-five
13 hundredths percent (22.65%) – Legislative Retirement System. Each of the foregoing contribution
14 rates includes five and sixty hundredths percent (5.60%) for hospital and medical benefits. The
15 rate for the Teachers and State Employees, State Law Enforcement Officers, University
16 Employees' Optional Retirement Program, and the Community College Optional Retirement
17 Program includes thirty-eight hundredths percent (0.38%) for the Disability Income Plan. The
18 rates for Teachers and State Employees and State Law Enforcement Officers include sixteen
19 hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement
20 Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers
21 and State Employees and State Law Enforcement Officers includes one hundredths percent
22 (0.01%) for the Qualified Excess Benefit Arrangement.

23 "SECTION 30.20.(c) Effective July 1, 2015, the maximum annual employer contributions,
24 payable monthly, by the State for each covered employee or retiree for the 2015-2016-2015-2017
25 fiscal year-biennium to the State Health Plan for Teachers and State Employees are (i)
26 Medicare-eligible employees and retirees – four thousand two hundred fifty-one dollars (\$4,251)
27 and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred seventy-one
28 dollars (\$5,471)."

29 **SECTION 36.20.(b)** If the Director of the Budget reallocates the Reserve for Future
30 Benefits Needs, as authorized in Section 36.24 of this act, then effective July 1, 2016, the
31 maximum annual employer contributions, payable monthly, by the State for each covered
32 employee or retiree for the 2016-2017 fiscal to the State Health Plan for Teachers and State
33 Employees shall be (i) Medicare-eligible employees and retirees – four thousand three hundred
34 ninety-seven dollars (\$4,397) and (ii) non-Medicare-eligible employees and retirees – five
35 thousand six hundred fifty-nine dollars (\$5,659). The Director of the Budget may also increase the
36 contribution rate for hospital and medical benefits in Section 30.20(b1) of S.L. 2015-241, as
37 amended by subsection (a) of this section, to six and two hundredths percent (6.02%), effective
38 January 1, 2017, and adjust the other contribution rates in the section accordingly.

39 40 **STATE HEALTH PLAN COST-CONTROLLING MEASURES AND REALLOCATION** 41 **OF RESERVE FOR FUTURE BENEFIT NEEDS**

42 **SECTION 36.24.(a)** The State Treasurer and the Board of Trustees shall adopt
43 measures applicable to any or all of the 2017, 2018, or 2019 calendar years to limit projected
44 employer contribution increases.

45 **SECTION 36.24.(b)** If the Director of the Budget determines that the additional
46 cost-controlling measures adopted by the Board of Trustees and the State Treasurer as directed in
47 subsection (a) of this section are sufficient to reduce the projected employer premium increases to
48 four percent (4%) or less in both the 2018 and 2019 plan years, then the Director of the Budget is
49 authorized to reallocate funds in the Reserve for Future Benefit Needs to individual State agency
50 budgets. The projected employer premium increases should be calculated assuming the Reserve
51 for Future Benefit Needs is reallocated.

SECTION 36.24.(c) Section 30.26(b) of S.L. 2015-241 reads as rewritten:

"SECTION 30.26.(b) During the 2015-2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall maintain a cash reserve of at least ~~twenty-two~~ percent (20%) (12%) of its annual costs. For purposes of this section, the term "cash reserve" means the total balance in the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund established in G.S. 135-48.5 plus the Plan's administrative account, and the term "annual costs" means the total of all medical claims, pharmacy claims, administrative costs, fees, and premium payments for coverage outside of the Plan."

PART XXXVII. CAPITAL APPROPRIATIONS

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 37.1. Section 31.2 of S.L. 2015-241 reads as rewritten:

"SECTION 31.2.(a) There is appropriated from the General Fund for the 2015-2017 fiscal biennium the following amounts for capital improvements:

Capital Improvements – General Fund	2015-2016	2016-2017
Department of Agriculture and Consumer Services		
Dorton Arena Roof Replacement	2,305,000	–
Southeastern North Carolina Agricultural Events Center		165,000
Department of Cultural Resources		
USS North Carolina Hull Repair and Cofferdam	3,500,000	–
Department of Environment and Natural Resources		
Water Resources Development	5,083,000	5,020,000
Department of Public Safety		
Armory and Facility Development Projects	868,000	5,087,500
Helipad Planning		69,000
Office of State Budget and Management		
Repairs and Renovations Reserve		75,942,182
University of North Carolina		
North Carolina School of Science and Mathematics – Technology Upgrades and Building Repair	4,000,000	–
NC State University Engineering Building Advance Planning	1,000,000	1,000,000
University of North Carolina Asheville Land Acquisition		2,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$16,756,000	\$6,087,500\$89,214,682

"SECTION 31.2.(b) Funds appropriated to the Department of Public Safety in subsection (a) of this section for Helipad planning shall be used to fund planning of helipads at the Joint Forces Headquarters in Raleigh, North Carolina."

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 37.2.(a) The Department of Environmental Quality shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated thirty-two million one hundred fifty thousand dollars (\$32,150,000) in federal funds.

Name of Project	2015-2016
(1) Neuse River – Goldsboro, Section 1135	\$ 150,000
(2) Carolina Beach Coastal Storm Damage Reduction	75,000
(3) Kure Beach Coastal Storm Damage Reduction	81,000
(4) Wrightsville Beach Coastal Storm Damage Reduction	561,000
(5) Ocean Isle Beach Coastal Storm Damage Reduction	1,535,000
(6) Eastern NC Stream Debris Removal	500,000
(7) State/Local Water Resources Development Grants	1,000,000
(8) Cape Fear Lock & Dam #2 Fish Ramp – Phase 1	500,000
(9) North Topsail Beach Shoreline Protection Project – Phase 2	500,000
(10) Environmental Quality Incentives Program – NRCS	2,000,000
(11) Town of Burgaw – Pender Hospital Drainage Improvements	347,000
(12) Ararat River, Surry County	500,000
(13) Town of Rutherfordton Stream Restoration	500,000
(14) Wilmington Harbor Maintenance	-
(15) Morehead City Harbor Maintenance	2,000,000
(16) Water Resources Planning Assistance to Communities	25,000
(17) Shallow Draft Dredging	250,000
TOTALS	\$ 10,524,000

SECTION 37.2.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the five million twenty thousand dollars (\$5,020,000) appropriated for water resources development projects in Section 31.2 of S.L. 2015-241, as amended by Section 37.1 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) Morehead City Harbor Maintenance	\$ 2,000,000
(2) Ocean Isle Beach CSDR	1,029,000
(3) Environmental Quality Incentives Program – NRCS	2,000,000
(4) Planning Assistant to Communities	25,000
(5) Wrightsville Beach CSDR	200,000
(6) Shallow Draft Dredging	250,000
TOTALS	\$ 5,504,000

SECTION 37.2.(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 2016-2017 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 2016-2017 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 2017-2018 fiscal year.

SECTION 37.2.(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 37.2.(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 2015-2017 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate. This subsection shall not apply to the Environmental Quality Incentives Program. Furthermore, Section 36.3(e) of S.L. 2013-360, Section 36.2(e) of S.L. 2014-100, and Section 31.3(e) of S.L. 2015-241 shall not apply to funds made available as part of the Environmental Quality Incentives Program in any fiscal year.

SECTION 37.2.(f) Section 31.3(a) of S.L. 2015-241 reads as rewritten:

"SECTION 31.3.(a) The Department of Environment and Natural Resources shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated forty-four million three hundred fifty-three thousand dollars (\$44,353,000) in federal funds.

Name of Project	2015-2016
...	
(20) Assistance to Counties—EAP Preparation <u>Shallow Draft Dredging</u>	250,000
...."	

SECTION 37.2.(g) G.S. 143-215.71 reads as rewritten:

"§ 143-215.71. Purposes for which grants may be requested.

Applications for grants may be made for the nonfederal share of water resources development projects for the following purposes in amounts not to exceed the percentage of the nonfederal costs indicated:

- 1 (1) General navigation projects that are sponsored by local governments – eighty
- 2 percent (80%);
- 3 (2) Recreational navigation projects – twenty-five percent (25%);
- 4 (3) Construction costs for water management (flood control and drainage)
- 5 purposes, including utility and road relocations not funded by the State
- 6 Department of Transportation – sixty-six and two-thirds percent (66 2/3%), but
- 7 only of that portion of the project specifically allocated for such flood control or
- 8 drainage purposes;
- 9 (4) Stream restoration – sixty-six and two-thirds percent (66 2/3%);
- 10 (5) Protection of privately owned beaches where public access is allowed and
- 11 provided for – seventy-five percent (75%);
- 12 (6) Land acquisition and facility development for water-based recreation sites
- 13 operated by local governments – fifty percent (50%);
- 14 (7) Aquatic weed control projects sponsored by local governments – fifty percent
- 15 (50%).
- 16 (8) Projects that are part of the Environmental Quality Incentives Program – one
- 17 hundred percent (100%)."
- 18

19 NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

20 **SECTION 37.3.** Section 31.4(a) of S.L. 2015-241, as amended by Section 9.1 of S.L.
 21 2015-268, reads as rewritten:

22 **"SECTION 31.4.(a)** The General Assembly authorizes the following capital projects to be
 23 funded with receipts or from other non-General Fund sources available to the appropriate
 24 department:

25 Name of Project	Amount of Non-General Fund	
	FY 2015-2016	FY 2016-2017
28 Department of Agriculture and Consumer Services		
29 WNC Farmers Market Improvements/Robert		
30 G. Shaw Piedmont Triad Farmers Market		
31 Improvements	\$3,000,000	—
32 WNC Agricultural Center Events/Restroom Building	500,000	—
33 NC Forest Service Mountain Island Educational		
34 Forest-Visitor and Interpretive Center	4,000,000	—
35 Deer Fence on Research Stations	200,000	—
36 Aviary Egg Layer Research Building	1,750,000	—
37 State Fair Renovations/Infrastructure Improvements	2,500,000	—
38 State Fair Horse Complex	1,000,000	—
39 Animal Disease Diagnostic Laboratory Equipment	500,000	—
40		
41 Department of Environment and Natural Resources		
42 Fort Fisher Aquarium Salt Water Well	590,000	590,000
43 Gorilla Expansion	450,000	—
44		
45 Department of Public Safety		
46 National Guard – Wilmington Replacement	14,200,000	—
47 <u>Nash Print Plant Roof Replacement</u>		<u>1,508,000</u>
48 <u>Harnett Visitor Center</u>		<u>549,000</u>
49		
50 Wildlife Resources Commission		
51		

1	Boating Access New Construction	3,750,000	3,750,000
2	Land Acquisition	900,000	900,000
3	Jordan Lake Depot	500,000	—
4	Fishing Access Construction	—	200,000

5

6 **TOTAL AMOUNT OF NON-GENERAL**

7 **FUND CAPITAL PROJECTS**

8 **AUTHORIZED**

9

\$33,840,200 ~~5,440,000~~ 7,497,000"

10 **REPAIRS AND RENOVATIONS CHANGES**

11 **SECTION 37.4.** Section 31.5 of S.L. 2015-241 reads as rewritten:

12 **"SECTION 31.5.(a)** Of the funds remaining in the Reserve for Repairs and Renovations for
 13 the 2015-2016 and the 2016-2017 fiscal ~~years~~, years after the allocation required by subsection (f)
 14 of this section have been made, the following allocations shall be made to the following agencies
 15 for repairs and renovations pursuant to G.S. 143C-4-3:

- 16 (1) One-third of the funds for the 2015-2016 fiscal year and one-half of the funds
 17 for the 2016-2017 fiscal year shall be allocated to the Board of Governors of
 18 The University of North Carolina.
- 19 (2) Two-thirds of the funds for the 2015-2016 fiscal year and one-half of the funds
 20 for the 2016-2017 fiscal year shall be allocated to the Office of State Budget
 21 and Management.

22 The Office of State Budget and Management shall consult with or report to the Joint
 23 Legislative Commission on Governmental Operations, as appropriate, in accordance with
 24 G.S. 143C-4-3(d). The Board of Governors shall report to the Joint Legislative Commission on
 25 Governmental Operations in accordance with G.S. 143C-4-3(d).

26 **"SECTION 31.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board
 27 of Governors of The University of North Carolina in subsection (a) of this section, a portion shall
 28 be used each fiscal year by the Board of Governors for the installation of fire sprinklers in
 29 University residence halls. This portion shall be in addition to funds otherwise appropriated in this
 30 act for the same purpose. Such funds shall be allocated among the University's constituent
 31 institutions by the President of The University of North Carolina, who shall consider the following
 32 factors when allocating those funds:

- 33 (1) The safety and well-being of the residents of campus housing programs.
- 34 (2) The current level of housing rents charged to students and how that compares to
 35 an institution's public peers and other UNC institutions.
- 36 (3) The level of previous authorizations to constituent institutions for the
 37 construction or renovation of residence halls funded from the General Fund or
 38 from bonds or certificates of participation supported by the General Fund since
 39 1996.
- 40 (4) The financial status of each constituent institution's housing system, including
 41 debt capacity, debt coverage ratios, credit rankings, required reserves, the
 42 planned use of cash balances for other housing system improvements, and the
 43 constituent institution's ability to pay for the installation of fire sprinklers in all
 44 residence halls.
- 45 (5) The total cost of each proposed project, including the cost of installing fire
 46 sprinklers and the cost of other construction, such as asbestos removal and
 47 additional water supply needs.

48 The Board of Governors shall submit progress reports to the Joint Legislative Commission on
 49 Governmental Operations. Reports shall include the status of completed, current, and planned
 50 projects. Reports also shall include information on the financial status of each constituent
 51 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 31.5.(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 31.5.(d) In making campus allocations of funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, the Board of Governors ~~shall negatively weight the availability of non-State resources and carryforward funds available for repair and renovations and shall include information about the manner in which this subsection was complied with in any report submitted pursuant to G.S. 143C-4-3(d).~~ shall consider all of and only the following:

- (1) The amount of each campus' deficiencies documented pursuant to the Facilities Condition Assessment Program.
- (2) The availability of non-State resources and carryforward funds available for repair and renovations at each campus, which shall be negatively weighted in making allocation decisions.

"SECTION 31.5.(d1) The Board of Governors shall include information about the manner in which subsection (d) of this section was complied with in any report submitted pursuant to G.S. 143C-4-3(d).

"SECTION 31.5.(e) Of the funds allocated to the Office of State Budget and Management in subsection (a) of this section, the sum of nine million five hundred thousand dollars (\$9,500,000) shall be used for Legislative Building Roof Replacement and Asbestos Abatement.

"SECTION 31.5.(f) Notwithstanding G.S. 143C-4-3(d), of the funds in the Reserve for Repairs and Renovations for the 2016-2017 fiscal year, the sum of three million dollars (\$3,000,000) shall be allocated for repairs and renovations at the North Carolina Zoo."

ALLOW REPAIRS & RENOVATIONS FUNDS TO BE USED FOR BUILDING DEMOLITION AND INSTALLATION OF ELECTRICAL, PLUMBING, AND RELATED SYSTEMS

SECTION 37.5. G.S. 143C-4-3(b) 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 or (ii) Department of Information Technology 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 or installation of new 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.

1 (13) Building demolition.

2 Funds from the Repairs and Renovations Reserve shall not be used for new construction or the
3 expansion of the building area (sq. ft.) of an existing facility unless required in order to comply
4 with federal or State codes or standards."
5

6 **UNC DEBT AFFORDABILITY STUDY MODIFICATIONS**

7 **SECTION 37.6.** G.S. 116D-56(b) and (c) read as rewritten:

8 "(b) Board of Governors Reporting Required. – The Board shall report its findings and
9 recommendations to the Office of State Budget and Management, the Joint Legislative
10 Commission on Governmental Operations, the State Treasurer, and The University of North
11 Carolina General Administration by ~~February 1~~ April 1 of each year. The report shall be
12 accompanied by each of the reports provided to the Board pursuant to subsection (c) of this
13 section.

14 (c) Constituent Institution Reporting Required. – No later than ~~November 1~~ February 1 of
15 each year, each constituent institution shall report to the Board of Governors on its current and
16 anticipated debt levels. The report shall be made in a uniform format to be prescribed by the Board
17 of Governors. Each report shall include at least the following:

- 18 (1) The amount and type of outstanding debt of the institution.
- 19 (2) The sources of repayment of the debt.
- 20 (3) The amount of debt that the institution plans to issue or incur during the next
21 five years.
- 22 (4) A description of projects financed with the debt.
- 23 (5) The current bond rating of the institution and information about any changes to
24 that bond rating since the last report was submitted.
- 25 (6) Information about the constituent institution's debt management policies and
26 any recommendations for methods to maintain or improve the University's bond
27 rating.
- 28 (7) Debt burden comparisons to comparable peer institutions.
- 29 (8) Any other information requested by the Board of Governors."
30

31 **ENHANCE OVERSIGHT OF CERTAIN CAPITAL PROJECTS**

32 **SECTION 37.7.(a)** G.S. 146-25 reads as rewritten:

33 **"§ 146-25. Leases and rentals.**

34 (a) General Procedure. – If, after investigation, the Department of Administration
35 determines that it is in the best interest of the State that land be leased or rented for the use of the
36 State or of any State agency, the Department shall proceed to negotiate with the owners for the
37 lease or rental of such property. All lease and rental agreements entered into by the Department
38 shall be promptly submitted to the Governor and Council of State for approval or disapproval.

39 (b) Leases Exceeding 30-Year Terms. – The Department of Administration shall not enter
40 into a lease of real property for a period of more than 30 years, or a renewal of a lease of real
41 property if the renewal would make the total term of the lease exceed 30 years, unless specifically
42 authorized to do so by the General Assembly. The Department of Administration shall report to
43 the Joint Legislative Commission on Governmental Operations at least 30 days prior to entering or
44 renewing such a lease and shall include a copy of the legislation authorizing the lease or lease
45 renewal in the report."

46 **SECTION 37.7.(b)** G.S. 146-29 reads as rewritten:

47 **"§ 146-29. Procedure for sale, lease, or rental.**

48 (a) General Procedure. – If, after investigation, the Department of Administration
49 determines that it is in the best interest of the State that land be sold, leased, or rented, the
50 Department shall proceed with its sale, lease, or rental, as the case may be, in accordance with
51 rules adopted by the Governor and approved by the Council of State. If an agreement of sale,

1 lease, or rental is reached, the proposed transaction shall then be submitted to the Governor and
2 Council of State for their approval or disapproval. Every conveyance in fee of land owned by the
3 State or by any State agency shall be made and executed in the manner prescribed in G.S. 146-74
4 through 146-78.

5 (b) Limitations on Certain Leases. – The Department of Administration shall not enter into
6 a lease or lease renewal of the following types unless specifically authorized to do so by the
7 General Assembly:

8 (1) A lease of real property for a period of more than 30 years, or a renewal of a
9 lease of real property if the renewal would make the total term of the lease
10 exceed 30 years.

11 (2) A lease of real property, or a renewal of a lease of real property, for any term if
12 both of the following conditions are satisfied:

13 a. State personnel or State functions would need to be relocated as a result
14 of the lease or renewal.

15 b. The agency to which the property is currently allocated possesses
16 insufficient operating funds to cover the cost of both the relocation and
17 the ongoing provision of State functions affected by the relocation.

18 (c) Reporting Required. – The Department of Administration shall report to the Joint
19 Legislative Commission on Governmental Operations at least 30 days prior to entering or
20 renewing any lease described in subdivision (b)(1) of this section or any lease or renewal that will
21 require the relocation of State personnel or State functions. The report shall include all of the
22 following:

23 (1) If the lease or lease renewal will require State personnel or State functions to be
24 relocated, a statement of the legislation authorizing the lease or lease renewal or
25 a detailed statement of the operating funds that will be used to cover the cost of
26 both the relocation and the ongoing provision of State functions affected by the
27 relocation, as applicable.

28 (2) If the lease or lease renewal will have a term of more than 30 years, a statement
29 of the legislation authorizing the lease or lease renewal.

30 (d) Exemptions. – This section shall not apply to the following:

31 (1) The granting of utility easements, including the lease of interests in real
32 property pursuant to G.S. 146-29.2.

33 (2) Leases made as part of the Voice Interoperability Plan for Emergency
34 Responders (VIPER) project being managed by the Department of Public
35 Safety."

36 **SECTION 37.7.(c)** G.S. 146-29.1 is amended by adding a new subsection to read:

37 "(h) Any lease or rental entered into pursuant to this section shall be subject to the
38 requirements and limitations of G.S. 146-29."

39 **SECTION 37.7.(d)** G.S. 146-32 reads as rewritten:

40 **"§ 146-32. Exemptions as to leases, etc.**

41 (a) The Governor, acting with the approval of the Council of State, may adopt rules and
42 regulations:

43 (1) Exempting from any or all of the requirements of this Subchapter such classes
44 of lease, rental, easement, and right-of-way transactions as he deems advisable;
45 and

46 (2) Authorizing any State agency to enter into and/or approve those classes of
47 transactions exempted by such rules and regulations from the requirements of
48 this Chapter.

49 (3) No rule or regulation adopted under this section may exempt from the
50 provisions of G.S. 146-25.1 any class of lease or rental which has a duration of
51 more than 21 days, unless the class of lease or rental:

- 1 a. Is a lease or rental necessitated by a fire, flood, or other disaster that
2 forces the agency seeking the new lease or rental to cease use of real
3 property;
4 b. Is a lease or rental necessitated because an agency had intended to move
5 to new or renovated real property that was not completed when planned,
6 but a lease or rental exempted under this subparagraph may not be for a
7 period of more than six months; or
8 c. Is a lease or rental which requires a unique location or a location that
9 adjoins or is in close proximity to an existing rental location.

10 (b) No rule or regulation adopted pursuant to subsection (a) of this section may exempt
11 any lease from the provisions of G.S. 146-25(b) or G.S. 146-29(b) or (c)."

12 **SECTION 37.7.(e)** G.S. 143C-8-4 reads as rewritten:

13 **"§ 143C-8-4. Agency capital improvement needs estimates.**

14 ...

15 (c) Real Property and New Construction or Facility Rehabilitation Needs Estimate. – The
16 second part of the capital improvement needs estimates shall include only proposals for real
17 property acquisition and projects involving construction of new facilities or rehabilitation of
18 existing facilities to accommodate uses for which the existing facilities were not originally
19 designed. Each project included in this part shall be justified by reference to the needs evaluation
20 criteria established by the Office of State Budget and Management pursuant to
21 G.S. 143C-8-3, G.S. 143C-8-3 and shall include the information required by G.S. 143C-3-3(d)(5).

22 For capital projects of The University of North Carolina and its constituent institutions, the
23 Office of State Budget and Management shall utilize the needs evaluation information approved
24 by the Board of Governors of The University of North Carolina developed pursuant to ~~G.S.~~
25 ~~116-11(9).~~ G.S. 116-11(9) and shall include the information required by G.S. 143C-3-3(d)(5)."

26 **SECTION 37.7.(f)** G.S. 143C-8-5 reads as rewritten:

27 **"§ 143C-8-5. Six-year capital improvements plan.**

28 ...

29 (c) Real Property Acquisition, New Construction, or Facility Rehabilitations. – The second
30 part of the capital improvement plan shall set forth an integrated schedule for real property
31 acquisition, new construction, or rehabilitation of existing facilities that, in the judgment of the
32 Director of the Budget, should be initiated within each year of the six-year planning period. The
33 plan shall contain for each project (i) estimates of real property acquisition, and construction or
34 rehabilitation ~~costs~~ costs, (ii) a means of financing the project, ~~and~~ (iii) an estimated schedule for
35 the completion of the ~~project~~ project, and (iv) an estimate of maintenance and operating costs,
36 including personnel, for the project covering the first five years of operation. Where the means of
37 financing would involve direct or indirect debt service obligations, a schedule of those obligations
38 shall be presented."

39 **SECTION 37.7.(g)** G.S. 143C-8-6 reads as rewritten:

40 **"§ 143C-8-6. Recommendations for capital improvements set forth in the Recommended**
41 **State Budget.**

42 ...

43 (e) Other Capital Projects in the Budget Support Document. – The Budget Support
44 Document shall contain for each capital project recommended in accordance with subsection (d)
45 of this section: (i) a detailed project description and justification, (ii) a detailed estimate of
46 acquisition, planning, design, site development, construction, contingency and other related costs,
47 (iii) an estimated schedule of cash flow requirements over the life of the project, (iv) an estimated
48 schedule for the completion of the project, ~~(v) an estimate of maintenance and operating costs,~~
49 ~~including personnel, for the project, covering the first five years of operation,~~ (v) an estimate
50 of revenues, if any, likely to be derived from the project, covering the first five years of operation,
51 and (vi) an explanation of the means of financing.

(f) All Recommended Capital Projects. – The Director of the Budget shall ensure that recommendations in the Recommended State Budget for repairs and renovations of existing facilities, real property acquisition, new construction, or rehabilitation of existing facilities include all of the following information:

(1) An estimate of maintenance and operating costs, including personnel, for the project covering the first five years of operation. If no increase in these expenditures is anticipated because the recommended project would replace an existing facility, then the level of expenditures for the previous five years of operation shall be included instead.

(2) A recommended funding source for the operating costs identified pursuant to subdivision (1) of this subsection."

SECTION 37.7.(h) No later than October 1, 2016, the Director of the Budget shall prepare and transmit to the General Assembly a preliminary six-year capital improvement plan that complies with the requirements of G.S. 143C-8-5, as amended by subsection (f) of this section, and G.S. 143C-8-3(b), as enacted by subsection (i) of this section. This plan shall be in addition to any other six-year capital improvement plan required by G.S. 143C-8-5.

SECTION 37.7.(i) G.S. 143C-8-3 reads as rewritten:

"§ 143C-8-3. Capital improvement needs criteria.

(a) Criteria. – The Office of State Budget and Management shall develop a weighted list of factors that may be used to evaluate the need for capital improvement projects. The list shall include all of the following:

- (1) Preservation, adequacy and use of existing facilities.
- (2) Health and safety considerations.
- (3) Operational efficiencies.
- (4) Projected demand for governmental services.

(b) Reporting. – The Office of State Budget and Management shall include the following in each six-year capital improvement plan submitted to the General Assembly pursuant to G.S. 143C-8-5:

- (1) The list of factors developed pursuant to subsection (a) of this section.
- (2) The most recent results of applying the factors developed pursuant to subsection (a) of this section to capital funds requests from State agencies."

SECTION 37.7.(j) This section is effective when it becomes law and applies to leases entered into or renewed and to budgets recommended by the Director of the Budget on or after that date.

LIMIT THE ABILITY OF STATE AGENCIES OR STATE ENTITIES TO ENTER INTO DEBT OR DEBT LIKE ARRANGEMENTS OUTSIDE OF THE PURVIEW OF THE GENERAL ASSEMBLY

SECTION 37.8.(a) Chapter 142 of the General Statutes is amended by adding a new Article to read:

"Article 1A.

"Issuance Accountability.

"§ 142-15.15. Findings.

The General Assembly hereby finds as follows:

- (1) From time to time, the General Assembly has authorized the State and State entities to acquire or lease assets and has structured the acquisition or leasing of those assets in ways that obligate the State to make payments similar to the obligation of the State to make payments for borrowed money.
- (2) Some of these arrangements have been made pursuant to specific legislative authorization of the General Assembly, such as the financing of assets pursuant to the State Capital Facilities Finance Act, the State Energy Conservation Act,

and the State and Local Government Revenue Bond Act, while other arrangements have been entered into pursuant to broader and more general legislative authorization, such as general powers to lease property.

(3) Depending upon the terms, some arrangements may be treated as similar to obligating the State to make payments for borrowed money and, therefore, have an impact on the State's credit ratings, future debt affordability, the ability to address budgetary shortfalls, the ability to enforce its contract rights regarding the quality, durability, and performance of the assets acquired, management of federal income tax compliance requirements, management of federal securities law compliance, and on other matters of State finances.

(4) Due to these consequences, the General Assembly enacts this Article to set forth limitations on the ability of State entities to enter into financing arrangements that constitute State-supported financing arrangements in order to assure that the General Assembly is involved in reviewing and authorizing these transactions and that the transactions are properly managed by State departments and officials.

"§ 142-15.16. Definitions.

The following definitions apply in this Article:

(1) Financing arrangement. – An installment financing arrangement, lease-purchase arrangement, arrangement under which funds are to be paid in the future based upon the availability of an asset, or any similar arrangement in the nature of a financing having a term (including renewal options) of greater than one year, in which a State entity agrees to make payments to acquire or obtain a capital asset for a State entity. Any arrangement that results in the identification of a portion of a lease payment, installment payment, or similar scheduled payment as "interest" for purposes of federal income taxation is a financing arrangement for purposes of this Article; provided, however, that (i) a contractual provision that requires interest charges for late or overdue payments shall not by themselves convert a construction or procurement contract into a financing arrangement and (ii) a contractual provision in a construction or purchase contract in which a State entity will withhold or retain from amounts otherwise payable under the contract a retainage until completion of construction, the resolution or adjudication of disputes under the contract, the satisfaction of contract provisions requiring that the property constructed or acquired meets specified performance or quality standards, or similar contractual provisions designed to protect the interests of the State under the contract do not convert an arrangement that otherwise does not constitute a financing arrangement into a financing arrangement. The term does not include any of the following:

a. A true operating lease.

b. Provisions in a construction or purchase contract in which payments are to be made over an extended period of time in accordance with the terms of the contract as construction is completed or assets are delivered.

c. A public-private partnership entered into pursuant to G.S. 143-128.1C.

d. Agreements entered into pursuant to G.S. 136-18(39a).

(2) State entity. – The State of North Carolina and every agency, authority, 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.

(3) State-supported financing arrangement. – Any financing arrangement that requires payments that are payable, whether directly or indirectly, and whether or not subject to the appropriation of funds for payment, by payments from the General Fund, the Highway Fund, the Highway Trust Fund, or other funds and accounts of the State that are funded from the general revenues and other taxes and fees of the State or State entities. A State-supported financing arrangement does not include a financing arrangement where bonds or other obligations are issued or incurred to carry out a financing program authorized by the General Assembly under which the bonds or other obligations are payable from moneys derived from specified, limited, nontax sources, such as (i) loan payments made by a non-State entity receiving the benefit of financing by a State entity (including an "obligor" or "participating institution" within the meaning of Chapter 159D of the General Statutes, a "public agency" or a "nonprofit agency" within the meaning of Chapter 131A of the General Statutes and similar entities); (ii) revenues of a revenue-producing enterprise or activity (such as "revenues" within the meaning of Part 4 of Article 1 of Chapter 116 of the General Statutes and "obligated resources" within the meaning of Article 3 of Chapter 116D of the General Statutes); and (iii) loan payments received, loans owned, and other assets of a State entity that are pledged to secure bonds under programs to finance that type of assets and the associated activities (such as mortgage loans under Chapter 122A of the General Statutes and student loans under Article 23 of Chapter 116 of the General Statutes).

"§ 142-15.17. No State-supported financing of certain assets without approval of the General Assembly.

No State entity shall enter into any State-supported financing arrangement with respect to the acquisition of a capital asset having a value of five million dollars (\$5,000,000) or more, unless the General Assembly has enacted legislation expressly approving (i) the acquisition, project, or undertaking to be financed and (ii) the use of the State-supported financing arrangement. The legislation required by this section may be in the form of either an act that refers to the specific asset or project and the manner of financing or an act that identifies a type of asset or project and a maximum amount that may be financed or incurred for that type of asset or project. Examples of references to a specific asset or project include "energy savings projects" or "repairs and renovations of State-owned buildings." "

SECTION 37.8.(b) This section is effective when it becomes law and applies to financing arrangements entered on or after that date.

PART XXXVIII. FINANCE PROVISIONS

INCREASE ZERO TAX BRACKET

SECTION 38.1.(a) Effective for taxable years beginning on or after January 1, 2016, G.S. 105-153.5(a)(1) reads as rewritten:

"(a) **Deduction Amount.** – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

- (1) **Standard deduction amount.** – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly/surviving spouse	\$15,500 \$16,500

1	Head of Household	12,400 13,200
2	Single	7,750 8,250
3	Married, filing separately	7,750 8,250."

4 **SECTION 38.1.(b)** Effective for taxable years beginning on or after January 1, 2017,
5 G.S. 105-153.5(a)(1), as amended by subsection (a) of this section, reads as rewritten:

6 "(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may
7 deduct from adjusted gross income either the standard deduction amount provided in subdivision
8 (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this
9 subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

10 (1) Standard deduction amount. – The standard deduction amount is zero for a
11 person who is not eligible for a standard deduction under section 63 of the
12 Code. For all other taxpayers, the standard deduction amount is equal to the
13 amount listed in the table below based on the taxpayer's filing status:

14	Filing Status	Standard Deduction
15	Married, filing jointly/surviving spouse	\$16,500 17,500
16	Head of Household	13,200 14,000
17	Single	8,250 8,750
18	Married, filing separately	8,250 8,750."

19 **SECTION 38.1.(c)** Notwithstanding G.S. 105-163.2, the Department of Revenue is
20 not required to adjust the withholding tables applicable for the 2016 taxable year.

21 **SECTION 38.1.(d)** Except as otherwise provided, this section is effective when it
22 becomes law.

23 **REDUCE TAXATION OF MILL MACHINERY**

24 **SECTION 38.2.(a)** G.S. 105-187.51B(a)(5) reads as rewritten:

25 "(a) Tax. – A privilege tax is imposed on the following:

26 ...
27 (5) A company located at a ports facility for waterborne commerce that purchases
28 ~~specialized equipment to be used at the facility to unload or process bulk cargo~~
29 ~~to make it suitable for delivery to and use by manufacturing facilities.~~ any of the
30 following:

- 31 a. Machinery and equipment used at the facility to unload or to facilitate
32 the unloading or processing of bulk cargo and to make it suitable for
33 delivery to and use by manufacturing facilities.
34 b. Parts, accessories, or attachments used to maintain, repair, replace,
35 upgrade, improve, or otherwise modify such machinery and equipment."

36 **SECTION 38.2.(b)** This section becomes effective July 1, 2013, and applies
37 retroactively to purchases made on or after that date. Notwithstanding G.S. 105-241.6, a taxpayer
38 that paid sales and use tax on items that are taxable under G.S. 105-187.51B, as amended by this
39 section, may apply to the Department of Revenue for a refund of the excess tax paid to the extent
40 the refund is the result of the change in the law enacted by this section.
41

42 **MARKET-BASED SOURCING**

43 **SECTION 38.4.(a)** G.S. 105-130.4(l) reads as rewritten:

44 "**§ 105-130.4. Allocation and apportionment of income for corporations.**

45 ...
46 (l) ~~(1)~~ The Sales Factor. – The sales factor is a fraction, the numerator of which is the total
47 sales of the corporation in this State during the income year, and the denominator of which is the
48 total sales of the corporation everywhere during the income year. Notwithstanding any other
49 provision under this Part, the receipts from any casual sale of property shall be excluded from both
50 the numerator and the denominator of the sales factor. Where a corporation is not taxable in
51

another state on its apportionable income but is taxable in another state only because of nonapportionable income, all sales shall be treated as having been made in this State.

Receipts are in this State if the taxpayer's market for the receipts is in this State. If the market for a receipt cannot be determined, the state or states of assignment shall be reasonably approximated. In a case in which a taxpayer cannot ascertain the state or states to which receipts of a sale are to be assigned through the use of a method of reasonable approximation, the receipts must be excluded from the denominator of a taxpayer's sales factor. Except as otherwise provided by this section, a taxpayer's market for receipts is in this State as provided below:

- (1) In the case of sale, rental, lease, or license of real property, if and to the extent the property is located in this State.
- (2) Sales of tangible personal property are in this State if the property is received in this State by the purchaser. In the case of delivery of goods by common carrier or by other means of transportation, including transportation by the purchaser, the place at which the goods are ultimately received after all transportation has been completed shall be considered as the place at which the goods are received by the purchaser. Direct delivery into this State by the taxpayer to a person or firm designated by a purchaser from within or without the State shall constitute delivery to the purchaser in this State. In the case of rental, lease, or license of tangible personal property, if and to the extent the property is located in this State.
- (3) Other sales are in this State if: In the case of sale of tangible personal property, if and to the extent the property is received in this State by the purchaser. In the case of delivery of goods by common carrier or by other means of transportation, including transportation by the purchaser, the place at which the goods are ultimately received after all transportation has been completed is considered the place at which the goods are received by the purchaser. Direct delivery into this State by the taxpayer to a person or firm designated by a purchaser from within or without the State constitutes delivery to the purchaser in this State.
 - a. The receipts are from real or tangible personal property located in this State; or
 - b. The receipts are from intangible property and are received from sources within this State; or
 - c. The receipts are from services and the income producing activities are in this State.
- (4) In the case of sale of a service, if and to the extent the service is delivered to a location in this State.
- (5) In the case of intangible property that is rented, leased, or licensed, if and to the extent the property is used in this State. Intangible property utilized in marketing a good or service to a consumer is "used in this State" if that good or service is purchased by a consumer who is in this State.
- (6) In the case of intangible property that is sold, if and to the extent the property is used in this State. A contract right, government license, or similar intangible property that authorized the holder to conduct a business activity in a specific geographic area is "used in this State" if the geographic area includes all or part of this State. Receipts from a sale of intangible property that is contingent on the productivity, use, or disposition of the intangible property shall be treated as receipts from the rental, lease, or licensing of the intangible property as provided under subdivision (4) of this subsection. All other receipts from a sale of intangible property shall be excluded from the numerator and denominator of the sales factor.

(11) Broadcasters. – A broadcaster's market for receipts is in this State as provided in G.S. 105-130.4A. For purposes of this section, the term "broadcaster" has the same meaning as defined in G.S. 105-130.4A.

(12) Banks. – A bank's market for receipts is in this State as provided in G.S. 105-130.4A. For purposes of this section, the term "bank" has the same meaning as defined in G.S. 105-130.4B."

SECTION 38.4.(b) Part 1 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-130.4A. Market-based sourcing for broadcasters.

(a) Definitions. – The definitions in G.S. 105-130.4 and the following definitions apply to this section:

(1) Audience factor. – The factor determined by the ratio provided in this subdivision. The ratio is as follows:

a. Television station. – The ratio that the viewing audience located in this State for a television station bears to the total viewing audience for a television station.

b. Radio station. – The ratio that the listening audience in this State for a radio station bears to the total listening audience for a radio station.

c. Cable or satellite program and channel broadcasts. – The ratio that the subscribers for a cable or satellite system located in this State bears to the total subscribers of a cable or satellite system. If the number of subscribers cannot be accurately determined from the books and records maintained by the taxpayer, the ratio shall be determined on the basis of the applicable year's subscription statistics located in published surveys, provided the source selected is consistently used from year to year for this purpose.

(2) Broadcast. – The transmission of audio or video programming, directly or indirectly, to viewers and listeners by any other method of communication or combination of methods.

(3) Broadcaster. – A person that provides audio or video programming to customers in this State by digital or analog means in exchange for one or more of the following: advertising receipts, subscriber fees, license, rent, or similar fees. The term includes a television or radio station licensed by the Federal Communications Commission, including network-owned or affiliated stations, a television or radio broadcast network, a cable program network, a distributor of audio or video programming, a cable system operator, and a satellite system operator.

(4) Gross receipts. – The same meaning as the term "sales" in G.S. 105-130.4.

(5) Release or in release. – The placing of film or radio programming into service. A film or radio program is placed into service when it is first broadcast to the primary audience for entertainment, educational, commercial, artistic, or other purpose. Each episode of a television or radio series is placed in service when it is first broadcast. A program is not placed in service merely because it is completed and therefore in a condition or state of readiness and availability for broadcast or merely because it is previewed to prospective sponsors or purchasers.

(6) Rent. – License fees or other payments or consideration provided in exchange for the broadcast or other use of television or radio programming.

(7) Subscriber. – The individual residence or other outlet that is the ultimate recipient of the transmission of the audio or video programming.

(b) Reasonable Approximation. – If the audience factor for a receipt cannot be determined, the state or states of assignment shall be reasonably approximated. If a taxpayer is delivering advertising or licensed content directly or indirectly to a known list of subscribers, the taxpayer shall reasonably approximate the receipts attributable to this State's market using a percentage that reflects the ratio of North Carolina subscribers to the total number of subscribers. If the taxpayer is delivering advertising or licensed content through an intermediary and does not have access to the list of subscribers, the taxpayer shall reasonably approximate the receipts attributable to this State's market using a percentage that reflects the ratio of the North Carolina population to the total population in the specific geographic area where the advertisement or licensed content is materially used. Unless the taxpayer provides substantial evidence to the contrary, the area where the advertisement or licensed content is materially used does not include areas outside the United States. If the taxpayer is able to show with substantial evidence that the advertisement or licensed content is materially used in a city within a foreign country, then the population of that city may be included in the population ratio calculation. If the taxpayer is able to show with substantial evidence that the advertisement or license content is materially used throughout a foreign county, then the population of that foreign country may be included in the population ratio calculation. In a case where the specified rules of reasonable approximation fail to reasonably approximate the percentage of receipts attributable to this State's market, the Department may authorize an alternate approach that reflects an attempt to obtain the most accurate assignment of receipts.

(c) Market for Receipts. – The receipts factor of a broadcaster is a fraction, the numerator of which is the sum of the broadcaster's gross receipts from sources within the State and the denominator of which is the sum of the broadcaster's gross receipts from transactions and activity in the regular course of its trade or business everywhere. Advertising gross receipts and license fees for audio or video programming in release are attributable to this State in accordance with the audience factor in this State. Gross receipts from subscriber fees, rents, sales, or similar charges from audio or video programming in release are attributable to this State based on the amount of subscriber or other fees paid by customers in this State. A sale of audio or video programming on tangible media is sourced to this State as sales of tangible personal property."

SECTION 38.4.(c) Part 1 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-130.4B. Market-based sourcing for banks.

(a) Definitions. – The definitions in G.S. 105-130.4 apply to this section and the following definitions apply to this section:

(1) Bank. – Defined in G.S. 105-130.7B.

(2) Billing address. – The location indicated in the books and records of the taxpayer on the first day of the taxable year, or on the date in the taxable year when the customer relationship began, as the address where any notice, statement, or billing relating to the a customer's account is mailed.

(3) Borrower, card holder, or payor located in this State. – A borrower, credit card holder, or payor whose billing address is in this State.

(4) Card issuer's reimbursement fee. – The fee a taxpayer receives from a merchant's bank because one of the persons to whom the taxpayer has issued a credit, debit, or similar type of card has charged merchandise or services to the card.

(5) Credit card. – A card, or other means of providing information, that entitles the holder to charge the cost of purchases, or a cash advance, against a line of credit.

(6) Debit card. – A card, or other means of providing information, that enables the holder to charge the cost of purchases, or a cash withdrawal, against the holder's bank account or a remaining balance on the card.

- (7) Loan. – Any extension of credit resulting from direct negotiations between the taxpayer and its customer, and/or the purchase, in whole or in part, of such an extension of credit from another. The term includes participations, syndications, and leases treated as loans for federal income tax purposes.
- (8) Loan secured by real property. – A loan or other obligation of which fifty percent (50%) or more of the aggregate value of the collateral used to secure the loan or other obligation, when valued at fair market value as of the time the original loan or obligation was incurred, was real property.
- (9) Merchant discount. – The fee, or negotiated discount, charged to a merchant by the taxpayer for the privilege of participating in a program whereby a credit, debit, or similar type of card is accepted in payment for merchandise or services sold to the card holder, net of any cardholder chargeback and unreduced by any interchange transaction or issuer reimbursement fee paid to another for charges or purchased made by its cardholder.
- (10) Participation. – An extension of credit in which an undivided ownership interest is held on a prorated basis in a single loan or pool of loans and related collateral. In a loan participation, the credit originator initially makes the loan and then subsequently resells all or a portion of it to other lenders. The participation may or may not be known to the borrower.
- (11) Payor. – The person who is legally responsible for making payment to the taxpayer.
- (12) Real property owned. – Real property (i) on which the taxpayer may claim depreciation for federal income tax purposes, or (ii) to which the taxpayer holds legal title and on which no other person may claim depreciation for federal income tax purposes or could claim depreciation if subject to federal income tax. Real property does not include coin, currency, or property acquired in lieu of or pursuant to a foreclosure.
- (13) Syndication. – An extension of credit in which two or more persons fund and each person is at risk only up to a specified percentage of the total extension of credit or up to a specified dollar amount.
- (14) Tangible personal property owned. – Tangible personal property (i) on which the taxpayer may claim depreciation for federal income tax purposes or (ii) to which the taxpayer holds legal title and on which no other person may claim depreciation for federal income tax purposes could claim depreciation if subject to federal income tax. Tangible personal property does not include coin, currency, or property acquired in lieu of or pursuant to a foreclosure.
- (15) Transportation property. – Vehicles and vessels capable of moving under their own power as well as any equipment or containers attached to such property. Examples of transportation property include aircraft, trains, water vessels, motor vehicles, rolling stock, barges, and trailers.

(b) General Rule. – The receipts factor of a bank is a fraction, the numerator of which is the total receipts of the taxpayer in this State during the income year, and the denominator of which is the total receipts of the taxpayer everywhere during the income year. The method of calculating receipts for purposes of the denominator is the same as the method used in determining receipts for purposes of the numerator. The receipts factor includes only those receipts described herein that are apportionable income for the taxable year. Notwithstanding any other provision under this Part, the receipts from the following are excluded from both the numerator and the denominator of the receipts factor:

- (1) Receipts from a casual sale of property.
- (2) Receipts exempt from taxation.

- 1 (3) The portion of receipts realized from the sale or maturity of securities or other
2 obligations that represents a return of principal.
- 3 (4) Receipts in the nature of dividends subtracted under G.S. 105-130.5(b)(3a) and
4 (3b) and dividends excluded for federal tax purposes.
- 5 (5) The portion of receipts from financial swaps and other similar financial
6 derivatives that represent the notional principal amount that generates the cash
7 flow traded in the swap agreement.
- 8 (c) Receipts From the Sale, Lease, or Rental of Real Property. – The numerator of the
9 receipts factor includes receipts from the sale, lease, or rental of real property owned by the
10 taxpayer if the property is located within this State or receipts from the sublease of real property if
11 the property is located within this State.
- 12 (d) Receipts From the Sale, Lease, or Rental of Tangible Personal Property. – The method
13 for calculating receipts from the sale, lease, or rental of tangible personal property is as follows:
- 14 (1) Tangible personal property. – Except as provided in subdivision (2) of this
15 subsection, the numerator of the receipts factor includes receipts from the sale,
16 lease, or rental of tangible personal property owned by the taxpayer if the
17 property is located within this State when it is first placed in service by the
18 lessee.
- 19 (2) Transportation property. – Receipts from the lease or rental of transportation
20 property owned by the taxpayer are included in the numerator of the receipts
21 factor to the extent that the property is used in this State. The extent an aircraft
22 will be deemed to be used in this State and the amount of receipts that is to be
23 included in the numerator of this State's receipts factor is determined by
24 multiplying all the receipts from the lease or rental of the aircraft by a fraction,
25 the numerator of which is the number of landings of the aircraft in this State
26 and the denominator of which is the total number of landings of the aircraft. If
27 the extent of the use of any transportation property within this State cannot be
28 determined, then the property will be deemed to be used wholly in the state in
29 which the property has its principal base of operations. A motor vehicle will be
30 deemed to be used wholly in the state in which it is registered.
- 31 (e) Interest, Fees, and Penalties From Loans Secured by Real Property. – The numerator of
32 the receipts factor includes interest, fees, and penalties from loans secured by real property if the
33 property is located within this State. If the property is located both within this State and one or
34 more other states, the receipts described in this subsection are included in the numerator of the
35 receipts factor if more than fifty percent (50%) of the fair market value of the real property is
36 located within this State. If more than fifty percent (50%) of the fair market value of the real
37 property is not located within any one state, then the receipts described in this subsection are
38 included in the numerator of the receipts factor if the borrower is located in this State. The
39 determination of whether the real property securing a loan is located within this State is made as of
40 the time the original agreement was made and any and all subsequent substitutions of collateral are
41 disregarded.
- 42 (f) Interest, Fees, and Penalties From Loans Not Secured by Real Property. – The
43 numerator of the receipts factor includes interest, fees, and penalties from loans not secured by
44 real property if the borrower is located in this State.
- 45 (g) Net Gains From the Sale of Loans. – The numerator of the receipts factor includes net
46 gains from the sale of loans. Net gains from the sale of loans include income recorded under the
47 coupon stripping rules of section 1286 of the Code. The amount of net gains from the sale of loans
48 that is included in the numerator is determined as follows:
- 49 (1) Secured by real property. – The amount of net gains, but not less than zero,
50 from the sale of loans secured by real property is determined by multiplying the
51 net gains by a fraction, the numerator of which is the amount included in the

- 1 numerator of the receipts factor pursuant to subsection (e) of this section, and
2 the denominator of which is the total amount of interest, fees, and penalties
3 from loans secured by real property.
- 4 (2) Not secured by real property. – The amount of net gains, but not less than zero,
5 from the sale of loans not secured by real property is determined by multiplying
6 the net gains by a fraction, the numerator of which is the amount included in the
7 numerator of the receipts factor pursuant to subsection (f) of this section, and
8 the denominator of which is the total amount of interest, fees, and penalties
9 from loans not secured by real property.
- 10 (h) Receipts From Interest, Fees, and Penalties from Card Holders. – The numerator of the
11 receipts factor includes interest, fees, and penalties charged to credit, debit, or similar card holders,
12 including annual fees and overdraft fees, if the card holder is located in this State.
- 13 (i) Net Gains From the Sale of Credit Card Receivables. – The numerator of the receipts
14 factor includes net gains, but not less than zero, from the sale of credit card receivables multiplied
15 by a fraction, the numerator of which is the amount included in the numerator of the receipts factor
16 pursuant to subsection (h) of this section, and the denominator of which is the taxpayer's total
17 amount of interest, fees, and penalties charged to card holders.
- 18 (j) Miscellaneous Receipts. – The numerator of the receipts factor includes all of the
19 following:
- 20 (1) Card issuer's reimbursement fees. – Receipts from card issuer's reimbursement
21 fees if the payor is located in this State.
- 22 (2) Receipts from merchant's discount. – Receipts from a merchant discount if the
23 payor is located in this State.
- 24 (3) Receipts from ATM fees. – Receipts from one or more of the following:
- 25 a. ATM fees that are not forwarded directly to another bank.
- 26 b. Fees for the use of an ATM owned or rented by the taxpayer, if the
27 ATM is located in this State.
- 28 (4) Loan servicing fees. – Receipts from loan servicing fees if the payor is located
29 in this State.
- 30 (5) Receipts from services. – Receipts from services not otherwise apportioned
31 under this section if the payor is located in this State.
- 32 (6) Receipts from investment assets and activity and trading assets and activity. –
33 Receipts from one or more of the following:
- 34 a. Interest and dividends from investment assets and activities and trading
35 assets and activities if the payor is located in this State.
- 36 b. Net gains and other income, but not less than zero, from investment
37 assets and activities and trading assets and activities multiplied by a
38 fraction, the numerator of which is the amount included in the
39 numerator of the receipts factor pursuant to sub-subdivision a. of this
40 subdivision, and the denominator of which is the taxpayer's total amount
41 of interest and dividends from investment assets and activities and
42 trading assets and activities.
- 43 (k) All Other Receipts. – All other receipts not specifically enumerated in this section are
44 included in the numerator of the receipts factor if the payor is located in this State."
- 45 **SECTION 38.4.(d)** Article 9 of Chapter 105 of the General Statutes is amended by
46 adding a new section to read:
- 47 **"§ 105-262.2. Rules to implement market-based sourcing.**
- 48 (a) Purpose and Scope. – It is the policy of the State to provide necessary guidance on a
49 timely basis to corporate taxpayers subject to allocation and apportionment of income under
50 G.S. 105-130.4. Except as otherwise provided in this section, the expedited procedure for the

1 adoption of rules under G.S. 105-262.1 applies to the adoption of rules needed to administer
2 market-based sourcing of receipts.

3 (b) Fiscal Note. – The Office of State Budget and Management is not required to prepare a
4 fiscal note for a proposed rule under this section. The Secretary is not subject to the fiscal note
5 requirement under G.S. 105-262(c) or under G.S. 105-262.1(c)."

6 **SECTION 38.4.(e)** The Utilities Commission shall adjust the rates for public utilities,
7 excluding water public utilities with less than two hundred thousand dollars (\$200,000) in annual
8 operating revenues, for the tax changes in subsection (a) of this section. Each utility shall calculate
9 the cumulative net effect of the tax changes and file the calculations with proposed rate changes to
10 reflect the net prospective tax changes in utility customer rates within 60 days of the enactment of
11 this section. Any adjustments required to existing tax assets or liabilities reflected in the utility's
12 books and records required by the tax changes shall be deferred and reflected in customer rates in
13 either the utility's next rate case or earlier, if deemed appropriate by the Commission.

14 **SECTION 38.4.(f)** Subsections (a) through (c) of this section are effective for taxable
15 years beginning on or after the later of (i) the taxable year that the corporate income tax rate is
16 three percent (3%), as provided in G.S. 105-130.3C, or (ii) January 1, 2018. The remainder of this
17 section is effective when it becomes law.

18 19 SALES TAX CHANGES

20 **SECTION 38.5.(a)** A retailer is not liable for an undercollection of sales or use tax if
21 the retailer made a good-faith effort to comply with the law and collect the proper amount of tax
22 on the repair, maintenance, and installation services as a result of the change under Section 32.18
23 of S.L. 2015-241. This applies only to the period beginning March 1, 2016, and ending December
24 31, 2016.

25 **SECTION 38.5.(b)** G.S. 105-237.1(a) is amended by adding a new subdivision to
26 read:

27 "(a) Authority. – The Secretary may compromise a taxpayer's liability for a tax that is
28 collectible under G.S. 105-241.22 when the Secretary determines that the compromise is in the
29 best interest of the State and makes one or more of the following findings:

30 ...

31 (7) The taxpayer is a retailer or a person under Article 5 of this Chapter, the
32 assessment is for sales or use tax the retailer failed to collect or the person
33 failed to pay on the sales price of or the gross receipts derived from repair,
34 maintenance, and installation services taxable under G.S. 105-164.4(a)(16) and
35 the retailer or person made a good-faith effort to comply with the sales and use
36 tax laws. This subdivision applies to assessments issued for the period March 1,
37 2016, through January 1, 2023."

38 **SECTION 38.5.(c)** G.S. 105-164.4H(c) reads as rewritten:

39 "(c) Erroneous Collection if Separately Stated. – An invoice or other documentation issued
40 to a consumer at the time of the sale by a real property contractor shall not separately state any
41 amount for tax. Any amount for tax separately stated on an invoice or other documentation given
42 to a consumer by a real property contractor is an erroneous collection and must be remitted to the
43 Secretary, and the provisions of G.S. 105-164.11(a)(2) do not apply. Secretary."

44 **SECTION 38.5.(d)** G.S. 105-164.3 reads as rewritten:

45 **"§ 105-164.3. Definitions.**

46 The following definitions apply in this Article:

47 ...

48 (12a) House cleaning and janitorial service. – The interior cleaning of a commercial
49 or residential building or structure by a housekeeping service, maid service,
50 janitorial service, or similar cleaning service. The term does not include a

service that cleans or waxes floors, cleans carpet, or washes windows unless those services are performed as part of an interior cleaning service package.

...
(16e) Landscaping service. – A service to maintain or improve lawns, yards, or ornamental plants and trees. Examples of landscaping service include the installation of trees, shrubs, or flowers; tree trimming; lawn mowing; and the application of seed, mulch, pesticide, or fertilizer to a lawn or yard.

...
(23a) Motor vehicle service contract. – A service contract sold by a motor vehicle dealer or by or on behalf of a motor vehicle service agreement company for a motor vehicle or one or more components, systems, or accessories for a motor vehicle. For purposes of this subdivision, the term "motor vehicle dealer" has the same meaning as defined in G.S. 20-286 and the term "motor vehicle service agreement company" has the same meaning as defined in G.S. 66-370.

(23a)(23b) NAICS. – Defined in G.S. 105-228.90.

...
(33d) Real property. – Any one or more of the following:

- a. Land.
- b. Buildings, structures, or permanent fixtures on land.
- c. All rights and privileges belonging or in any way appertaining to the property.
- d. A manufactured home or a modular home that meets all of the following requirements:
 1. It is a residential structure.
 2. It has the moving hitch, wheels, and axles removed.
 3. It is placed upon a permanent foundation.

(33e) Real property contract. – A contract between a real property contractor and another person to perform construction or reconstruction with respect to a capital improvement to real property.

(33d)(33f) Real property contractor. – A person that contracts to perform ~~construction, reconstruction, installation, repair, or any other service with respect to a real property contract in accordance with G.S. 105-164.4H and to furnish tangible personal property~~ property or digital property to be installed or applied to real property in connection with the contract and the labor to install or apply the ~~tangible personal property that becomes part of real property.~~ property or obtains a service to fulfill the contract. The term includes a general contractor, a subcontractor, or a builder for purposes of G.S. 105-164.4H. ~~The term does not include a person engaged in retail trade.~~

(33e)(33g) Related member. – Defined in G.S. 105-130.7A.

(33f)(33h) Remote sale. – A sale of tangible personal property or digital property ordered by mail, by telephone, via the Internet, or by another similar method, to a purchaser who is in this State at the time the order is remitted, from a retailer who receives the order in another state and delivers the property or causes it to be delivered to a person in this State. It is presumed that a resident of this State who remits an order was in this State at the time the order was remitted.

(33g)(33i) Repair, maintenance, and installation services. – The term includes the activities listed in this ~~subdivision~~ subdivision and applies to tangible personal property, motor vehicle, digital property, and real property:

- a. To keep or attempt to keep tangible personal property or a motor vehicle in working order to avoid breakdown and prevent repairs, deterioration or repairs. This activity may include cleaning, washing, or polishing

- 1 property. This service includes self-service car washes but does not
2 include receipts listed as exceptions to the tax imposed under
3 G.S. 105-164.4(a)(4).
- 4 b. To calibrate, restore, refinish, or attempt to calibrate or restore tangible
5 personal—calibrate, refinish, or restore property or a motor vehicle to
6 proper working order or good condition. This activity may include
7 replacing or putting together what is torn or broken.
- 8 c. To troubleshoot, identify, or attempt to identify the source of a problem
9 for the purpose of determining what is needed to restore tangible
10 personal—property or a motor vehicle to proper working order or good
11 condition.
- 12 d. To install or apply—install, apply, connect, adjust, program, or set into
13 tangible personal property or motor vehicle except tangible personal
14 property or digital property installed or applied by a real property
15 contractor pursuant to a real property contract—contract taxed in
16 accordance with G.S. 105-164.4H.
- 17 e. To modify, change, or alter property or a motor vehicle.
- 18 f. To remove or pump waste from tangible personal property or a motor
19 vehicle.
- 20 g. To inspect or monitor property or motor vehicle.
- 21 h. Pest control for a commercial or residential building or structure.
- 22 ...
- 23 (34a) Retail trade.—A trade in which the majority of revenue is from retailing
24 tangible personal property, digital property, or services to consumers. The term
25 includes activities of a person properly classified in NAICS sector 44 45,
26 buying goods for resale, and rendering services incidental to the sale of
27 merchandise. The term typically includes maintaining an inventory and may
28 include the provision of repair, maintenance, and installation services. Not all
29 activities provided in this subdivision are required for a trade to be considered
30 retail trade.
- 31 (35) Retailer. — Any of the following persons:
- 32 a. A person engaged in business of making sales at retail, offering to make
33 sales at retail, or soliciting sales at retail of tangible personal property,
34 digital property, or services for storage, use, or consumption in this
35 State. When the Secretary finds it necessary for the efficient
36 administration of this Article to regard any sales representatives,
37 solicitors, representatives, consignees, peddlers, or truckers as agents of
38 the dealers, distributors, consignors, supervisors, employers, or persons
39 under whom they operate or from whom they obtain the items sold by
40 them regardless of whether they are making sales on their own behalf or
41 on behalf of these dealers, distributors, consignors, supervisors,
42 employers, or persons, the Secretary may so regard them and may
43 regard the dealers, distributors, consignors, supervisors, employers, or
44 persons as "retailers" for the purpose of this Article.
- 45 b. A person—person, other than a real property contractor, engaged in
46 business of delivering, erecting, installing, or applying tangible personal
47 property for use in this State that does not become part of real property
48 pursuant to the tax imposed under G.S. 105-164.4(a)(13).—property
49 unless the person is one or more of the following:
- 50 1. A person that solely operates as a real property contractor.

d. A person, other than a facilitator, required to collect the State tax levied under G.S. 105-164.4(a), this Article or the local taxes levied under Subchapter VIII of this Chapter and under Chapter 1096 of the 1967 Session Laws.

(38b) Service contract. – A contract where the obligor under the contract agrees to ~~maintain~~maintain, monitor, inspect, clean, restore, or repair tangible personal ~~property,~~property for a period of time or some other defined measure, regardless of whether the property becomes a part of or is affixed to real ~~property, or a motor vehicle.~~property. The term does not include a single repair, maintenance, or installation service. The term includes a pool maintenance contract and a home warranty. Examples of a service contract include a warranty agreement other than a manufacturer's warranty or dealer's warranty provided at no charge to the purchaser, an extended warranty agreement, a maintenance agreement, a repair contract, or a similar agreement or contract.

SECTION 38.5.(e) G.S. 105-164.4(a) reads as rewritten:

(a) A privilege tax is imposed on a retailer engaged in business in the State at the percentage rates of the retailer's net taxable sales or gross receipts, listed in this subsection. The general rate of tax is four and three-quarters percent (4.75%). The percentage rates are as follows:

(13) ~~The general rate of tax applies to the sales price of tangible personal property an item subject to tax under this Article sold to a real property contractor for use by the real property contractor in erecting structures, building on, or otherwise~~

~~improving, altering, or repairing real property to fulfill a real property contract.~~
These sales are taxed in accordance with G.S. 105-164.4H.

- ...
- (16) The general rate applies to the sales price of or the gross receipts derived from repair, maintenance, and installation ~~services~~ services and includes any tangible property or digital property that becomes a part of or is applied to a purchaser's property."

SECTION 38.5.(f) G.S. 105-164.4D reads as rewritten:

"§ 105-164.4D. Bundled transactions.

(a) Tax Application. – Tax applies to the sales price of a bundled transaction unless one of the following applies:

- ...
- (6) Repair, maintenance, and installation to real property. – The bundle is a real property contract that includes both a capital improvement taxable in accordance with G.S. 105-164.4H and a repair, maintenance, and installation service taxable under G.S. 105-164.4(a)(16). If the price of the taxable service in the bundle does not exceed ten percent (10%) of the contract price, then the bundle is not subject to tax. If the price of the taxable service in the bundle is equal to or greater than ten percent (10%) of the contract price, then the tax applies to the taxable repair, maintenance, and installation services portion of the contract. The person must determine an allocated price for each taxable item in the bundle based on a reasonable allocation of revenue that is supported by the person's business records kept in the ordinary course of business.
- (7) Service contract. – The bundle includes two or more services, one of which is subject to tax under this Article and one of which is not subject to tax under this Article. The person must determine an allocated price for each taxable item in the bundle based on a reasonable allocation of revenue that is supported by the person's business records kept in the ordinary course of business.

(b) Determining Threshold. – A retailer of a bundled transaction subject to this section may use either the retailer's ~~cost-purchase~~ price or the retailer's sales price to determine if the transaction meets the fifty percent (50%) test or the ten percent (10%) test set out in subdivisions (a)(1) and (a)(3) of this section. A retailer may not use a combination of ~~cost-purchase~~ price and sales price to make this determination. If a bundled transaction subject to subdivision (a)(3) of this section includes a service contract, the retailer must use the full term of the contract in determining whether the transaction meets the threshold set in the subdivision."

SECTION 38.5.(g) G.S. 105-164.4H, as amended by S.L. 2016-5 and by subsection (c) of this section, reads as rewritten:

"§ 105-164.4H. Real property contractors.

(a) Applicability. – A real property contractor is the consumer of the tangible personal ~~property~~ property, digital property, or taxable service that the real property contractor purchases, installs, or applies for others and that becomes part of real property for use in a real property contract. A retailer engaged in business in the State shall collect tax on the sales price of the tangible personal property or digital property sold at retail to a real property contractor unless a statutory exemption in G.S. 105-164.13 or G.S. 105-164.13E applies. Where a real property contractor purchases tangible personal property or digital property for storage, use, or consumption in this ~~State~~ State, or a taxable service sourced to this State, and the tax due is not paid at the time of purchase, the provisions of G.S. 105-164.6 apply except as provided in subsection (b) of this section.

(a1) Capital Improvement. – A capital improvement is new construction or a renovation of a building, structure, or fixture on land. Factors that may be considered in determining whether a contract is a real property contract for a capital improvement include the method of attachment for

the property installed, the degree of customization of the property installed, and the value added by or useful life of the property installed. Examples of a capital improvement include all of the following:

- (1) Site preparation for and construction of an entirely new structure on real property or of an increase in the square footage of an existing structure regardless of whether or not the site has been previously occupied.
 - (2) Removal of items from real property, such as debris, construction materials, asbestos, or excavation activities.
 - (3) The performance of work that requires the issuance of a permit under the State Building Code.
 - (4) Installation of equipment or fixtures that is attached to real property so that removal of the item would cause physical, functional, or economic damage to the property and that is capitalized for income tax purposes under the Code.
 - (5) Installation of a complete system, such as roofing, septic tank, heating, ventilation, and air conditioning, plumbing, electrical, irrigation, sprinkler, and other similar systems.
 - (6) Installation of roads, parking lots, and sidewalks.
 - (7) Landscaping services.
- (b) Retailer-Contractor. – This section applies to a retailer-contractor when the as follows:
- (1) Acting as a real property contractor. – A retailer-contractor acts as a real property ~~contractor~~ contractor when it contracts to perform construction or reconstruction with respect to a capital improvement to real property. A retailer-contractor that purchases tangible personal property to be installed or applied to real property may purchase items exempt from tax under a certificate of exemption pursuant to G.S. 105-164.28 provided the retailer-contractor also purchases inventory items from the seller for resale. When the tangible personal property is withdrawn from inventory and installed or applied to real property, use tax must be accrued and paid on the retailer-contractor's purchase price of the tangible personal property. Tangible personal property that the retailer-contractor withdraws from inventory for use that does not become part of real property is also subject to the tax imposed by this Article. For purposes of this section, the term "purchase price" does not include wages paid by the retailer-contractor to an employee.
 - (2) Acting as a retailer. – A retailer-contractor is acting as a retailer when it sells items at retail and when it performs repair, maintenance, and installation services subject to tax under G.S. 105-164.4(a)(16).

(b1) Joint and Several Liability. – If a retailer-contractor subcontracts any part of the real property contract, tax is payable by the subcontractor on the subcontractor's purchase of the tangible personal property that is installed or applied to real property in fulfilling the contract. The retailer-contractor, the subcontractor, and the owner of the real ~~property~~ property, and the lessee of the real property, are jointly and severally liable for the tax. The liability of a retailer-contractor, a subcontractor, or an ~~owner~~ owner, or lessee who did not purchase the property is satisfied by receipt of an affidavit from the purchaser certifying that the tax has been paid.

(c) Erroneous Collection if Separately Stated. – An invoice or other documentation issued to a consumer at the time of the sale by a real property contractor shall not separately state any amount for tax. Any amount for tax separately stated on an invoice or other documentation given to a consumer by a real property contractor is an erroneous collection and must be remitted to the Secretary."

SECTION 38.5.(h) G.S. 105-164.4I(b) and (c) reads as rewritten:
"§ 105-164.4I. Service contracts.

...

(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

(1) An item exempt from tax under this Article. This exemption does not apply to water maintained under a pool maintenance contract or a similar maintenance contract.

...

(6) A motor vehicle service contract.

(c) Exceptions. – The tax imposed by this section does not apply to a ~~security or similar security alarm~~ monitoring contract for real property."

SECTION 38.5.(i) G.S. 105-164.13 reads as rewritten:

"§ 105-164.13. Retail sales and use tax.

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

...

(61b) ~~Repair, maintenance, and installation services~~ Tangible personal property, digital property, and services purchased for resale; resale under an exemption certificate in accordance with G.S. 105-164.28 or under a direct pay certificate in accordance with G.S. 105-164.27A.

(62) An item or repair, maintenance, and installation services used to maintain or repair tangible personal property pursuant to a service contract taxable under this Article if the purchaser of the contract is not charged for the item or services. ~~This exemption does not apply to an item or repair, maintenance, and installation services provided for a motor vehicle pursuant to a service contract exempt from tax under this Article unless the purchaser of the contract is not charged for the item or services.~~ For purposes of this exemption, the term "item" does not include a tool, equipment, supply, or similar tangible personal property used to complete the maintenance or repair and that is not deemed to be a component or repair part of the tangible personal property for which a service contract is sold to a purchaser.

...

(66) Sales of or the gross receipts derived from the following repair, maintenance, and installation services:

a. A fee, charge, or other payment for an inspection required by law, regardless of whether the amount is paid to a public or private entity, provided the charge is separately stated on the invoice or other documentation provided to the purchaser at the time of the sale.

b. Services performed for a person by a related member.

c. Services performed to resolve an issue that was part of a capital improvement if the services are performed within six months of completion of the capital improvement or, for new construction, within six months of the new structure being occupied for the first time.

d. Services on roads, parking lots, and sidewalks.

e. Removal of waste, trash, grease, and other similar items from real property.

f. Home inspections.

g. House cleaning and janitorial services.

h. Landscaping services.

(67) Towing services, provided the charge is separately stated on the invoice or other documentation provided to the purchaser at the time of the sale."

SECTION 38.5.(j) G.S. 105-187.5(a) reads as rewritten:

1 "(a) Election. – A retailer may elect not to pay the tax imposed by this Article at the rate set
2 in G.S. 105-187.3 when applying for a certificate of title for a motor vehicle purchased by the
3 retailer for lease or rental. A retailer who makes this election shall pay a tax on the gross receipts
4 of the lease or rental of the vehicle. The portion of a lease or rental billing or payment that
5 represents any amount applicable to the sales price of a service contract as defined in
6 G.S. 105-164.3 should not be included in the gross receipts subject to the tax imposed by this
7 Article. The charge ~~should~~must be separately stated on documentation given to the purchaser at
8 the time the lease or rental agreement goes into effect, or on the monthly billing statement or other
9 documentation given to the purchaser. ~~Where a retailer fails to separately state any portion of a~~
10 ~~lease or rental billing or payment that represents an amount applicable to the sale price of a service~~
11 ~~contract, the amount is deemed to be part of the gross receipts of a lease or rental of a vehicle.~~
12 When a lease or rental contract is sold to another retailer, the seller of the lease or rental contract
13 should provide to the purchaser of the lease or rental contract the documentation showing that the
14 service contract and applicable sales taxes were separately stated at the time the lease or rental
15 went into effect. Like the tax imposed by G.S. 105-187.3, this alternate tax is a tax on the privilege
16 of using the highways of this State. The tax is imposed on a retailer, but is to be added to the lease
17 or rental price of a motor vehicle and thereby be paid by the person who leases or rents the
18 vehicle."

19 **SECTION 38.5.(k)** The Department of Revenue must issue written guidance on the
20 implementation of the sales tax changes imposed by this section within 120 days of the enactment
21 of this subsection.

22 **SECTION 38.5.(l)** G.S. 105-164.27A is amended by adding a new subsection to read:

23 "(a3) Boat and Aircraft. – A direct pay permit for repair, maintenance, and installation
24 services authorizes its holder to purchase repair, maintenance, and installation services for a boat,
25 an aircraft, or a qualified jet engine without paying tax to the seller and authorizes the seller to not
26 collect any tax on the services from the permit holder. A person who purchases these services
27 under a direct pay permit must file a return and pay the tax due to the Secretary by the end of the
28 month following the month in which the services are purchased. A permit holder is allowed a use
29 tax exemption equal to the amount of the sales price of or the gross receipts derived from repair,
30 maintenance, and installation services for a boat, an aircraft, or a qualified jet engine that exceeds
31 twenty-five thousand dollars (\$25,000)."

32 **SECTION 38.5.(m)** G.S. 105-467(b) reads as rewritten:

33 "(b) Exemptions and Refunds. – The State exemptions and exclusions contained in
34 G.S. 105-164.13 and G.S. 105-164.27A apply to the local sales and use tax authorized to be levied
35 and imposed under this Article. The State refund provisions contained in G.S. 105-164.14 through
36 G.S. 105-164.14B apply to the local sales and use tax authorized to be levied and imposed under
37 this Article. A refund of an excessive or erroneous State sales tax collection allowed under
38 G.S. 105-164.11 and a refund of State sales tax paid on a rescinded sale or cancelled service
39 contract under G.S. 105-164.11A apply to the local sales and use tax authorized to be levied and
40 imposed under this Article. The aggregate annual local refund amount allowed an entity under
41 G.S. 105-164.14(b) for a fiscal year may not exceed thirteen million three hundred thousand
42 dollars (\$13,300,000).

43 Except as provided in this subsection, a taxing county may not allow an exemption, exclusion,
44 or refund that is not allowed under the State sales and use tax. A local school administrative unit
45 and a joint agency created by interlocal agreement among local school administrative units
46 pursuant to G.S. 160A-462 to jointly purchase food service-related materials, supplies, and
47 equipment on their behalf is allowed an annual refund of sales and use taxes paid by it under this
48 Article on direct purchases of tangible personal property and services. Sales and use tax liability
49 indirectly incurred by the entity on building materials, supplies, fixtures, and equipment that
50 become a part of or annexed to any building or structure that is owned or leased by the entity and
51 is being erected, altered, or repaired for use by the entity is considered a sales or use tax liability

1 incurred on direct purchases by the entity for the purpose of this subsection. The refund allowed
2 under this subsection does not apply to purchases of electricity, telecommunications service,
3 ancillary service, piped natural gas, video programming, or a prepaid meal plan. A request for a
4 refund is due in the same time and manner as provided in G.S. 105-164.14(c). Refunds applied for
5 more than three years after the due date are barred."

6 **SECTION 38.5.(n)** G.S. 105-524(e) is repealed.

7 **SECTION 38.5.(o)** Subsections (d) through (j) of this section become effective
8 January 1, 2017, and apply to sales made on or after that date. Subsections (l) and (m) of this
9 section become effective July 1, 2016, and apply to purchases of repair, maintenance, and
10 installation services purchases on or after that date. Subsection (n) of this section is effective for
11 fiscal years beginning on or after July 1, 2016. The remainder of this section is effective when it
12 becomes law and subsection (c) of this section applies retroactively to January 1, 2015.

13 14 **PART XXXIX. MISCELLANEOUS PROVISIONS**

15 16 **STATE BUDGET ACT APPLIES**

17 **SECTION 39.1.** The provisions of the State Budget Act, Chapter 143C of the General
18 Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by
19 reference.

20 21 **COMMITTEE REPORT**

22 **SECTION 39.2.(a)** The Senate Appropriations Committee Report on the Base,
23 Expansion and Capital Budgets for House Bill 1030, dated June 1, 2016, which was distributed in
24 the Senate and used to explain this act, shall indicate action by the General Assembly on this act
25 and shall, therefore, be used to construe this act, as provided in the State Budget Act, Chapter
26 143C of the General Statutes, as appropriate, and for these purposes shall be considered a part of
27 this act and, as such, shall be printed as a part of the Session Laws.

28 **SECTION 39.2.(b)** The budget enacted by the General Assembly is for the
29 maintenance of the various departments, institutions, and other spending agencies of the State for
30 the 2016-2017 budget as provided in G.S. 143C-3-5. This budget includes the appropriations of
31 State funds as defined in G.S. 143C-1-1(d)(25).

32 The Director of the Budget submitted recommended adjustments to the budget to the
33 General Assembly in April 2016 in the document "The Governor of North Carolina's
34 Recommended Budget Adjustments" for the 2016-2017 fiscal year for the various departments,
35 institutions, and other spending agencies of the State. The adjustments to these documents made
36 by the General Assembly are set out in the Committee Report.

37 **SECTION 39.2.(c)** The budget enacted by the General Assembly shall also be
38 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other
39 appropriate legislation. In the event that there is a conflict between the line-item budget certified
40 by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted
41 by the General Assembly shall prevail.

42 **SECTION 39.2.(d)** Notwithstanding subsection (a) of this section, the following
43 portions of the Committee Report are for reference and do not expand, limit, or define the text of
44 the Committee Report:

- 45 (1) Summary pages setting forth the enacted budget, legislative changes, the
46 revised budget, and related FTE information for a particular budget code and
47 containing no other substantive information.
 - 48 (2) Summary pages setting forth the enacted budget, legislative changes, the
49 revised budget, and related FTE information for multiple fund codes within in a
50 single budget code and containing no other substantive information.
- 51

REPORT BY FISCAL RESEARCH DIVISION

SECTION 39.3. The Fiscal Research Division shall issue a report on budget actions taken by the 2015 Regular Session of the General Assembly in 2016. The report shall be in the form of a revision of the Committee Report adopted for House Bill 1030 pursuant to G.S. 143C-5-5 and shall include all modifications made to the 2016-2017 budget prior to sine die adjournment of the 2015 Regular Session. The Director of the Fiscal Research Division shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's Internet Web site for public access.

MOST TEXT APPLIES ONLY TO THE 2016-2017 FISCAL YEAR

SECTION 39.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2016-2017 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2016-2017 fiscal year.

EFFECT OF HEADINGS

SECTION 39.5. 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 39.6.(a) Except where expressly repealed or amended by this act, the provisions of S.L. 2015-241, S.L. 2015-263, S.L. 2015-264, S.L. 2015-267, S.L. 2015-268, S.L. 2015-276, S.L. 2015-286, and S.L. 2016-5 remain in effect.

SECTION 39.6.(b) Notwithstanding any modifications by this act in the amounts appropriated, except where expressly repealed or amended, the limitations and directions for the 2015-2017 fiscal biennium in S.L. 2015-241, S.L. 2015-263, S.L. 2015-264, S.L. 2015-267, S.L. 2015-268, S.L. 2015-276, S.L. 2015-286, and S.L. 2016-5 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 CLAUSE

SECTION 39.7. 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 39.8. Except as otherwise provided, this act becomes effective July 1, 2016.



N.C. SENATE
COMMITTEE ON APPROPRIATIONS/BASE BUDGET

REPORT
ON THE
BASE, EXPANSION, AND CAPITAL BUDGETS

House Bill 1030

June 1, 2016

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General Fund Availability Statement



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General Fund Availability Statement

	FY 2016-17
1 Unappropriated Balance	175,488,544
2 Over Collections FY 2015-16	330,200,000
3 Reversions FY 2015-16	358,439,524
4 Earmarkings of Year End Fund Balance:	
5 Savings Reserve	(583,888,541)
6 Repairs and Renovations	(41,562,474)
7 Beginning Unreserved Fund Balance	238,677,053
8	
9 Revenues Based on Existing Tax Structure	21,417,800,000
10	
11 Non-tax Revenues	
12 Investment Income	37,500,000
13 Judicial Fees	242,600,000
14 Disproportionate Share	147,000,000
15 Insurance	77,000,000
16 Master Settlement Agreement (MSA)	127,400,000
17 Other Non-Tax Revenues	178,700,000
18 Subtotal Non-tax Revenues	810,200,000
19	
20 Adjustment for Medicaid Transformation Fund (S.L. 2015-241)	(150,000,000)
21	
22 Total General Fund Availability	22,316,677,053
23	
24 Adjustments to Availability: 2016 Session	
25 Increase the Zero Bracket (S.B. 818)	(145,000,000)
26 Modification to Sales Tax Base Expansion (S.B. 870)	35,000,000
27 Limit Repair and Maintenance Tax on Airplanes and Boats (Direct Pay Option)	(500,000)
28 Repeal Service Contracts (RMI Services)	(3,500,000)
29 Elimination of State Contribution to Local Sales Tax Distribution	17,600,000
30 Adjustment for Transfer from Treasurer's Office	3,129
31 Adjustment for Transfer from Insurance Regulatory Fund	1,719,818
32 Adjustment for Transfer from NCGA Special Fund	3,000,000
33 Subtotal Adjustments to Availability: 2016 Session	(91,677,053)
34	
35 Revised General Fund Availability	22,225,000,000
36	
37 Less General Fund Net Appropriation	(22,225,000,000)
38	
39 Unappropriated Balance Remaining	-



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Summary: General Fund Appropriations



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Summary of General Fund Appropriations						
Fiscal Year 2016-17						
2016 Legislative Session						
	Enacted Budget	Legislative Changes			Revised Net	
	2016-17	Recurring	Nonrecurring	Net	FTE	Appropriation
		Changes	Changes	Changes	Changes	2016-17
Education						
Community Colleges	1,065,895,520	(10,498,337)	26,624,410	16,126,073	2.00	1,082,021,593
Public Education	8,419,444,621	260,415,560	16,850,000	277,265,560	2.00	8,696,710,181
University System	2,683,307,927	62,586,184	58,523,000	121,109,184	1.00	2,804,417,111
Total Education	12,168,648,068	312,503,407	101,997,410	414,500,817	5.00	12,583,148,885
Health and Human Services						
Central Management and Support	130,033,253	4,734,592	1,250,000	5,984,592	3.00	136,017,845
Aging and Adult Services	43,815,337	505,824	0	505,824	2.00	44,321,161
Blind and Deaf / Hard of Hearing Services	8,173,207	8,200	0	8,200	0.00	8,181,407
Child Development and Early Education	243,033,976	5,411	(10,030,899)	(10,025,488)	0.00	233,008,488
Health Service Regulation	16,110,674	46,070	0	46,070	0.00	16,156,744
Medical Assistance	3,916,237,272	(305,211,011)	(8,056,927)	(313,267,938)	30.00	3,602,969,334
Mental Health, Devel. Disabilities & Sub. Abuse Ser.	537,861,308	(1,162,813)	(1,746,600)	(2,909,413)	(38.66)	534,951,895
NC Health Choice	746,758	(4,613,444)	4,961,778	348,334	0.00	1,095,092
Public Health	148,298,428	1,596,366	100,000	1,696,366	3.00	149,994,794
Social Services	185,533,263	(893,114)	9,245,281	8,352,167	25.00	193,885,430
Vocational Rehabilitation	37,752,132	39,911	0	39,911	0.00	37,792,043
Total Health and Human Services	5,267,595,608	(304,944,008)	(4,277,367)	(309,221,375)	24.34	4,958,374,233
Justice and Public Safety						
Public Safety	1,847,365,626	21,853,487	507,784	22,361,271	(20.00)	1,869,726,897
Judicial Department	484,126,321	11,593,600	5,300,000	16,893,600	0.00	501,019,921
Judicial - Indigent Defense	116,629,964	1,131,994	4,500,000	5,631,994	0.00	122,261,958
Justice	52,715,592	414,200	3,924,917	4,339,117	1.00	57,054,709
Total Justice and Public Safety	2,500,837,503	34,993,281	14,232,701	49,225,982	(19.00)	2,550,063,485
Natural and Economic Resources						
Agriculture and Consumer Services	116,955,773	20,814	5,325,000	5,345,814	1.00	122,301,587
Commerce	57,596,128	522,856	6,500,000	7,022,856	0.00	64,618,984
Commerce - State Aid	18,055,810	400,000	(2,500,000)	(2,100,000)	0.00	15,955,810
Environmental Quality	82,429,609	(442,284)	(2,100,000)	(2,542,284)	(3.00)	79,887,325
Natural and Cultural Resources	169,289,403	253,491	5,536,000	5,789,491	2.50	175,078,894
Natural and Cultural Resources -- Roanoke Island	523,384	0	0	0	0.00	523,384
Labor	15,822,235	275,186	0	275,186	(1.00)	16,097,421
Wildlife Resources Commission	10,023,496	19,922	0	19,922	0.00	10,043,418
Total Natural and Economic Resources	470,695,838	1,049,985	12,761,000	13,810,985	(0.50)	484,506,823

Summary of General Fund Appropriations						
Fiscal Year 2016-17						
2016 Legislative Session						
	Enacted Budget 2016-17	Legislative Changes				Revised Net Appropriation 2016-17
		Recurring Changes	Nonrecurring Changes	Net Changes	FTE Changes	
General Government						
Administration	58,664,485	1,224,681	882,175	2,106,856	13.20	60,771,341
Auditor	12,004,791	83,408	157,306	240,714	0.00	12,245,505
General Assembly	57,009,051	4,664,500	2,000,000	6,664,500	0.00	63,673,551
Governor	5,566,174	10,560	0	10,560	0.00	5,576,734
Governor - Special Projects	2,000,000	0	0	0	0.00	2,000,000
Housing Finance Agency	25,660,000	0	0	0	0.00	25,660,000
Insurance	38,355,246	219,818	1,500,000	1,719,818	0.00	40,075,064
Lieutenant Governor	677,972	11,535	0	11,535	0.00	689,507
Military and Veterans Affairs	7,806,254	210,146	10,000	220,146	4.00	8,026,400
Office of Administrative Hearings	5,143,413	10,141	0	10,141	0.00	5,153,554
Revenue	80,457,679	151,372	350,000	501,372	0.00	80,959,051
Secretary of State	11,750,695	656,755	0	656,755	6.00	12,407,450
State Board of Elections	6,513,363	11,488	0	11,488	0.00	6,524,851
State Budget and Management	7,531,408	294,160	0	294,160	3.00	7,825,568
State Budget and Management -- Special	2,000,000	0	5,050,000	5,050,000	0.00	7,050,000
State Controller	22,726,386	35,443	0	35,443	0.00	22,761,829
Treasurer - Operations	10,348,384	(195,735)	0	(195,735)	0.00	10,152,649
Fire Rescue National Guard Pensions & LDD Benefits	21,691,299	5,152,982	0	5,152,982	0.00	26,844,281
Total General Government	375,906,600	12,541,254	9,949,481	22,490,735	26.20	398,397,335
Department of Information Technology	0	43,031,353	0	43,031,353	92.75	43,031,353
Statewide Reserves and Debt Service						
Debt Service:						
Interest / Redemption	701,849,215	1,253,023	0	1,253,023	0.00	703,102,238
Federal Reimbursement	1,616,380	0	37,000,000	37,000,000	0.00	38,616,380
Subtotal Debt Service	703,465,595	1,253,023	37,000,000	38,253,023	0.00	741,718,618

Summary of General Fund Appropriations						
Fiscal Year 2016-17						
2016 Legislative Session						
	Legislative Changes					Revised Net
	Enacted Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2016-17	Changes	Changes	Changes	Changes	2016-17
Statewide Reserves						
Compensation Increase Reserve - OSHR	0	31,000,000	46,000,000	77,000,000	0.00	77,000,000
Compensation Increase Reserve - State Agency Teachers	0	1,533,800	0	1,533,800	0.00	1,533,800
Contingency and Emergency Fund	5,000,000	0	0	0	0.00	5,000,000
Film and Entertainment Grant Fund	30,000,000	0	0	0	0.00	30,000,000
Information Technology Fund	21,681,854	(21,681,854)	0	(21,681,854)	0.00	0
Information Technology Reserve	21,320,843	(21,320,843)	0	(21,320,843)	0.00	0
Job Development Investment Grants (JDIG)	71,728,126	0	(10,000,000)	(10,000,000)	0.00	61,728,126
Lottery Reserve	0	0	50,000,000	50,000,000	0.00	50,000,000
One North Carolina Fund	9,000,000	0	(417,883)	(417,883)	0.00	8,582,117
OSHR Minimum of Market Reserve	12,000,000	0	(7,000,000)	(7,000,000)	0.00	5,000,000
Pending Legislation Reserve	0	0	200,000	200,000	0.00	200,000
Public Schools Average Daily Membership (ADM)	107,000,000	(107,000,000)	0	(107,000,000)	0.00	0
Reserve for Future Benefit Needs	71,000,000	0	0	0	0.00	71,000,000
Salary Adjustment Reserve	25,000,000	0	0	0	0.00	25,000,000
State Emergency Response and Disaster Relief Fund	0	0	10,000,000	10,000,000	0.00	10,000,000
UNC System Enrollment Growth Reserve	31,000,000	(31,000,000)	0	(31,000,000)	0.00	0
Mental Health Reserve	0	0	10,000,000	10,000,000	0.00	10,000,000
Workers' Compensation Reserve	21,500,543	0	0	0	0.00	21,500,543
Subtotal Statewide Reserves	426,231,366	(148,468,897)	98,782,117	(49,686,780)	0	376,544,586
Total Reserves and Debt Service	1,129,696,961	(147,215,874)	135,782,117	(11,433,757)	0.00	1,118,263,204
Total General Fund for Operations	21,913,380,578	(48,040,602)	270,445,342	222,404,740	128.79	22,135,785,318
Capital Improvements						
Agriculture and Consumer Services Horse Stables	0	0	165,000	165,000	0.00	165,000
Armory and Facility Development Projects	5,087,500	0	(69,000)	(69,000)	0.00	5,018,500
NC National Guard Helipad Planning	0	0	69,000	69,000	0.00	69,000
NCSU Engineering Building	1,000,000	0	0	0	0.00	1,000,000
Repairs and Renovations	0	0	75,942,182	75,942,182	0.00	75,942,182
UNC-Asheville Land Acquisition	0	0	2,000,000	2,000,000	0.00	2,000,000
Water Resources Development Projects	0	0	5,020,000	5,020,000	0.00	5,020,000
Total Capital Improvements	6,087,500	0	83,127,182	83,127,182	0.00	89,214,682
Total General Fund Budget	21,919,468,078	(48,040,602)	353,572,524	305,531,922	128.79	22,225,000,000



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Education Section F



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**Public Education
Budget Code 13510**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$12,647,946,284
Receipts	\$4,228,501,663
Net Appropriation	\$8,419,444,621

Legislative Changes

Requirements	\$386,742,422
Receipts	\$109,476,862
Net Appropriation	\$277,265,560

Revised Budget

Requirements	\$13,034,688,706
Receipts	\$4,337,978,525
Net Appropriation	\$8,696,710,181

General Fund FTE

Enacted Budget	1,158.83
Legislative Changes	2.00
Revised Budget	1,160.83

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Public Education		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 13510										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1000	DPI - Executive and Administrative Functions	8,458,379	4,146,166	4,312,213	140,000	-	140,000	8,598,379	4,146,166	4,452,213
1021	DPI - Education Innovations - 21st Century Schools	1,477,912	195,377	1,282,535	-	-	-	1,477,912	195,377	1,282,535
1100	DPI - Assistance to Districts and Schools	29,109,628	22,780,817	6,328,811	-	-	-	29,109,628	22,780,817	6,328,811
1300	DPI - Financial and Business Services	1,363,745	827,172	536,573	-	-	-	1,363,745	827,172	536,573
1330	DPI - Student and School Support Services	16,757,832	13,068,135	3,689,697	-	-	-	16,757,832	13,068,135	3,689,697
1400	Office of Early Learning	77,194,067	69,494,475	7,699,592	-	-	-	77,194,067	69,494,475	7,699,592
1410	NC Center for the Advancement of Teaching	3,299,279	200	3,299,079	-	-	-	3,299,279	200	3,299,079
1450	K-3 Assessment	2,748,986	2,748,986	-	-	-	-	2,748,986	2,748,986	-
1500	DPI - Technology Services	11,333,967	3,668,123	7,665,844	-	-	-	11,333,967	3,668,123	7,665,844
1600	DPI - Curriculum, Instruction, Accountability & Tech	59,153,714	48,202,189	10,951,525	-	-	-	59,153,714	48,202,189	10,951,525
1640	DPI - Educator Quality and Recruitment	19,806,930	18,958,909	848,021	-	-	-	19,806,930	18,958,909	848,021
1660	DPI - Special Populations	46,938,021	43,708,664	3,229,357	-	-	-	46,938,021	43,708,664	3,229,357
1800	K-12 Classroom Instruction -SPSF	7,099,072,258	558,519,541	6,540,552,717	22,400,881	57,316,378	(34,915,497)	7,121,473,139	615,835,919	6,505,637,220
1808	SPSF - Statewide System Ops and Maintenance	10,258,861	-	10,258,861	-	-	-	10,258,861	-	10,258,861
1810	SPSF - Local Education Agency - Administration	94,781,435	-	94,781,435	(5,000,000)	-	(5,000,000)	89,781,435	-	89,781,435
1811	Assistance to Districts and Schools - SPSF	2,063,612,732	2,063,612,732	-	-	-	-	2,063,612,732	2,063,612,732	-
1821	SPSF - Ed Innovations - 21st Century Schools	32,773,365	-	32,773,365	-	-	-	32,773,365	-	32,773,365
1830	SPSF - Student and School Support Services	702,051,034	202,489,369	499,561,665	(2,800,000)	50,000,000	(52,800,000)	699,251,034	252,489,369	446,761,665
1840	SPSF - Teacher Quality and Recruitment	459,798,944	459,798,944	-	-	-	-	459,798,944	459,798,944	-
1860	SPSF - Special Populations	1,647,204,991	694,936,512	952,268,479	-	-	-	1,647,204,991	694,936,512	952,268,479
1862	NC School for the Deaf	8,507,042	237,283	8,269,759	-	-	-	8,507,042	237,283	8,269,759
1863	Eastern NC School for the Deaf	7,750,157	242,584	7,507,573	-	-	-	7,750,157	242,584	7,507,573
1864	Governor Morehead School and Preschool	5,633,038	196,114	5,436,924	-	-	-	5,633,038	196,114	5,436,924
1870	SPSF - LEA - Supplemental Benefits	176,995,085	-	176,995,085	-	-	-	176,995,085	-	176,995,085
1900	Reserves and Transfers	52,233,916	20,669,371	31,564,545	(9,137,500)	-	(9,137,500)	43,096,416	20,669,371	22,427,045
1901	Pass-through Grants	9,630,966	-	9,630,966	-	-	-	9,630,966	-	9,630,966
Department-wide Items										
N/A	Compensation Reserve	-	-	-	315,649,960	N/A	315,649,960	315,649,960	N/A	315,649,960
N/A	State Retirement Contributions	-	-	-	18,737,540	N/A	18,737,540	18,737,540	N/A	18,737,540
Undesignated										
N/A	Department of Public Instruction	-	-	-	(2,190,000)	-	(2,190,000)	(2,190,000)	-	(2,190,000)
N/A	Enrollment Adjustment	-	-	-	48,941,541	2,160,484	46,781,057	48,941,541	2,160,484	46,781,057
Total		\$12,647,946,284	\$4,228,501,663	\$8,419,444,621	\$ 386,742,422	\$ 109,476,862	\$ 277,265,560	\$13,034,688,706	\$4,337,978,525	\$8,696,710,181

Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session

Public Education					
Budget Code 13510		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1000	DPI - Executive and Administrative Functions	51.99	2.00	-	53.99
1021	DPI - Education Innovations - 21st Century Schools	34.13	-	-	34.13
1100	DPI - Assistance to Districts and Schools	84.50	-	-	84.50
1300	DPI - Financial and Business Services	41.00	-	-	41.00
1330	DPI - Student and School Support Services	97.37	-	-	97.37
1400	Office of Early Learning	86.25	-	-	86.25
1410	NC Center for the Advancement of Teaching	46.50	-	-	46.50
1450	K-3 Assessment	11.50	-	-	11.50
1500	DPI - Technology Services	94.00	-	-	94.00
1600	DPI - Curriculum, Instruction, Accountability & Tech	150.80	-	-	150.80
1640	DPI - Educator Quality and Recruitment	36.09	-	-	36.09
1660	DPI - Special Populations	76.70	-	-	76.70
1800	K-12 Classroom Instruction -SPSF	-	-	-	-
1808	SPSF - Statewide System Ops and Maintenance	-	-	-	-
1810	SPSF - Local Education Agency - Administration	-	-	-	-
1811	Assistance to Districts and Schools - SPSF	-	-	-	-
1821	SPSF - Ed Innovations - 21st Century Schools	-	-	-	-
1830	SPSF - Student and School Support Services	-	-	-	-
1840	SPSF - Teacher Quality and Recruitment	-	-	-	-
1860	SPSF - Special Populations	-	-	-	-
1862	NC School for the Deaf	140.00	-	-	140.00
1863	Eastern NC School for the Deaf	128.25	-	-	128.25
1864	Governor Morehead School and Preschool	79.75	-	-	79.75
1870	SPSF - LEA - Supplemental Benefits	-	-	-	-
1900	Reserves and Transfers	-	-	-	-
1901	Pass-through Grants	-	-	-	-
Total FTE		1,158.83	2.00	-	1,160.83

Public Education

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$8,419,444,621

Legislative Changes

A. Reserve for Salaries and Benefits

1 Compensation Increase Reserve - Educators

\$280,037,956

R

Fund Code: N/A

Funds salary increases for educators paid in accordance with the Statewide teacher salary schedule as well as an experience-based step increase for educators earning a year of creditable experience. Together, these increases provide, on average, a 6.5% increase for educators.

The changes to the teacher salary schedule provide annual salary increases for educators earning a year of creditable service for the first 15 years of experience. The salary schedule retains the tier-based system for educators with 16 or more years of creditable service. A corresponding special provision provides additional details on the changes to the teacher salary schedule.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394 million for FY 2016-17.

2 Compensation Increase Reserve - School-based Administrators (SB/As)

\$3,612,004

R

Fund Code: N/A

\$7,000,000

NR

Provides funds for an experience-based step increase for eligible School-based Administrators and a one-time bonus for all Assistant Principals and Principals regardless of funding source. Assistant Principals shall receive a \$500 bonus and Principals shall receive a \$2,000 bonus. The bonus shall not be considered compensation for retirement purposes. A corresponding special provision provides additional details on these compensation adjustments.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394 million for FY 2016-17.

- 3 Compensation Increase Reserve - Other School District (LEA) Personnel** \$15,000,000 R
Fund Code: N/A
- Provides \$15 million for salary increases for non-certified and central office school district employees. Each LEA shall develop policies for the allocation of these salary increases and merit-based bonuses. Corresponding special provisions provide additional details on these compensation adjustments.
- For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394 million for FY 2016-17.
- 4 State Retirement Contributions - School District Personnel** \$18,594,062 R
Fund Code: N/A
- Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.
- For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.
- 5 State Retirement Contributions - Department of Public Instruction (DPI)** \$143,478 R
Fund Code: N/A
- Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.
- For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.
- 6 3rd Grade Reading Teacher Performance Pilot Program** \$10,000,000 R
Fund Code: N/A
- Funds a new 3rd grade reading teacher performance pilot program. This 2-year pilot program will provide bonuses to the top 25% of 3rd grade reading teachers statewide and the top 25% of 3rd grade reading teachers within each LEA based on each teacher's Education Value-Added Assessment System (EVAAS) student growth index score for reading from the prior school year. A corresponding special provision provides additional program details. The revised net appropriation for the 3rd Grade Reading Teacher Performance Pilot program is \$10 million.

B. Technical Adjustments**7 Average Daily Membership (ADM)**

\$46,781,057 R

Fund Code: N/A

Adjusts total requirements in multiple public schools funding allotments to account for a net ADM increase of 5,875. The adjustment includes revisions to all position, dollar, and categorical allotments.

Total allotted public schools ADM for FY 2016-17 is 1,543,518.

8 Noninstructional Support Personnel

(\$57,316,378) R

Fund Code: 1800

Budgets additional lottery receipts for the noninstructional support personnel allotment. Total requirements for this allotment remain the same at \$372,266,860 and this allotment will now be fully receipt-supported. The revised net appropriation for noninstructional support personnel is \$0.

9 Transportation

(\$50,000,000) R

Fund Code: 1830

Budgets additional lottery receipts for the transportation allotment. Total requirements for this allotment remain the same at \$451,396,635. The revised net appropriation for the transportation allotment is \$401.4 million.

C. Public School Funding Adjustments**10 Increased Funding for Classroom Teachers**

\$27,146,257 R

Fund Code: 1800

Increases funding to school districts for guaranteed classroom teachers positions in 2nd grade. In FY 2016-17, the teacher allotment ratio will be decreased by 1 student per teacher in 2nd grade to provide 1 teacher per 16 students. The revised net appropriation for the classroom teachers allotment is \$4.2 billion.

11 Textbooks and Digital Materials

(\$9,210,837) R

Fund Code: 1800

\$9,250,000 NR

Increases textbooks and digital materials allotment funding by \$9,250,000 over the FY 2015-16 level. The FY 2015-17 Appropriations Act budgeted \$9,210,837 in additional recurring funding in FY 2016-17 for this allotment; this action increases funding and changes it to nonrecurring. The revised net appropriation for the textbooks and digital materials allotment is \$61.5 million.

12 At-Risk Student Supplemental Funding (At-Risk)

(\$4,784,539) R

Fund Code: 1800

Reduces funding set aside to support grants to 17 after-school providers from the at-risk allotment. The revised net appropriation for the after-school provider grant program is \$1.1 million. Base allotment funding to LEAs for the at-risk allotment remains unchanged with a net appropriation of \$284.8 million. The revised net appropriation for the at-risk allotment is \$285.9 million.

Senate Committee on Education/Higher Education

FY 16-17

13 Central Office Administration

(\$5,000,000) R

Fund Code: 1810

Reduces funding for the central office administration allotment by 5.3%. This allotment supports the salary and benefits of LEA administrative personnel such as superintendents, assistant superintendents, and finance officers. The revised net appropriation for the central office administration allotment is \$90.1 million.

14 School Connectivity Initiative

(\$10,000,000) R

Fund Code: 1900

Maintains school connectivity initiative funding at the FY 2015-16 level by eliminating the previously budgeted funding increase for FY 2016-17. This initiative is designed to bring broadband connectivity to all K-12 public school buildings in the State. The revised net appropriation for the school connectivity initiative is \$21.2 million.

15 Transportation

(\$2,000,000) R

Fund Code: 1830

Reduces the diesel fuel component of this allotment on the basis of adjusting the budgeted price per gallon from \$2.17 to \$2.09 to reflect lower projected diesel fuel costs. The revised net appropriation for the transportation allotment is \$399.4 million.

16 Panic Alarms

(\$900,000) R

Fund Code: 1830

\$100,000 NR

Modifies funding to reflect the anticipated completion of the last phase of panic alarm installation that began in FY 2013-14, as authorized by S.L. 2013-360. Nonrecurring funds are provided to complete the last panic alarm installations in FY 2016-17. Recurring funding will no longer be required to complete the installation of the alarms after the end of this biennium. The revised net appropriation for panic alarms is \$100,000.

D. Grants

17 Teacher Assistants Tuition Reimbursement Program

\$112,500 R

Fund Code: 1900

Provides funding for the Teacher Assistants Tuition Reimbursement program, an initiative to provide tuition reimbursement of up to \$4,500 annually for 25 teacher assistants in Anson, Franklin, Moore, Richmond, and Scotland Counties that are employed by those LEAs and are pursuing a college degree that will result in teacher licensure. The revised net appropriation for the Teacher Assistants Tuition Reimbursement program is \$112,500.

F. Department of Public Instruction**18 Department of Public Instruction (DPI)**

(\$1,940,000) R

Fund Code: N/A

(\$250,000) NR

Reduces net appropriations support for DPI by 4.8%. The State Board of Education (SBE) may allocate this reduction at its discretion, subject to the parameters of a related provision. The revised net appropriation for DPI operations is \$42.7 million.

19 Licensure System Update**Fund Code:** 1900

\$250,000 NR

Provides funding to update the DPI Online Licensure System for additional requirements related to S.B. 867, 2016 Session of the 2015 Regular Session, Protect Students in Schools. This item is contingent upon S.B. 867 becoming law. If S.B. 867 does not become law, these funds shall not be spent and shall revert to the General Fund. The revised net appropriation for Legal Services would be \$250,000.

20 State Board of Education Legal Services

\$140,000 R

Fund Code: 1000

2.00

Provides funding to support the establishment of an attorney and a paralegal position to support additional requirements related to S.B. 867, 2016 Session of the 2015 Regular Session, Protect Students in Schools. This item is contingent upon S.B. 867 becoming law. If S.B. 867 does not become law, these funds shall not be spent and shall revert to the General Fund. The revised net appropriation for Legal Services would be \$749,176.

21 Alternative Teacher Preparation Pilot Evaluation**Fund Code:** 1900

\$500,000 NR

Provides funding for an independent research organization to evaluate the effectiveness of 5 local alternative teacher preparation programs newly authorized in this Act. The revised net appropriation for the evaluation is \$500,000.

Total Legislative Changes

\$260,415,560 R

\$16,850,000 NR

Total Position Changes

2.00

Revised Budget

\$8,696,710,181

**Community Colleges
Budget Code 16800**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$1,480,340,859
Receipts	\$414,445,339
Net Appropriation	\$1,065,895,520

Legislative Changes

Requirements	(\$350,664)
Receipts	(\$16,476,737)
Net Appropriation	\$16,126,073

Revised Budget

Requirements	\$1,479,990,195
Receipts	\$397,968,602
Net Appropriation	\$1,082,021,593

General Fund FTE

Enacted Budget	192.50
Legislative Changes	2.00
Revised Budget	194.50

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Community Colleges		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 16800										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1100	Executive Division	3,590,759	363,281	3,227,478	-	-	-	3,590,759	363,281	3,227,478
1200	Technology Solutions and Distance Learning	15,949,769	479,789	15,469,980	-	-	-	15,949,769	479,789	15,469,980
1300	Finance and Operations	3,593,176	486,682	3,106,494	-	-	-	3,593,176	486,682	3,106,494
1400	Academic and Student Services	6,507,648	3,762,851	2,744,797	-	-	-	6,507,648	3,762,851	2,744,797
1600	State Aid - Institutions	22,725,625	-	22,725,625	286,145	-	286,145	23,011,770	-	23,011,770
1620	Curriculum Instruction	706,875,096	354,290,199	352,584,897	-	-	-	706,875,096	354,290,199	352,584,897
1621	Basic Skill Instruction	73,790,394	16,242,990	57,547,404	-	-	-	73,790,394	16,242,990	57,547,404
1622	Continuing Education and Workforce Development	107,452,625	17,427,620	90,025,005	-	-	-	107,452,625	17,427,620	90,025,005
1623	Equipment and Instructional Resources	51,962,762	-	51,962,762	15,000,000	-	15,000,000	66,962,762	-	66,962,762
1624	Specialized Centers and Programs	14,259,267	3,542,792	10,716,475	500,000	-	500,000	14,759,267	3,542,792	11,216,475
1625	Institutional and Academic Support	514,932,950	1,011,693	513,921,257	1,553,733	-	1,553,733	516,486,683	1,011,693	515,474,990
1900	Reserves and Transfers	(41,299,212)	16,837,442	(58,136,654)	-	-	-	(41,299,212)	16,837,442	(58,136,654)
Department-wide Items										
N/A	Compensation Reserve	-	-	-	22,000,000	N/A	22,000,000	22,000,000	N/A	22,000,000
N/A	State Retirement Contributions	-	-	-	2,994,471	N/A	2,994,471	2,994,471	N/A	2,994,471
Undesignated										
N/A	Enrollment Adjustment	-	-	-	(42,685,013)	(16,476,737)	(26,208,276)	(42,685,013)	(16,476,737)	(26,208,276)
Total		\$1,480,340,859	\$414,445,339	\$1,065,895,520	\$ (350,664)	\$ (16,476,737)	\$ 16,126,073	\$1,479,990,195	\$397,968,602	\$1,082,021,593

Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session

Community Colleges					
Budget Code 16800		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1100	Executive Division	28.00	-	-	28.00
1200	Technology Solutions and Distance Learning	80.00	-	-	80.00
1300	Finance and Operations	39.50	2.00	-	41.50
1400	Academic and Student Services	45.00	-	-	45.00
1600	State Aid - Institutions	-	-	-	-
1620	Curriculum Instruction	-	-	-	-
1621	Basic Skill Instruction	-	-	-	-
1622	Continuing Education and Workforce Development	-	-	-	-
1623	Equipment and Instructional Resources	-	-	-	-
1624	Specialized Centers and Programs	-	-	-	-
1625	Institutional and Academic Support	-	-	-	-
1900	Reserves and Transfers	-	-	-	-
Total FTE		192.50	2.00	-	194.50

Community Colleges

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$1,065,895,520

Legislative Changes

A. Reserve for Salaries and Benefits

22 Compensation Increase Reserve - Community Colleges (\$10,000,000) R
Fund Code: N/A

Reallocates the \$10 million appropriated in the 2015 Appropriations Act for Community College personnel salary adjustments to the Community College's FY 2016-17 Compensation Increase Reserve.

23 Compensation Increase Reserve - Community Colleges \$21,000,000 R
Fund Code: N/A \$11,000,000 NR

Provides \$21 million for salary increases and \$11 million for one-time merit-based bonuses for State-funded employees. Community Colleges, with guidance from the State Board of Community Colleges, shall develop policies for the allocation of these salary increases and merit-based bonuses. Merit-based bonuses provided by employing agencies shall not be considered compensation for retirement purposes. Corresponding special provisions provide additional details on these compensation adjustments.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394 million in FY 2016-17.

24 State Retirement Contributions - Community Colleges \$2,955,674 R
Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

25 State Retirement Contributions - System Office

\$38,797 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

B. Technical and Formula Adjustments**26 Enrollment Growth Adjustment**

(\$26,208,276) R

Fund Code: N/A

Adjusts funds for FY 2016-17 based on the decline in Community College System enrollment.

The Community College System total enrollment declined by 8,578 Full Time Equivalent (FTE) students (4.1%) from the budgeted amount in the FY 2016-17 certified budget for a savings of \$26.2 million.

27 Multi-Campus Centers

\$1,553,733 R

Fund Code: 1625

Provides funds to operate 3 new Multi-Campus Centers scheduled to open in FY 2016-17. Funding will support centers for Asheville-Buncombe Technical Community College, Durham Technical Community College, and Mitchell Community College. Each center will receive a \$517,911 allocation. The revised net appropriation for Multi-Campus Centers is \$20.4 million.

C. Other Adjustments**28 Connect NC Bond Administration**

\$161,735 R

Fund Code: 1300\$124,410 NR
2.00

Provides funding to administer the Connect NC Bond program within the Community College System Office. The Community College System will receive \$350 million through the Connect NC Bond for facility construction and renovation. The funds will support 2 positions and related software licenses throughout the Community College System. The revised net appropriation for Connect NC Bond administration is \$286,145.

29 Equipment

\$15,000,000 NR

Fund Code: 1623

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 allocation formula. The revised net appropriation for equipment is \$64 million for FY 2016-17.

30 Competency-Based Education Incubator**Fund Code:** 1624

\$500,000 NR

Provides nonrecurring funding to support development of competency-based education programs and a uniform system for granting credit for prior learning. Partners in this pilot include Central Piedmont Community College, Forsyth Technical Community College, Stanly Community College, Wake Technical Community College, and the North Carolina Community College System Office. The revised net appropriation for the Competency-Based Education Incubator is \$500,000 for FY 2016-17.

Total Legislative Changes	(\$10,498,337)	R
	\$26,624,410	NR
Total Position Changes	2.00	
Revised Budget	\$1,082,021,593	

**UNC System
Multiple Budget Codes**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$4,400,355,967
Receipts	\$1,717,048,040
Net Appropriation	\$2,683,307,927

Legislative Changes

Requirements	\$140,720,659
Receipts	\$19,611,475
Net Appropriation	\$121,109,184

Revised Budget

Requirements	\$4,541,076,626
Receipts	\$1,736,659,515
Net Appropriation	\$2,804,417,111

General Fund FTE

Enacted Budget	34,763.58
Legislative Changes	1.00
Revised Budget	34,764.58

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

UNC System		Enacted Budget			Legislative Changes			Revised Budget		
Bdgt Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
16010	UNC-Board of Governors	37,303,605	46,899	37,256,706	1,000,000	-	1,000,000	38,303,605	46,899	38,256,706
16011	UNC-Board of Governors - Institutional	57,429,631	21,444,745	35,984,886	56,094,475	19,611,475	36,483,000	113,524,106	41,056,220	72,467,886
16012	UNC-BOG-Related Educational Programs	156,200,476	48,031,975	108,168,501	-	-	-	156,200,476	48,031,975	108,168,501
16015	Aid to Private Colleges	127,419,754	-	127,419,754	34,472,500	-	34,472,500	161,892,254	-	161,892,254
16020	UNC-Chapel Hill	592,452,903	340,187,042	252,265,861	-	-	-	592,452,903	340,187,042	252,265,861
16021	UNC-Chapel Hill - Health Affairs	294,539,049	106,759,144	187,779,905	3,000,000	-	3,000,000	297,539,049	106,759,144	190,779,905
16022	UNC-Chapel Hill - Area Health Education Center	49,282,678	-	49,282,678	-	-	-	49,282,678	-	49,282,678
16030	North Carolina State University - Academic	721,726,448	329,477,157	392,249,291	200,000	-	200,000	721,926,448	329,477,157	392,449,291
16031	NC State University - Agricultural Research	68,078,678	14,979,346	53,099,332	-	-	-	68,078,678	14,979,346	53,099,332
16032	NC State University - Cooperative Extension Service	54,639,442	16,043,515	38,595,927	-	-	-	54,639,442	16,043,515	38,595,927
16040	UNC-Greensboro	228,727,570	85,268,143	143,459,427	-	-	-	228,727,570	85,268,143	143,459,427
16050	UNC-Charlotte	334,919,709	135,948,104	198,971,605	-	-	-	334,919,709	135,948,104	198,971,605
16055	UNC-Asheville	57,074,763	19,482,480	37,592,283	-	-	-	57,074,763	19,482,480	37,592,283
16060	UNC-Wilmington	184,756,660	83,283,247	101,473,413	-	-	-	184,756,660	83,283,247	101,473,413
16065	East Carolina University - Academic	375,146,899	164,407,341	210,739,558	-	-	-	375,146,899	164,407,341	210,739,558
16066	East Carolina University - Health Affairs	81,979,708	8,452,022	73,527,686	-	-	-	81,979,708	8,452,022	73,527,686
16070	NC Agricultural and Technical State University	155,828,367	64,930,346	90,898,021	-	-	-	155,828,367	64,930,346	90,898,021
16075	Western Carolina University	130,369,834	44,564,017	85,805,817	-	-	-	130,369,834	44,564,017	85,805,817
16080	Appalachian State University	218,660,651	90,825,069	127,835,582	-	-	-	218,660,651	90,825,069	127,835,582
16082	UNC-Pembroke	78,258,028	25,065,923	53,192,105	-	-	-	78,258,028	25,065,923	53,192,105
16084	Winston-Salem State University	88,173,322	23,554,198	64,619,124	-	-	-	88,173,322	23,554,198	64,619,124
16086	Elizabeth City State University	44,118,744	10,359,516	33,759,228	-	-	-	44,118,744	10,359,516	33,759,228
16088	Fayetteville State University	68,632,042	19,890,512	48,741,530	-	-	-	68,632,042	19,890,512	48,741,530
16090	NC Central University	130,529,004	48,396,156	82,132,848	-	-	-	130,529,004	48,396,156	82,132,848
16092	NC School of the Arts	43,392,463	14,723,165	28,669,298	-	-	-	43,392,463	14,723,165	28,669,298
16094	NC School of Science and Mathematics	20,715,539	927,978	19,787,561	630,000	-	630,000	21,345,539	927,978	20,417,561
Department-wide Items										
N/A	Compensation Reserve	-	-	-	42,000,000	N/A	42,000,000	42,000,000	N/A	42,000,000
N/A	State Retirement Contributions	-	-	-	3,323,684	N/A	3,323,684	3,323,684	N/A	3,323,684
Total										
		\$4,400,355,967	\$1,717,048,040	\$2,683,307,927	\$ 140,720,659	\$ 19,611,475	\$ 121,109,184	\$4,541,076,626	\$1,736,659,515	\$2,804,417,111

Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session

UNC System					
Bdgt Code	Fund Name	Enacted	Legislative Changes		Revised
		Total Requirements	Net Appropriation	Receipts	Total Requirements
16010	UNC-Board of Governors	246.74	-	-	246.74
16011	UNC-Board of Governors - Institutional	-	-	-	-
16012	UNC-BOG-Related Educational Programs	-	-	-	-
16015	Aid to Private Colleges	2.00	-	-	2.00
16020	UNC-Chapel Hill	4,138.45	-	-	4,138.45
16021	UNC-Chapel Hill - Health Affairs	1,909.12	-	-	1,909.12
16022	UNC-Chapel Hill - Area Health Education Center	77.90	-	-	77.90
16030	North Carolina State University - Academic	6,082.34	-	-	6,082.34
16031	NC State University - Agricultural Research	797.06	-	-	797.06
16032	NC State University - Cooperative Extension Service	745.74	-	-	745.74
16040	UNC-Greensboro	2,069.45	-	-	2,069.45
16050	UNC-Charlotte	3,020.71	-	-	3,020.71
16055	UNC-Asheville	585.71	-	-	585.71
16060	UNC-Wilmington	1,811.72	-	-	1,811.72
16065	East Carolina University - Academic	3,211.61	-	-	3,211.61
16066	East Carolina University - Health Affairs	552.53	-	-	552.53
16070	NC Agricultural and Technical State University	1,521.31	-	-	1,521.31
16075	Western Carolina University	1,279.58	-	-	1,279.58
16080	Appalachian State University	2,096.17	-	-	2,096.17
16082	UNC-Pembroke	736.29	-	-	736.29
16084	Winston-Salem State University	910.32	-	-	910.32
16086	Elizabeth City State University	350.61	-	-	350.61
16088	Fayetteville State University	704.84	-	-	704.84
16090	NC Central University	1,258.34	-	-	1,258.34
16092	NC School of the Arts	435.69	-	-	435.69
16094	NC School of Science and Mathematics	219.35	1.00	-	220.35
Total FTE		34,763.58	1.00	-	34,764.58

UNC System

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$2,683,307,927

Legislative Changes

A. Reserve for Salaries and Benefits

31 Compensation Increase Reserve - UNC EHRA

\$21,000,000 R

Budget Code: N/A

\$21,000,000 NR

Provides \$21 million for salary increases and \$21 million for one-time merit-based bonuses for State employees. The Board of Governors shall develop policies for the allocation of these salary increases and merit-based bonuses to Exempt from Human Resources Act (EHRA) employees. Merit-based bonuses provided by employing agencies shall not be considered compensation for retirement purposes. Corresponding special provisions provide additional details on these compensation adjustments.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394 million in FY 2016-17.

32 State Retirement Contributions - TSERS Members

\$3,664,607 R

Budget Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

33 State Retirement Contributions - ORP Members

(\$340,923) R

Budget Code: N/A

Decreases the State's contribution for members of the Optional Retirement Program (ORP) to match the actuarially determined contribution for the Disability Income Plan.

The revised net appropriation for members of ORP is approximately \$145.6 million.

B. Technical and Formula Adjustments**34 Enrollment Growth Adjustments**

\$31,000,000 R

Budget Code: 16011

Provides additional funds for projected enrollment growth in the University of North Carolina (UNC) System. Total enrollment is projected to be 206,139 Full Time Equivalent (FTE) students, a 1.5% increase over FY 2015-16's total enrollment of 203,014 FTE.

C. Other Adjustments**35 UNC Teacher and Principal Preparation Program Lab School Administration**

\$1,000,000 NR

Budget Code: 16010

Funds UNC General Administration to provide administrative and technical assistance related to the UNC Teacher and Principal Preparation Laboratory School Program. The funds shall be used to provide lab school start-up assistance to constituent institutions with educator preparation programs. The revised net appropriation for UNC Teacher and Principal Preparation Program Lab School Administration is \$1.0 million.

36 Internships and Career-Based Opportunities for HBCU Students

\$183,000 NR

Budget Code: 16011

Expands, on a nonrecurring basis, the internship program for students attending Historically Black Colleges and Universities (HBCU). The revised net appropriation for the HBCU Internship Program is \$500,500.

37 Advancement Activity Limitations

\$5,000,000 NR

Budget Code: 16011

Provides nonrecurring funds to partially offset the reduction required by the cap on the use of General Fund appropriations for campus advancement activities at \$1 million per campus. These additional funds lower the amount of the reduction to advancement and fundraising activities from \$16.4 million to \$11.4 million for FY 2016-17.

38 Western School of Medicine - Asheville

\$3,000,000 R

Budget Code: 16021

Provides funds for the UNC School of Medicine's Asheville Campus, a joint program between the UNC School of Medicine and the Mountain Area Health Education Center. Funding will support administration, faculty, and related programs. The revised net appropriation for the Western School of Medicine is \$3 million.

39 North Carolina State University (NCSU) - Agriculture Institute

\$200,000 R

Budget Code: 16030

Provides funding for NCSU's Agriculture Institute for increased student support, recruitment, and marketing. The revised net appropriation for the Agriculture Institute for student support, recruitment, and marketing is \$200,000.

Senate Committee on Education/Higher Education

FY 16-17

40 East Carolina University: Medical School Sustainability Funds

Budget Code: 16066

\$4,000,000 R
(\$4,000,000) NR

Converts half of the State budget sustainability funds for the Brody School of Medicine to recurring status. The funds are to provide support for the school due to lost revenue. The revised net appropriation for East Carolina University Health Affairs remains \$73.5 million in FY 2016-17.

41 Western School of Engineering and Technology

Budget Code: 16094

\$130,000 R
\$500,000 NR
1.00

Provides funds for project management and curriculum development at the Western School of Engineering and Technology, which was funded in 2016 in the Connect NC Bond. An additional position, based in Morganton, NC, will provide construction management of the project. Additional funds will provide for curriculum development for the new school. The revised net appropriation for the Western School of Engineering and Technology is \$630,000.

D. Financial Aid Adjustments

42 Cheatham-White Scholarships

Budget Code: 16011

\$300,000 R

Provides funds to administer a new scholarship program at North Carolina Central University (NCCU) and North Carolina Agricultural and Technical State University (NCA&T) to be called the Cheatham-White Scholarships. The full scholarships will fund up to 50 students at each university beginning in the Fall 2018 semester. NCCU and NCA&T will be required to match the General Fund appropriation. The revised net appropriation for the Cheatham-White Scholarships is \$300,000.

43 Principal Preparation

Budget Code: 16015

(\$1,000,000) R

Eliminates the Principal Preparation program. The program provided competitive grants for school leadership development, administered by a third party non-profit entity. The revised net appropriation for the Principal Preparation program is \$0.

44 Special Education Scholarships

Budget Code: 16015

\$632,500 R

Increases funding for Special Education Scholarships by 15%. The program provides scholarship grants of up to \$4,000 per semester for eligible students to attend non-public schools. The revised net appropriation for Special Education Scholarships is \$5.9 million.

45 Opportunity Scholarship Grant Fund Reserve

Budget Code: 16015

\$34,840,000 NR

Establishes an Opportunity Scholarship Grant Fund Reserve in order to shift the program to forward funding. The Reserve will be used to fund scholarships for the subsequent fiscal year. The revised net appropriation for the Opportunity Scholarship Grant Fund Reserve is \$34.8 million.

Senate Committee on Education/Higher Education

FY 16-17

Total Legislative Changes

\$62,586,184 R

\$58,523,000 NR

Total Position Changes

1.00

Revised Budget

\$2,804,417,111

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Health and Human Services Section G

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**Central Management
Budget Code 14410**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$216,674,084
Receipts	\$86,640,831
Net Appropriation	\$130,033,253

Legislative Changes

Requirements	\$20,361,425
Receipts	\$14,376,833
Net Appropriation	\$5,984,592

Revised Budget

Requirements	\$237,035,509
Receipts	\$101,017,664
Net Appropriation	\$136,017,845

General Fund FTE

Enacted Budget	745.76
Legislative Changes	3.00
Revised Budget	748.76

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Central Management Budget Code 14410		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1119	Service Support-Administration	6,470,066	1,480,029	4,990,037	-	-	-	6,470,066	1,480,029	4,990,037
1120	Service Support-Central Management	17,958,289	3,485,403	14,472,886	286,430	143,215	143,215	18,244,719	3,628,618	14,616,101
1121	Service Support-Controllers Office	17,597,670	7,845,098	9,752,572	-	-	-	17,597,670	7,845,098	9,752,572
1122	DIRM-Information Services	73,231,074	50,650,213	22,580,861	1,250,000	-	1,250,000	74,481,074	50,650,213	23,830,861
1123	DIRM-Planning and Development	454,508	396,457	58,051	-	-	-	454,508	396,457	58,051
1124	NC Council on Developmental Disabilities	2,312,533	2,233,612	78,921	-	-	-	2,312,533	2,233,612	78,921
1125	Service Support - Medicaid Mgmt Info System	480,610	1,134	479,476	-	-	-	480,610	1,134	479,476
1126	Central Regional Maintenance - Dix	9,399,644	1,703,636	7,696,008	-	-	-	9,399,644	1,703,636	7,696,008
1161	Rural Hospital - Assistance	2,302,301	2,302,301	-	-	-	-	2,302,301	2,302,301	-
1162	Rural Health Capacity Building	4,486,426	2,884,384	1,602,042	-	-	-	4,486,426	2,884,384	1,602,042
1163	Primary Care Safety Net Infrastructure	7,709,288	22,119	7,687,169	-	-	-	7,709,288	22,119	7,687,169
1164	Rural Health Centers	3,726,657	437,702	3,288,955	-	-	-	3,726,657	437,702	3,288,955
1168	Telemedicine	2,054,070	48,663	2,005,407	-	-	-	2,054,070	48,663	2,005,407
1320	Prescription Assistance	3,386,926	859,175	2,527,751	-	-	-	3,386,926	859,175	2,527,751
1371	NC Farmworker Health	2,442,623	2,441,399	1,224	-	-	-	2,442,623	2,441,399	1,224
1372	Community Care of NC	4,141,894	4,053,165	88,729	-	-	-	4,141,894	4,053,165	88,729
1373	Services for the Uninsured	219,025	67,242	151,783	-	-	-	219,025	67,242	151,783
1910	Reserves and Transfers	56,423,881	3,852,500	52,571,381	18,726,272	14,226,272	4,500,000	75,150,153	18,078,772	57,071,381
1991	Indirect Cost - Reserve	116,418	116,418	-	-	-	-	116,418	116,418	-
1992	Prior Year - Earned Revenue	1,760,181	1,760,181	-	-	-	-	1,760,181	1,760,181	-
Division-wide Items										
N/A	CCDF Block Grant	-	-	-	7,346	7,346	-	7,346	7,346	-
N/A	Reserve for Retirement Contributions	-	-	-	91,377	N/A	91,377	91,377	N/A	91,377
Total		\$216,674,084	\$86,640,831	\$130,033,253	\$20,361,425	\$14,376,833	\$5,984,592	\$237,035,509	\$101,017,664	\$136,017,845

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Central Management					
Budget Code 14410		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1119	Service Support-Administration	66.00	-	-	66.00
1120	Service Support-Central Management	101.75	3.00	-	104.75
1121	Service Support-Controllers Office	245.00	-	-	245.00
1122	DIRM-Information Services	235.00	-	-	235.00
1123	DIRM-Planning and Development		-	-	-
1124	NC Council on Developmental Disabilities	11.00	-	-	11.00
1125	Service Support - Medicaid Mgnt Info System		-	-	-
1126	Central Regional Maintenance - Dix	108.00	-	-	108.00
1161	Rural Hospital - Assistance	1.51	-	-	1.51
1162	Rural Health Capacity Building	5.00	-	-	5.00
1163	Primary Care Safety Net Infrastructure	1.00	-	-	1.00
1164	Rural Health Centers	9.00	-	-	9.00
1168	Telemedicine	1.00	-	-	1.00
1320	Prescription Assistance	6.00	-	-	6.00
1371	NC Farmworker Health	6.00	-		6.00
1372	Community Care of NC	3.50	-		3.50
1373	Services for the Uninsured	3.00	-		3.00
1910	Reserves and Transfers	(57.00)	-		(57.00)
1991	Indirect Cost - Reserve	-	-	-	-
1992	Prior Year - Earned Revenue	-	-	-	-
Total FTE		745.76	3.00	-	748.76

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$130,033,253

Legislative Changes

(1.0) Division of Central Management and Support

1 State Retirement Contributions

\$91,377 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

2 Miscellaneous Contractual Services

(\$3,200,000) R

Fund Code: 1910

Continues a reduction for miscellaneous contracts implemented in FY 2015-16 on a department wide basis.

3 County Department of Social Services Improve Medicaid Timeliness

\$143,215 R

Fund Code: 1120

3.00

Provides 3 Business System Analyst positions to interpret Medicaid data by combining and analyzing diverse types of data from several data warehouses to extract actionable data discoveries and new trend analytics. These positions will develop performance standards for county departments of social services offices, monitor the data to measure performance, and provide better guidance to county DSS offices on how to improve the timeliness and accuracy of Medicaid eligibility determinations. These positions can also assist with training county DSS offices on how to effectively use NC FAST data to manage the Medicaid eligibility determination workload. The revised net appropriation for fund 1120 Service Support - Central Management is \$14.6 million.

4 NC FAST Next Phase**Fund Code:** 1910

Budgets federal receipts of \$12,637,255 and prior year earned revenue of \$1,589,017 for NC FAST to implement client self-service functionality, including secure inbox, document upload, renewals, online appeals, a Quality Assurance Manager, and increased reporting. The revised net appropriation remains unchanged at \$13 million.

5 Graduate Medical Education

\$7,700,000 R

Fund Code: 1910

Supports the establishment of a residency program at Cape Fear Valley Medical Center that is affiliated with Campbell University Medical School. This appropriation replaces an anticipated loss of Medicare revenue as a result of the hospital's future reclassification as a rural hospital by the Centers for Medicare and Medicaid Services. The amount of the net appropriation is based on a calculation of the actual reduction in Medicare revenues due to the reclassification to a rural hospital, less \$3.0 million from private donations. The maximum paid to Cape Fear Valley Hospital shall not exceed \$7.7 million. The revised net appropriation for Graduate Medical Education at Cape Fear Valley Medical Center is \$7.7 million.

6 Medicaid Analytics Pilot

\$1,250,000 NR

Fund Code: 1122

Provides funds for a pilot to integrate new data sources, such as patient-level Healthcare Effectiveness Data and Information Set (HEDIS) quality measures; automate reporting and analytic capabilities; integrate a tool to construct and analyze claims as clinical episodes of care to fit into reform; and help the State move to value-based purchasing arrangements. The revised net appropriation for the Medicaid Analytics Pilot is \$1.3 million.

7 Child Care Development Fund Block Grant**Fund Code:** N/A

Budgets additional Child Care Development Fund (CCDF) block grant federal receipts in the amount of \$7,346. The revised CCDF block grant federal receipts for the Division is \$7,346.

Total Legislative Changes	\$4,734,592	R
	\$1,250,000	NR
Total Position Changes	3.00	
Revised Budget	\$136,017,845	

DHHS-CENTRAL MANAGEMENT-IT PROJECTS

Budget Code: 24410

	FY 2016-17
Beginning Unreserved Fund Balance	\$10,403,792
Recommended Budget	
Requirements	\$42,043,531
Receipts	\$42,181,452
Positions	205.00

Legislative Changes**Requirements:****Data Collection and Information Management Information System**

\$0 R

Budgets funds from Budget Code 67425 to implement a Data Collection and Service Management Information System to replace the current legacy system used by the Division of Services for the Deaf and Hard of Hearing. The project shall not proceed until the Business Case has been approved by the State Budget Director and the State Chief Information Officer.

\$750,000 NR

0.00

Subtotal Legislative Changes

\$0 R

\$750,000 NR

0.00

Receipts:**Blind & Deaf/HH Trust Telecommunications**

\$0 R

Transfer funds from Budget Code 67425 to the Central Management Services Division to implement a Data Collection and Service Management Information System to replace the current legacy system used by the Division of Services for the Deaf and Hard of Hearing. The project shall not proceed until the Business Case has been approved by the State Budget Officer and the State Chief Information Officer.

\$750,000 NR

Senate Appropriations Committee on Health and Human Services

FY 2016-17

Subtotal Legislative Changes

\$0 R

\$750,000 NR

Revised Total Requirements

\$42,793,531

Revised Total Receipts

\$42,931,452

Change in Fund Balance

\$137,921

Total Positions

205.00

Unappropriated Balance Remaining

\$10,541,713

**Division of Aging
Budget Code 14411**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$105,473,473
Receipts	\$61,658,136
Net Appropriation	\$43,815,337

Legislative Changes

Requirements	\$505,824
Receipts	\$0
Net Appropriation	\$505,824

Revised Budget

Requirements	\$105,979,297
Receipts	\$61,658,136
Net Appropriation	\$44,321,161

General Fund FTE

Enacted Budget	76.50
Legislative Changes	2.00
Revised Budget	78.50

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Division of Aging		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14411										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Service Support	2,849,382	1,709,350	1,140,032	-	-	-	2,849,382	1,709,350	1,140,032
1160	Professional Development and Capacity Building	218,806	218,806	-	-	-	-	218,806	218,806	-
1167	Emergency Shelter	4,803,739	4,803,739	-	-	-	-	4,803,739	4,803,739	-
1260	Access Outreach - Aging Adults	2,405,916	1,065,132	1,340,784	-	-	-	2,405,916	1,065,132	1,340,784
1270	Quality Improvement - Wellness and Health Promotion	798,384	732,012	66,372	-	-	-	798,384	732,012	66,372
1370	Senior Nutrition/ Fan Programs	10,733,138	10,313,685	419,453	-	-	-	10,733,138	10,313,685	419,453
1410	Case Management and Counseling	82,206	60,359	21,847	-	-	-	82,206	60,359	21,847
1451	Community Based Services and Supports	61,391,239	29,200,409	32,190,830	-	-	-	61,391,239	29,200,409	32,190,830
1452	Alzheimer's and Dementia Support Services Support	4,581,367	3,989,691	591,676	500,000	-	500,000	5,081,367	3,989,691	1,091,676
1453	At-Risk Case Management	82,743	52,373	30,370	-	-	-	82,743	52,373	30,370
1454	Key Program	6,183,669	68,037	6,115,632	-	-	-	6,183,669	68,037	6,115,632
1480	Senior Community Services Employment Services	2,437,963	2,431,225	6,738	-	-	-	2,437,963	2,431,225	6,738
1510	Adult Protective Services and Guardianship	4,441,357	3,933,704	507,653	-	-	-	4,441,357	3,933,704	507,653
1550	Long Term Care - Ombudsman Services	3,707,706	2,622,422	1,085,284	-	-	-	3,707,706	2,622,422	1,085,284
1570	State/County Special Assistance Administration	677,552	378,886	298,666	-	-	-	677,552	378,886	298,666
1910	Reserves and Transfers	-	-	-	-	-	-	-	-	-
1991	Indirect Cost - Reserve	78,306	78,306	-	-	-	-	78,306	78,306	-
Division-wide Items										
N/A	Reserve for Retirement Contributions	-	-	-	5,824	N/A	5,824	5,824	N/A	5,824
Total		\$105,473,473	\$61,658,136	\$43,815,337	\$505,824	\$0	\$505,824	\$105,979,297	\$61,658,136	\$44,321,161

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Division of Aging					
Budget Code 14411		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Service Support	18.00	-	-	18.00
1160	Professional Development and Capacity Building	-	-	-	-
1167	Emergency Shelter	2.00	-	-	2.00
1260	Access Outreach - Aging Adults	3.00	-	-	3.00
1270	Promotion	1.00	-	-	1.00
1370	Senior Nutrition/ Fan Programs	-	-	-	-
1410	Case Management and Counseling	1.00	-	-	1.00
1451	Community Based Services and Supports	9.50	-	-	9.50
1452	Alzheimer's and Dementia Support Services Support	2.00	2.00	-	4.00
1453	At-Risk Case Management	1.00	-	-	1.00
1454	Key Program	11.00	-	-	11.00
1480	Senior Community Services Employment Services	1.00	-	-	1.00
1510	Adult Protective Services and Guardianship	14.00	-	-	14.00
1550	Long Term Care - Ombudsman Services	5.00	-	-	5.00
1570	State/County Special Assistance Administration	8.00	-	-	8.00
1910	Reserves and Transfers	-	-	-	-
1991	Indirect Cost - Reserve	-	-	-	-
Total FTE		76.50	2.00	-	78.50

Senate Committee on Health and Human Services

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$43,815,337

Legislative Changes

(2.0) Division of Aging and Adult Services

8 State Retirement Contributions

\$5,824 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

9 Project CARE Support for Alzheimer's Patients and Their Families

\$300,000 R

Fund Code: 1452

Increases funding for Project CARE (Caregiver Alternatives to Running on Empty) effective October 1, 2016. Project CARE supports families acting as caregivers for family members with Alzheimer's disease. The increased funding will provide vouchers for respite services and 3 additional full-time family consultants for Project CARE. The revised net appropriation for Project CARE is \$600,000.

10 No Wrong Door to Accessing Benefits Initiative

\$200,000 R

Fund Code: 1452

2.00

Creates 2 full-time equivalent staff positions within the Division of Aging and Adult Services to oversee continued development and implementation of the No Wrong Door to Accessing Benefits initiative. Staff responsibilities will include enhancement of the NC 2-1-1 database and management of Alzheimer's disease and dementia-related stakeholder partnerships. The revised net appropriation for the No Wrong Door To Accessing Benefits Initiative is \$200,000.

Total Legislative Changes	\$505,824	R
Total Position Changes	2.00	
Revised Budget	\$44,321,161	-

Division of Child Development and Early Education
Budget Code 14420

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$671,468,663
Receipts	\$428,434,687
Net Appropriation	\$243,033,976

Legislative Changes

Requirements	\$14,074,872
Receipts	\$24,100,360
Net Appropriation	(\$10,025,488)

Revised Budget

Requirements	\$685,543,535
Receipts	\$452,535,047
Net Appropriation	\$233,008,488

General Fund FTE

Enacted Budget	298.75
Legislative Changes	10.00
Revised Budget	308.75

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Division of Child Development and Early Education		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14420										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
14A0	Smart Start - Health Related Activities	5,527,584	-	5,527,584	-	-	-	5,527,584	-	5,527,584
1110	Service Support	4,067,011	2,175,811	1,891,200	-	-	-	4,067,011	2,175,811	1,891,200
1151	Child Care - Regulation	14,069,271	14,069,271	-	154,676	154,676	-	14,223,947	14,223,947	-
1152	DHHS - Criminal Record Checks	1,964,117	1,349,480	614,637	153,109	153,109	-	2,117,226	1,502,589	614,637
1161	Child Care - Capacity Building	15,113,882	15,076,903	36,979	80,438	80,438	-	15,194,320	15,157,341	36,979
1162	Smart Start - Child Care Related Activities	52,371,075	-	52,371,075	-	-	-	52,371,075	-	52,371,075
1271	Smart Start - Family Support Activities	18,434,178	-	18,434,178	-	-	-	18,434,178	-	18,434,178
1272	Child Care - Rated License	2,870,615	2,870,615	-	-	-	-	2,870,615	2,870,615	-
1330	Pre-Kindergarten Program	144,178,390	91,286,091	52,892,299	-	6,430,899	(6,430,899)	144,178,390	97,716,990	46,461,400
1380	Subsidized Child Care	342,191,924	294,606,516	47,585,408	275,212	3,875,212	(3,600,000)	342,467,136	298,481,728	43,985,408
1381	Smart Start - Subsidized Child Care	70,680,616	7,000,000	63,680,616	-	-	-	70,680,616	7,000,000	63,680,616
Division-wide Items										
N/A	CCDF Block Grant	-	-	-	13,406,026	13,406,026	-	13,406,026	13,406,026	-
N/A	Reserve for Retirement Contributions	-	-	-	5,411	N/A	5,411	5,411	N/A	5,411
Total		\$671,468,663	\$428,434,687	\$243,033,976	\$14,074,872	\$24,100,360	(\$10,025,488)	\$685,543,535	\$452,535,047	\$233,008,488

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Division of Child Development and Early Education					
Budget Code 14420		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
14A0	Smart Start - Health Related Activities	-	-	-	-
1110	Service Support	34.00	-	-	34.00
1151	Child Care - Regulation	202.75	-	2.00	204.75
1152	DHHS - Criminal Record Checks	18.00	-	3.00	21.00
1161	Child Care - Capacity Building	12.00	-	1.00	13.00
1162	Smart Start - Child Care Related Activities	-	-	-	-
1271	Smart Start - Family Support Activities	-	-	-	-
1272	Child Care - Rated License	-	-	-	-
1330	Pre-Kindergarten Program	8.00	-	-	8.00
1380	Subsidized Child Care	24.00	-	4.00	28.00
1381	Smart Start - Subsidized Child Care	-	-	-	-
Total FTE		298.75	-	10.00	308.75

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$243,033,976

Legislative Changes

(3.0) Division of Child Development and Early Education

11 State Retirement Contributions

\$5,411 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

12 NC Pre-K Federal Funds

(\$6,430,899)

Fund Code: 1330

Budgets Temporary Assistance for Needy Families block grant receipts on a nonrecurring basis for NC Pre-K, and accordingly reduces the revised net appropriation by the same amount. The requirements for NC Pre-K remain unchanged at \$144.2 million. The revised net appropriation for NC Pre-K is \$46.5 million.

13 Child Care Subsidy Federal Funds

(\$3,600,000) NR

Fund Code: 1380

Budgets Temporary Assistance for Needy Families block grant receipts on a nonrecurring basis for the Child Care Subsidy program, and accordingly reduces the revised net appropriation by the same amount. The revised net appropriation from all actions in this report for the Child Care Subsidy Program is \$44 million.

14 Child Care Quality Improvement**Fund Code:** 1151, 1152, 1161, 1380

Invests in quality child care through additional Child Care Development Fund (CCDF) block grant requirements and receipts in the amount of \$663,435 for criminal background checks, enhanced training, and improved fraud prevention and detection. Funds 10 receipt supported positions: 1 Human Services Planner/Evaluator III, 1 Child Day Care Program Manager, 1 Administrative Assistant I, 2 Processing Assistant V, 1 Human Services Planner/Evaluation IV, and 4 Administrative Officer II's. The revised net appropriation remains unchanged for child care regulation at \$0, criminal record checks at \$614,637 and for child care capacity building at \$36,979. The revised net appropriation for the Child Care Subsidy Program from all actions in this report for FY 2016-17 is \$44 million.

15 Child Care Development Fund Block Grant**Fund Code:** N/A

Budgets additional CCDF block grant federal receipts in the amount of \$13,406,026. The revised CCDF block grant federal receipts for the Division are \$201.2 million.

Total Legislative Changes**\$5,411 R****(\$10,030,899) NR****Total Position Changes****Revised Budget****\$233,008,488**

**Division of Social Services
Budget Code 14440**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$1,726,742,478
Receipts	\$1,541,209,215
Net Appropriation	\$185,533,263

Legislative Changes

Requirements	\$5,789,463
Receipts	(\$2,562,704)
Net Appropriation	\$8,352,167

Revised Budget

Requirements	\$1,732,531,941
Receipts	\$1,538,646,511
Net Appropriation	\$193,885,430

General Fund FTE

Enacted Budget	397.00
Legislative Changes	25.00
Revised Budget	422.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Division of Social Services Budget Code 14440		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Service Support	16,930,306	11,144,964	5,785,342	519,402	193,063	326,339	17,449,708	11,338,027	6,111,681
1160	Child Welfare Training	7,141,587	6,423,965	717,622	4,295,203	2,180,233	2,114,970	11,436,790	8,604,198	2,832,592
1261	Food and Nutrition Education	1,551,695	1,551,695	-	-	-	-	1,551,695	1,551,695	-
1331	Family Preservation and Support	28,987,793	27,754,963	1,232,830	6,892,544	-	6,892,544	35,880,337	27,754,963	8,125,374
1371	Child Support Enforcement	157,495,485	157,072,177	423,308	-	-	-	157,495,485	157,072,177	423,308
1372	Food and Nutrition Services	159,064,170	157,697,803	1,366,367	1,200,000	600,000	600,000	160,264,170	158,297,803	1,966,367
1373	LIEAP	70,131,491	70,126,491	5,000	-	-	-	70,131,491	70,126,491	5,000
1374	Refugee Medical Assistance	23,979	23,979	-	-	-	-	23,979	23,979	-
1375	TANF - Domestic Violence	12,822	12,822	-	-	-	-	12,822	12,822	-
1376	Medicaid Eligibility	250,342,078	248,711,322	1,630,756	-	-	-	250,342,078	248,711,322	1,630,756
1381	Refugee Cash and Social Services	4,883,149	4,883,147	2	-	-	-	4,883,149	4,883,147	2
1382	Employment Benefits - Work First Family Assistance	80,618,857	79,603,888	1,014,969	-	-	-	80,618,857	79,603,888	1,014,969
1383	Subsidized Child Care Administration	23,532,075	23,532,075	-	-	-	-	23,532,075	23,532,075	-
1384	Employment Benefits	26,721,961	26,718,961	3,000	-	-	-	26,721,961	26,718,961	3,000
1411	Case Management and Counseling	20,505,202	20,103,571	401,631	-	-	-	20,505,202	20,103,571	401,631
1430	Dx Child Home Support - Child Protective Services	181,898,844	161,261,852	20,636,992	568,761	237,715	331,046	182,467,605	161,499,567	20,968,038
1451	Adult Home Support - Community Based Services	37,471,882	35,358,737	2,113,145	-	-	-	37,471,882	35,358,737	2,113,145
1453	Adult Home Support - At Risk Case Management (Adult)	9,836,420	8,837,118	999,302	-	-	-	9,836,420	8,837,118	999,302
1481	ID Family Employment - Work First Employment Services	45,276,014	44,941,246	334,768	-	-	-	45,276,014	44,941,246	334,768
1482	ID Family Employment - Food Nutrition Employment/Training	2,309,149	2,285,630	23,519	-	-	-	2,309,149	2,285,630	23,519
1491	ID Family Emergency - Emergency Energy Assistance	40,158,732	40,158,732	-	-	-	-	40,158,732	40,158,732	-
1492	ID Family Emergency - Family Violence Prevention	2,099,624	2,098,858	766	-	-	-	2,099,624	2,098,858	766
1510	Protection and Adult Support - Protection and Guardianship	35,279,352	33,910,963	1,368,389	-	-	-	35,279,352	33,910,963	1,368,389
1531	OOH Child Support - Adoption	133,120,446	87,795,551	45,324,895	(1,333,333)	(333,333)	(1,000,000)	131,787,113	87,462,218	44,324,895
1532	OOH Child Support - Foster Care	229,450,827	185,672,176	43,778,651	221,461	166,096	55,365	229,672,288	185,838,272	43,834,016
1570	OOH Economic Support - State and County Special Assistance	122,340,010	63,970,003	58,370,007	(2,000,000)	(1,000,000)	(1,000,000)	120,340,010	62,970,003	57,370,007
1701	Local/County Operations	39,016,401	39,014,399	2,002	-	-	-	39,016,401	39,014,399	2,002
1900	Reserves and Transfers	30,817	30,817	-	-	-	-	30,817	30,817	-
1991	Federal Indirect Reserve	280,859	280,859	-	-	-	-	280,859	280,859	-
1992	Prior Year - Earned Revenue	230,451	230,451	-	-	-	-	230,451	230,451	-
Division-wide Items										
N/A	TANF Block Grants			-	772,128	772,128	-	772,128	772,128	-
N/A	SSBG Block Grant				1,089,066	1,089,066	-	1,089,066	1,089,066	-
N/A	LIHEAP Block Grant				(5,694,917)	(5,694,917)	-	(5,694,917)	(5,694,917)	-
N/A	CCDF Block Grant			-	1,133,656	1,133,656	-	1,133,656	1,133,656	-
N/A	CSBG Block Grant			-	(2,909,991)	(2,909,991)	-	(2,909,991)	(2,909,991)	-
N/A	TANF Cont Block Grant				1,003,580	1,003,580	-	1,003,580	1,003,580	-
N/A	Reserve for Retirement Contributions	-	-	-	31,903	N/A	31,903	31,903	N/A	31,903
Total		\$1,726,742,478	\$1,541,209,215	\$185,533,263	\$5,789,463	(\$2,562,704)	\$8,352,167	\$1,732,531,941	\$1,538,646,511	\$193,885,430

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Division of Social Services					
Budget Code 14440		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Service Support	82.00	7.00	-	89.00
1160	Child Welfare Training	18.00	7.00	-	25.00
1261	Food and Nutrition Education	-	-	-	-
1331	Family Preservation and Support	6.00	-	-	6.00
1371	Child Support Enforcement	127.00	-	-	127.00
1372	Food and Nutrition Services	62.00	-	-	62.00
1373	LIEAP	-	-	-	-
1374	Refugee Medical Assistance	-	-	-	-
1375	TANF - Domestic Violence	-	-	-	-
1376	Medicaid Eligibility	-	-	-	-
1381	Refugee Cash and Social Services	4.00	-	-	4.00
1382	Employment Benefits - Work First Family Assistance	-	-	-	-
1383	Subsidized Child Care Administration	-	-	-	-
1384	Employment Benefits	10.00	-	-	10.00
1411	Case Management and Counseling	-	-	-	-
1430	Dx Child Home Support - Child Protective Services	27.00	7.00	-	34.00
1451	Adult Home Support - Community Based Services	-	-	-	-
1453	(Adult)	-	-	-	-
1481	Services	11.00	-	-	11.00
1482	Employment/Training	2.00	-	-	2.00
1491	Assistance	-	-	-	-
1492	ID Family Emergency - Family Violence Prevention	1.00	-	-	1.00
1510	Guardianship	-	-	-	-
1531	OOH Child Support - Adoption	14.00	-	-	14.00
1532	OOH Child Support - Foster Care	33.00	4.00	-	37.00
1570	Assistance	-	-	-	-
1701	Local/County Operations	-	-	-	-
1900	Reserves and Transfers	-	-	-	-
1991	Federal Indirect Reserve	-	-	-	-
1992	Prior Year - Earned Revenue	-	-	-	-
Total FTE		397.00	25.00	-	422.00

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$185,533,263

Legislative Changes

(4.0) Division of Social Services

16 State Retirement Contributions

\$31,903 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

17 State-County Special Assistance Caseload Adjustment

(\$1,000,000) R

Fund Code: 1570

Reduces State-County Special Assistance due to a decline in the number of individuals participating in the program. The revised net appropriation for State-County Special Assistance for FY 2016-17 is \$57.4 million.

18 Adoption Assistance

(\$1,000,000) R

Fund Code: 1531

Adjusts the Adoption Assistance budget based on projected enrollment. The revised net appropriation for Adoption Services is \$44.3 million.

19 Child Welfare Federal Program Improvement Plan**Fund Code:** 1110, 1160, 1331

Provides additional resources to implement the Program Improvement Plan as a result of the recent Child and Family Services Review (CFSR). The plan will establish professional development opportunities and ongoing specific training regarding child welfare issues. Training for supervisors and leaders who support the field social workers will be provided. Additionally, 3 positions are provided to analyze program performance data. In-Home services are expanded to support children's safety while keeping families together and reducing the likelihood of children entering into foster care. The revised net appropriation from all actions in this report for Fund 1110, Service Support is \$6.1 million. The revised net appropriation from all actions in this report for Fund 1160, Child Welfare Training, is \$2.8 million. The revised net appropriation for Fund 1331, Family Preservation and Support is \$8.1 million.

\$167,083 R
\$8,432,917 NR
3.00

20 County Child Welfare Services Oversight and Accountability**Fund Code:** 1160, 1430, 1532

Provides funding to enhance the State's capacity to ensure a competent and well-trained county-based child welfare workforce by increasing the availability of localized, mobile training tailored to specific needs. Additional positions are authorized to provide technical assistance to counties in the development and implementation of their performance improvement plan, track and measure these improvements, and quantify county outcomes to ensure consistency across counties. The positions will also develop a statewide recruitment plan for foster care parents and work to improve the foster care licensing process. The revised net appropriation from all actions in this report for Fund 1160, Child Welfare Training, is \$2.8 million. The revised net appropriation from all actions in this report for Fund 1430, Child Home Support - Child Protective Services is \$21 million. The revised net appropriation for Fund 1532, Child Support - Foster Care is \$43.8 million.

\$691,965 R
\$11,614 NR
15.00

21 Child Fatality Reviews**Fund Code:** 1430

Funds 3 additional positions to ensure timely review of child fatalities in accordance with G.S.143B.150-20. These positions will also develop the system capacity to effectively utilize the results and implement the recommendations as a result of the reviews. The revised net appropriation from all actions in this report for Fund 1430, Child Home Support- Child Protective Services is \$21 million.

\$59,150 R
\$750 NR
3.00

22 Child Advocacy Centers**Fund Code:** 1331

Provides funding for Child Advocacy Centers to provide evidence-based services to sexually and physically abused children and their families. The revised net appropriation for Child Advocacy Centers is \$593,000.

\$200,000 NR

23 Food and Nutrition Services Outreach for Medicaid/Medicare Dual Eligibles**Fund Code:** 1372

\$600,000 NR

Provides funds for the Department to establish a pilot program to increase access to Food and Nutrition Services benefits for individuals who are dually eligible for Medicare and Medicaid through outreach and assistance with completion of the Food and Nutrition Services applications. The total requirements for the Food and Nutrition Services Outreach Pilot program are \$1.2 million and the revised net appropriation is \$600,000.

24 County Department of Social Services Improve Medicaid Timeliness

\$156,785 R

Fund Code: 1110

4.00

Provides funding for 4 Human Services Evaluator/Planner positions to assist county department of social services offices in using the Client Services Data Warehouse(CSDW) to analyze NC FAST eligibility data for Medicaid and other economic services programs. These staff will develop internal queries and reports to assist DHHS with monitoring county DSS office performance, and provide CSDW training to county DSS offices and develop NC FAST or other data queries for use by the counties. The revised net appropriation from all actions in this report for Fund 1110 Service Support is \$6.1 million.

25 Temporary Assistance for Needy Families Block Grant**Fund Code:** N/A

Budgets additional Temporary Assistance for Needy Families (TANF) block grant federal receipts in the amount of \$772,128. The revised TANF block grant federal receipts for the Division are \$164.8 million.

26 TANF Contingency Block Grant**Fund Code:** N/A

Budgets TANF Contingency block grant federal receipts in the amount of \$1,003,580. The revised TANF Contingency block grant federal receipts for the Division are \$1 million.

27 Social Services Block Grant**Fund Code:** N/A

Budgets additional Social Services block grant (SSBG) federal receipts in the amount of \$1,089,066. The revised SSBG block grant federal receipts for the Division are \$33.4 million.

28 Low Income Energy Assistance Program**Fund Code:** N/A

Reduces Low Income Energy Assistance Program (LIEAP) federal receipts in the amount of \$5,694,917. The revised LIEAP block grant federal receipts for the Division are \$98.6 million.

29 Child Care Development Fund Block Grant**Fund Code:** N/A

Budgets additional CCDF federal receipts in the amount of \$1,133,656. The revised CCDF block grant federal receipts for the Division are \$17 million.

30 Community Services Block Grant**Fund Code:** N/A

Reduces the Community Services Block Grant (CSBG) federal receipts in the amount of \$2,909,991. The revised CSBG block grant federal receipts for the Division are \$23.8 million.

Total Legislative Changes	(\$893,114)	R
	\$9,245,281	
Total Position Changes	25.00	
Revised Budget	\$193,885,430	

**Public Health
Budget Code 14430**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$837,742,111
Receipts	\$689,443,683
Net Appropriation	\$148,298,428

Legislative Changes

Requirements	\$4,384,985
Receipts	\$2,688,619
Net Appropriation	\$1,696,366

Revised Budget

Requirements	\$842,127,096
Receipts	\$692,132,302
Net Appropriation	\$149,994,794

General Fund FTE

Enacted Budget	1,916.11
Legislative Changes	5.00
Revised Budget	1,921.11

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Public Health Budget Code 14430		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Service Support	18,905,855	9,907,433	8,998,422	-	-	-	18,905,855	9,907,433	8,998,422
1151	Forensic Tests for Alcohol	3,363,551	3,362,183	1,368	-	-	-	3,363,551	3,362,183	1,368
1152	Asbestos and Lead-based Paint - Hazard Mgmt	1,945,190	1,684,452	260,738	-	-	-	1,945,190	1,684,452	260,738
1153	Environmental Health Regulation	7,728,522	4,460,559	3,267,963	177,500	-	177,500	7,906,022	4,460,559	3,445,463
1161	Public Health - Capacity Building	14,733,037	1,692,635	13,040,402	-	-	-	14,733,037	1,692,635	13,040,402
1171	State Center for Health Statistics	5,388,639	2,603,972	2,784,667	-	-	-	5,388,639	2,603,972	2,784,667
1172	Office of Chief Medical Examiner	15,626,668	2,698,676	12,927,992	-	-	-	15,626,668	2,698,676	12,927,992
1173	Vital Records	5,847,760	3,405,752	2,442,008	-	-	-	5,847,760	3,405,752	2,442,008
1174	Public Health - Lab	24,116,316	20,743,824	3,372,492	2,511,130	1,400,000	1,111,130	26,627,446	22,143,824	4,483,622
1175	Public Health - Surveillance	8,997,387	7,029,506	1,967,881	188,870	-	188,870	9,186,257	7,029,506	2,156,751
1261	Public Health - Promotion	10,045,042	9,034,861	1,010,181	-	-	-	10,045,042	9,034,861	1,010,181
1262	Health Disparities	3,299,576	155,468	3,144,108	-	-	-	3,299,576	155,468	3,144,108
1264	Public Health - Preparedness and Response	10,606,362	8,497,854	2,108,508	-	-	-	10,606,362	8,497,854	2,108,508
126C	Access Outreach - Chronic Disease	2,358,947	1,520,126	838,821	-	-	-	2,358,947	1,520,126	838,821
1271	Children and Adult Health Prevention	28,192,906	19,123,767	9,069,139	255,825	555,825	(300,000)	28,448,731	19,679,592	8,769,139
1272	Child and Adult Nutrition Services	98,416,088	98,415,781	307	-	-	-	98,416,088	98,415,781	307
1273	Race to the Top - Early Learning Challenge	2,458,334	2,458,334	-	-	-	-	2,458,334	2,458,334	-
1311	HIV/STD Prevention Activities	19,601,354	15,552,678	4,048,676	-	-	-	19,601,354	15,552,678	4,048,676
1312	Medical Evaluation and Risk Assessment	1,143,785	554,356	589,429	-	-	-	1,143,785	554,356	589,429
1313	Wisewoman	1,137,191	1,137,191	-	-	-	-	1,137,191	1,137,191	-
1320	Breast and Cervical Cancer Control	4,756,984	3,149,626	1,607,358	-	-	-	4,756,984	3,149,626	1,607,358
1331	Immunization	8,535,912	7,403,221	1,132,691	-	-	-	8,535,912	7,403,221	1,132,691
1332	Children's Health Services	26,263,397	8,160,793	18,102,604	-	-	-	26,263,397	8,160,793	18,102,604
1370	Refugee Health Assessment	373,718	373,718	-	-	-	-	373,718	373,718	-
13A1	Maternal and Infant Health	53,799,323	41,358,120	12,441,203	441,772	41,772	400,000	54,241,095	41,399,892	12,841,203
13A2	Women, Infants and Children (WIC)	296,330,121	295,972,660	357,461	-	-	-	296,330,121	295,972,660	357,461
13B0	Oral Health Preventive Services	4,540,573	1,508,658	3,031,915	-	-	-	4,540,573	1,508,658	3,031,915
1421	Sickle Cell Adult Treatment	1,594,827	545,678	1,049,149	-	-	-	1,594,827	545,678	1,049,149
1441	Early Intervention	67,563,697	46,446,740	21,116,957	-	-	-	67,563,697	46,446,740	21,116,957
1460	Communicable Disease (HIV/AIDS and TB)	77,403,768	60,423,621	16,980,147	-	-	-	77,403,768	60,423,621	16,980,147
14A0	Sickle Cell Support - Children	2,949,658	343,817	2,605,841	-	-	-	2,949,658	343,817	2,605,841
1910	Reserves and Transfers	-	-	-	-	-	-	-	-	-
1991	Federal Indirect Reserve	2,280,159	2,280,159	-	-	-	-	2,280,159	2,280,159	-
1992	Prior Year - Earned Revenue	7,437,464	7,437,464	-	-	-	-	7,437,464	7,437,464	-
Division-wide Items										
N/A	Preventative Health Block Grant	-	-	-	44,477	44,477	-	44,477	44,477	-
N/A	Maternal Health Block Grant	-	-	-	646,545	646,545	-	646,545	646,545	-
N/A	Reserve for Retirement Contributions	-	-	-	118,866	N/A	118,866	118,866	N/A	118,866
Total		\$837,742,111	\$689,443,683	\$148,298,428	\$4,384,985	\$2,688,619	\$1,696,366	\$842,127,096	\$692,132,302	\$149,994,794

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Public Health					
Budget Code 14430		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Service Support	124.00	-	-	124.00
1151	Forensic Tests for Alcohol	29.00	-	-	29.00
1152	Asbestos and Lead-based Paint - Hazard Mgmt	23.00	-	-	23.00
1153	Environmental Health Regulation	57.00	-	-	57.00
1161	Public Health - Capacity Building	27.00	-	-	27.00
1171	State Center for Health Statistics	56.50	-	-	56.50
1172	Office of Chief Medical Examiner	52.50	-	-	52.50
1173	Vital Records	71.00	-	-	71.00
1174	Public Health - Lab	219.00	1.00	-	220.00
1175	Public Health - Surveillance	33.00	2.00	-	35.00
1261	Public Health - Promotion	14.00	-	-	14.00
1262	Health Disparities	5.50	-	-	5.50
1264	Public Health - Preparedness and Response	36.00	-	-	36.00
126C	Access Outreach - Chronic Disease	14.90	-	-	14.90
1271	Children and Adult Health Prevention	55.75	-	1.00	56.75
1272	Child and Adult Nutrition Services	27.00	-	-	27.00
1273	Race to the Top - Early Learning Challenge	-	-	-	-
1311	HIV/STD Prevention Activities	117.00	-	-	117.00
1312	Medical Evaluation and Risk Assessment	11.00	-	-	11.00
1313	Wisewoman	5.01	-	-	5.01
1320	Breast and Cervical Cancer Control	10.01	-	-	10.01
1331	Immunization	50.00	-	-	50.00
1332	Children's Health Services	35.87	-	-	35.87
1370	Refugee Health Assessment	1.00	-	-	1.00
13A1	Maternal and Infant Health	38.00	-	1.00	39.00
13A2	Women, Infants and Children (WIC)	44.00	-	-	44.00
13B0	Oral Health Preventive Services	36.00	-	-	36.00
1421	Sickle Cell Adult Treatment	3.00	-	-	3.00
1441	Early Intervention	669.08	-	-	669.08
1460	Communicable Disease (HIV/AIDS and TB)	42.00	-	-	42.00
14A0	Sickle Cell Support - Children	9.00	-	-	9.00
1910	Reserves and Transfers	-	-	-	-
1991	Federal Indirect Reserve	-	-	-	-
1992	Prior Year - Earned Revenue	-	-	-	-
Total FTE		1,916.11	3.00	2.00	1,921.11

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$148,298,428

Legislative Changes

(5.0) Division of Public Health

31 State Retirement Contributions

\$118,866 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

32 Quitline Receipts

(\$500,000)

Fund Code: 1271

Budgets overrealized receipts for the Quitline, a smoking cessation intervention. The FY 2016-17 base budget includes \$551,470 in receipts for the Quitline. Actual Quitline receipts are higher than budgeted. The revised net appropriation for Children and Adult Health Prevention is \$7.6 million.

33 State Public Health Laboratory

\$1,000,000 R

Fund Code: 1174

Provides funds to the State Public Health Laboratory to partially offset decreasing Medicaid receipts. The revised net appropriation for the State Public Health Laboratory is \$4.3 million.

34 Newborn Screening Fees

Fund Code: 1174

Budgets increased requirements and receipts associated with newborn screening tests performed by the State Public Health Laboratory. New requirements increased the screening cost from \$19 to \$44 per infant. The newborn screening fee increases from \$24 to \$44, generating \$2.4 million to offset those increased costs. The revised net appropriation for the State Public Health Laboratory remains unchanged at \$3.3 million.

35 Nurse Family Partnership Program**Fund Code:** 13A1

\$400,000 NR

Provides funds to expand the Nurse Family Partnership Program home visiting services in the State. The revised net appropriation for the Nurse Family Partnership Program is \$1.3 million.

36 Zika Prevention and Detection**Fund Code:** 1153, 1174, 1175

\$477,500 R

3.00

Provides funds to develop an infrastructure to detect, prevent, control and respond to the Zika virus and other vector-borne illnesses. The Division of Public Health (DPH) will use the funds to establish 3 positions and to provide \$177,500 aid to counties statewide. The revised net appropriation for the Zika infrastructure is \$477,500.

37 You Quit Two Quit Smoking Cessation Program**Fund Code:** 1271

\$200,000 NR

Provides funds for You Quit Two Quit, a smoking prevention and cessation program for pregnant and postpartum women and mothers. The revised net appropriation for Children and Adult Health Prevention is \$8.3 million.

38 Infant Mortality**Fund Code:** 1271, 13A1

Establishes 2 receipt-supported positions to support efforts to reduce infant mortality. This action has no impact on the net appropriation for maternal and infant health activities.

Fund 1271: Epidemiologist, PG 73 \$75,000
Fund 13A1: PH Program Manager, PG 76 \$55,000

39 Preventive Health Services Block Grant**Fund Code:** N/A

Budgets additional federal Preventative Health Services Block Grant (PHSBG) receipts in the amount of \$44,477. The revised federal PHSBG receipts for DPH are \$5.0 million.

40 Maternal and Child Health Block Grant**Fund Code:** N/A

Budgets additional federal Maternal and Child Health Block Grant (MCHBG) receipts in the amount of \$646,545. The revised federal MCHBG receipts for DPH are \$18.6 million.

Total Legislative Changes	\$1,596,366	R
	\$100,000	NR
Total Position Changes	3.00	
Revised Budget	\$149,994,794	-

**Mental Health/Developmental Disabilities/Substance Abuse Services
Budget Code 14460**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$1,266,437,595
Receipts	\$728,576,287
Net Appropriation	\$537,861,308

Legislative Changes

Requirements	(\$3,561,025)
Receipts	(\$651,612)
Net Appropriation	(\$2,909,413)

Revised Budget

Requirements	\$1,262,876,570
Receipts	\$727,924,675
Net Appropriation	\$534,951,895

General Fund FTE

Enacted Budget	11,330.58
Legislative Changes	(38.66)
Revised Budget	11,291.92

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Mental Health/Developmental Disabilities/Substance Abuse Services Budget Code 14460		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Service Support	24,160,243	10,248,243	13,912,000	1,628,400	-	1,628,400	25,788,643	10,248,243	15,540,400
1160	MH/DD/SA Workforce Development	1,373,541	1,308,196	65,345	-	-	-	1,373,541	1,308,196	65,345
1262	Enforce Underage Drinking Laws	598,099	598,099	-	-	-	-	598,099	598,099	-
1271	General SA Prevention - Quality Improvement	8,099,502	8,099,502	-	-	-	-	8,099,502	8,099,502	-
1332	Targeted Substance Abuse Prevention	362,809	362,809	-	-	-	-	362,809	362,809	-
1422	Community Services - Single Stream Funding	217,703,924		217,703,924	-	-	-	217,703,924	-	217,703,924
1442	Community Substance Abuse Services - Child	5,741,428	5,741,428	-	-	-	-	5,741,428	5,741,428	-
1443	Community Services - Riddle Center - FIPP	1,850,684	1,846,176	4,508	-	-	-	1,850,684	1,846,176	4,508
1444	Community Mental Health Services - Child	6,661,091	4,314,734	2,346,357	-	-	-	6,661,091	4,314,734	2,346,357
1445	Community Developmental Disability Services - Child	205,034		205,034	-	-	-	205,034	-	205,034
1451	Community Services - Traumatic Brain Injury	570,420	211,202	359,218	-	-	-	570,420	211,202	359,218
1452	Path Homelessness	1,134,000	1,134,000	-	-	-	-	1,134,000	1,134,000	-
1461	Community Mental Health Services - Adult	13,643,207	13,279,515	363,692	-	-	-	13,643,207	13,279,515	363,692
1462	Community Developmental Disability Services - Adult	2,232,173	1,461,980	770,193	-	-	-	2,232,173	1,461,980	770,193
1463	Community Substance Abuse Services - Adult	36,428,966	33,897,176	2,531,790	-	-	-	36,428,966	33,897,176	2,531,790
1464	Community Crisis Services	40,585,394		40,585,394	-	-	-	40,585,394	-	40,585,394
1541	Broughton Hospital - Child	4,930,691	373,361	4,557,330	-	-	-	4,930,691	373,361	4,557,330
1542	Cherry Hospital - Child	3,783,839	401,922	3,381,917	-	-	-	3,783,839	401,922	3,381,917
1543	Central Regional Hospital - Child	13,489,097	2,094,356	11,394,741	-	-	-	13,489,097	2,094,356	11,394,741
1545	Murdoch Developmental Center - Child	7,870,101	7,865,189	4,912	-	-	-	7,870,101	7,865,189	4,912
1546	Wright School - Child	2,843,237	14,078	2,829,159	(2,132,428)	(10,559)	(2,121,869)	710,809	3,520	707,290
1561	Broughton Hospital - Adult	126,582,055	66,503,678	60,078,377	-	-	-	126,582,055	66,503,678	60,078,377
1562	Cherry Hospital - Adult	137,565,329	64,334,960	73,230,369	(4,235,495)	(1,235,495)	(3,000,000)	133,329,834	63,099,465	70,230,369
1563	Central Regional Hospital - Adult	208,284,481	114,754,445	93,530,036	-	-	-	208,284,481	114,754,445	93,530,036
1565	Caswell Developmental Center - Adult	88,197,188	87,088,168	1,109,020	-	-	-	88,197,188	87,088,168	1,109,020
1566	Murdoch Developmental Center - Adult	91,441,557	90,209,358	1,232,199	-	-	-	91,441,557	90,209,358	1,232,199
1567	J Iverson Riddle Developmental Center - Adult	58,478,640	57,335,156	1,143,484	-	-	-	58,478,640	57,335,156	1,143,484
156A	Longleaf Neuro-Medical Treatment Center - Adult	33,304,780	29,562,465	3,742,315	-	-	-	33,304,780	29,562,465	3,742,315
156B	Black Mountain Neuro-Medical Treatment Center - Adult	26,546,183	25,337,529	1,208,654	-	-	-	26,546,183	25,337,529	1,208,654
156C	O'Berry Neuro-Medical Treatment Center - Adult	54,366,372	53,777,014	589,358	-	-	-	54,366,372	53,777,014	589,358
156D	Julian F Keith ADATC - Adult	15,169,777	15,169,777	-	-	-	-	15,169,777	15,169,777	-
156E	RJ Blackley ADATC - Adult	14,863,927	14,863,927	-	-	-	-	14,863,927	14,863,927	-
156F	Walter B Jones ADATC - Adult	13,138,115	13,138,115	-	-	-	-	13,138,115	13,138,115	-
1910	Reserves and Transfers	4,181,982	3,200,000	981,982	-	-	-	4,181,982	3,200,000	981,982
1992	Prior Year - Earned Revenue	49,729	49,729	-	-	-	-	49,729	49,729	-
Division-wide Items										
N/A	Mental Health Block Grant	-			(63,715)	(63,715)	-	(63,715)	(63,715)	-
N/A	Substance Abuse Block Grant	-			658,156	658,156	-	658,156	658,156	-
N/A	Reserve for Retirement Contributions	-		-	584,056	N/A	584,056	584,056	N/A	584,056
Total		\$1,266,437,595	\$728,576,287	\$537,861,308	(\$3,561,025)	(\$651,612)	(\$2,909,413)	\$1,262,876,570	\$727,924,675	\$534,951,895

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Mental Health/Developmental Disabilities/Substance Abuse Services					
Budget Code 14460		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Service Support	197.00	-	-	197.00
1443	Community Services - Riddle Center - FIPP	25.00	-	-	25.00
1541	Broughton Hospital - Child	90.00	-	-	90.00
1542	Cherry Hospital - Child	61.00	-	-	61.00
1543	Central Regional Hospital - Child	214.00	-	-	214.00
1545	Murdoch Developmental Center - Child	159.00	-	-	159.00
1546	Wright School - Child	38.66	(38.66)	-	-
1561	Broughton Hospital - Adult	1,238.50	-	-	1,238.50
1562	Cherry Hospital - Adult	1,300.60	-	-	1,300.60
1563	Central Regional Hospital - Adult	1,799.12	-	-	1,799.12
1565	Caswell Developmental Center - Adult	1,442.50	-	-	1,442.50
1566	Murdoch Developmental Center - Adult	1,494.00	-	-	1,494.00
1567	J Iverson Riddle Developmental Center - Adult	944.75	-	-	944.75
156A	Longleaf Neuro-Medical Treatment Center - Adult	486.80	-	-	486.80
156B	Black Mountain Neuro-Medical Treatment Center - Ad	449.00	-	-	449.00
156C	O'Berry Neuro-Medical Treatment Center - Adult	881.27	-	-	881.27
156D	Julian F Keith ADATC - Adult	198.88	-	-	198.88
156E	RJ Blackley ADATC - Adult	155.00	-	-	155.00
156F	Walter B Jones ADATC - Adult	155.50	-	-	155.50
1910	Reserves and Transfers	-	-	-	-
1992	Prior Year - Earned Revenue	-	-	-	-
Total FTE		11,330.58	(38.66)	-	11,291.92

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$537,861,308

Legislative Changes

(6.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

41 State Retirement Contributions

\$584,056 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

42 Cherry Hospital Operating Costs

(\$3,000,000)

Fund Code: 1562

Reduces funding previously budgeted to meet Cherry Hospital's expanded bed capacity. S.L. 2012-142 appropriated \$3.5 million in recurring funds for 373 additional positions to staff the expanded operating capacity at the Cherry Hospital replacement facility originally scheduled to open in April 2013. The FY 2013-14 base budget included \$9.6 million recurring for the annualized General Fund cost of the new positions. Due to construction and other delays, the replacement facility is now scheduled to open in September 2016. Only 25 of the 100 additional beds will go online at that time. The revised net appropriation for Cherry Hospital is \$73.7 million.

43 Wright School

(\$2,121,869) R

Fund Code: 1546

-38.66

Eliminates funding for the Wright School and closes it effective October 1, 2016. The revised net appropriation for the Wright School is \$0.

Senate Committee on Health and Human Services

FY 16-17

44 Controlled Substance Reporting System

\$375,000	R
\$1,253,400	NR

Fund Code: 1110

Provides funding for the ongoing maintenance and operation of the Controlled Substance Reporting System (CSRS). In addition, nonrecurring funds are provided to develop software and upgrade the CSRS database to facilitate connectivity with controlled substance reporting systems in surrounding states and with the electronic medical records system. The revised net appropriation for Fund 1110, Service Support, is \$15.5 million.

45 Substance Abuse Prevention and Treatment Block Grant**Fund Code:** N/A

Budgets additional federal Substance Abuse Prevention and Treatment Block Grant (SAPTBG) receipts in the amount of \$658,156. The revised federal SAPTBG receipts for the Division are \$45.1 million.

46 Mental Health Block Grant**Fund Code:** N/A

Budgets a reduction in federal Mental Health Block Grant (MHBG) receipts in the amount of \$63,715. The revised federal MHBG receipts are \$16.6 million.

Total Legislative Changes

(\$1,162,813)	R
(\$1,746,600)	NR

Total Position Changes

-38.66

Revised Budget**\$534,951,895**

DHHS - DMH/DD/SAS - Special

Budget Code: 24460

	FY 2016-17
Beginning Unreserved Fund Balance	\$1,000,000
Recommended Budget	
Requirements	\$1,000,000
Receipts	\$1,000,000
Positions	1.49

Legislative Changes**Requirements:****Child Facility-Based Crisis Centers**

Provides funds to the Department of Health and Human Services, Budget Code 24460 for start-up costs (renovation or construction) to establish 1 or 2 child facility-based crisis centers, at least 1 of which will be in the south/east/central region. Funds will be awarded on a competitive basis, and will be available across 2 years [because construction and renovation tends to take longer than a year].

\$0 R
\$2,000,000 NR
0.00

Inpatient Behavioral Health Beds

Transfers funds to the Department of Health and Human Services, Budget Code 24460 for the purpose of expanding inpatient capacity, especially in rural areas near counties with limited inpatient capacity relative to their needs through constructing new beds or renovating existing beds to form new inpatient psychiatric units or new facility-based crisis centers, prioritizing rural hospitals in the process.

\$0 R
\$12,000,000 NR
0.00

Subtotal Legislative Changes

\$0 R
\$14,000,000 NR
0.00

Receipts:

FY 2016-17

Child Facility-Based Crisis Centers

\$0 R

Transfers funds from Budget Code 63008 for start-up costs (renovation or construction) to establish 1 or 2 child facility-based crisis centers, at least 1 of which will be in the south/east/central region.

\$2,000,000 NR

Funds will be awarded on a competitive basis, and will be available across 2 years [because construction and renovation tends to take longer than a year].

Inpatient Behavioral Health Beds

\$0 R

Transfers funds from Budget Code 63008 for the purpose of expanding inpatient capacity, especially in rural areas near counties with limited inpatient capacity relative to their needs through constructing new beds or renovating existing beds to form new inpatient psychiatric units or new facility-based crisis centers, prioritizing rural hospitals in the process.

\$12,000,000 NR

Subtotal Legislative Changes

\$0 R

\$14,000,000 NR

Revised Total Requirements

\$15,000,000

Revised Total Receipts

\$15,000,000

Change in Fund Balance

\$0

Total Positions

1.49

Unappropriated Balance Remaining

\$1,000,000

**Vocational Rehabilitation
Budget Code 14480**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$144,461,879
Receipts	\$106,709,747
Net Appropriation	\$37,752,132

Legislative Changes

Requirements	\$39,911
Receipts	\$0
Net Appropriation	\$39,911

Revised Budget

Requirements	\$144,501,790
Receipts	\$106,709,747
Net Appropriation	\$37,792,043

General Fund FTE

Enacted Budget	993.25
Legislative Changes	0.00
Revised Budget	993.25

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Vocational Rehabilitation Budget Code 14480		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Service Support	9,570,760	7,286,780	2,283,980	-	-	-	9,570,760	7,286,780	2,283,980
1261	Access Outreach - VR and IL Client Advocacy and As	362,271	362,271	-	-	-	-	362,271	362,271	-
1263	Outreach - Service Access Grant	151,846	151,846	-	-	-	-	151,846	151,846	-
1452	Adults Home Support - Independent Living - Rehabilita	16,638,729	3,427,730	13,210,999	-	-	-	16,638,729	3,427,730	13,210,999
1470	Assistive Technology Equipment Loan	1,851,821	900,099	951,722	-	-	-	1,851,821	900,099	951,722
1480	Vocational Rehabilitation - Employment Services	113,963,615	92,658,184	21,305,431	-	-	-	113,963,615	92,658,184	21,305,431
1991	Indirect Reserve	1,864,912	1,864,912	-	-	-	-	1,864,912	1,864,912	-
1992	Prior Year - Earned Revenue	57,925	57,925	-	-	-	-	57,925	57,925	-
Division-wide Items										
N/A	Reserve for Retirement Contributions	-	-	-	39,911	N/A	39,911	39,911	N/A	39,911
Total		\$144,461,879	\$106,709,747	\$37,752,132	\$39,911	\$0	\$39,911	\$144,501,790	\$106,709,747	\$37,792,043

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Vocational Rehabilitation					
Budget Code 14480		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Service Support	77.00	-	-	77.00
1261	Access Outreach - VR & IL Client Advocacy a& Assistance	4.00	-	-	4.00
1263	Outreach - Service Access Grant	1.00	-	-	1.00
1452	Adults Home Support - Ind Living - Rehabilitation	69.00	-	-	69.00
1470	Assistive Technology Equipment Loan	19.75	-	-	19.75
1480	Vocational Rehabilitation - Employment Services	822.50	-	-	822.50
1991	Indirect Reserve	-	-	-	-
1992	Prior Year - Earned Revenue	-	-	-	-
Total FTE		993.25	-	-	993.25

Senate Committee on Health and Human Services

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$37,752,132

Legislative Changes

(7.0) Division of Vocational Rehabilitation

47 State Retirement Contributions

\$39,911 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Total Legislative Changes

\$39,911 R

Total Position Changes

Revised Budget

\$37,792,043

**Division of Health Service Regulation
Budget Code 14470**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$66,800,892
Receipts	\$50,690,218
Net Appropriation	\$16,110,674

Legislative Changes

Requirements	\$46,070
Receipts	\$0
Net Appropriation	\$46,070

Revised Budget

Requirements	\$66,846,962
Receipts	\$50,690,218
Net Appropriation	\$16,156,744

General Fund FTE

Enacted Budget	563.50
Legislative Changes	0.00
Revised Budget	563.50

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Division of Health Service Regulation		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14470										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Service Support	3,441,598	2,122,624	1,318,974	-	-	-	3,441,598	2,122,624	1,318,974
1151	Acute and Home Care Licensure and Certification	4,127,168	3,928,728	198,440	-	-	-	4,127,168	3,928,728	198,440
1152	Nursing Home and Adult Care Licensure and Certification	16,699,750	12,287,623	4,412,127	-	-	-	16,699,750	12,287,623	4,412,127
1153	Construction	5,195,641	3,820,306	1,375,335	-	-	-	5,195,641	3,820,306	1,375,335
1154	Health Care Personnel Registry	4,368,524	3,373,459	995,065	-	-	-	4,368,524	3,373,459	995,065
1155	Jails and Detention Centers Inspections	167,294	-	167,294	-	-	-	167,294	-	167,294
1156	Regulatory - Mental Health Licensure and Certification	6,287,082	4,231,335	2,055,747	-	-	-	6,287,082	4,231,335	2,055,747
1157	Radiation Protection	4,623,787	4,623,787	-	-	-	-	4,623,787	4,623,787	-
1161	Preparedness - Statewide Health Planning	2,510,141	84,597	2,425,544	-	-	-	2,510,141	84,597	2,425,544
1162	Preparedness - Hospital Preparedness	14,182,123	14,182,123	-	-	-	-	14,182,123	14,182,123	-
1163	Preparedness - Local Emergency Medical Services	4,235,519	1,073,371	3,162,148	-	-	-	4,235,519	1,073,371	3,162,148
1991	Indirect Reserve	962,265	962,265	-	-	-	-	962,265	962,265	-
Division-wide Items										
N/A	Reserve for Retirement Contributions	-	-	-	46,070	N/A	46,070	46,070	N/A	46,070
Total		\$66,800,892	\$50,690,218	\$16,110,674	\$46,070	\$0	\$46,070	\$66,846,962	\$50,690,218	\$16,156,744

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Division of Health Service Regulation					
Budget Code 14470		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Service Support	25.00	-	-	25.00
1151	Acute and Home Care Licensure and Certification	47.00	-	-	47.00
1152	Certification	192.00	-	-	192.00
1153	Construction	55.00	-	-	55.00
1154	Health Care Personnel Registry	50.00	-	-	50.00
1155	Jails and Detention Centers Inspections	2.00	-	-	2.00
1156	Certification	76.00	-	-	76.00
1157	Radiation Protection	48.50	-	-	48.50
1161	Preparedness - Statewide Health Planning	23.00	-	-	23.00
1162	Preparedness - Hospital Preparedness	13.00	-	-	13.00
1163	Preparedness - Local Emergency Medical Services	32.00	-	-	32.00
1991	Indirect Reserve	-	-	-	-
Total FTE		563.50	-	-	563.50

Senate Committee on Health and Human Services

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$16,110,674

Legislative Changes

(8.0) Division of Health Service Regulation

48 State Retirement Contributions

\$46,070 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Total Legislative Changes

\$46,070 R

Total Position Changes

Revised Budget

\$16,156,744

**Division of Medical Assistance
Budget Code 14445**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$14,896,932,911
Receipts	\$10,980,695,639
Net Appropriation	\$3,916,237,272

Legislative Changes

Requirements	(\$624,270,097)
Receipts	(\$311,002,159)
Net Appropriation	(\$313,267,938)

Revised Budget

Requirements	\$14,272,662,814
Receipts	\$10,669,693,480
Net Appropriation	\$3,602,969,334

General Fund FTE

Enacted Budget	400.51
Legislative Changes	30.00
Revised Budget	430.51

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Division of Medical Assistance Budget Code 14445		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1101	Medical Assistance Administration	48,804,267	27,531,855	21,272,412	2,760,000	1,380,000	1,380,000	51,564,267	28,911,855	22,652,412
1102	Contracts and Agreements	158,682,757	121,811,679	36,871,078	-	-	-	158,682,757	121,811,679	36,871,078
1103	Health Information Technology	75,381,199	74,843,115	538,084	-	-	-	75,381,199	74,843,115	538,084
1210	Medical Assistance County Administration	120,000	120,000	-	-	-	-	120,000	120,000	-
1310	Medical Assistance Payments	12,889,327,462	8,645,561,730	4,243,765,732	(651,820,436)	(430,505,969)	(221,314,467)	12,237,507,026	8,215,055,761	4,022,451,265
1311	Community Care North Carolina	220,376,327	147,732,318	72,644,009	2,893,859	4,972,983	(2,079,124)	223,270,186	152,705,301	70,564,885
1320	Medical Assistance Cost Settlements	301,906,136	274,120,240	27,785,896	46,155,704	62,939,586	(16,783,882)	348,061,840	337,059,826	11,002,014
1330	Payment Adjustments	(48,824,450)	(37,098,239)	(11,726,211)	(48,671,284)	(34,035,459)	(14,635,825)	(97,495,734)	(71,133,698)	(26,362,036)
1331	Rebates	(1,112,464,180)	(761,931,680)	(350,532,500)	(75,551,790)	(36,223,148)	(39,328,642)	(1,188,015,970)	(798,154,828)	(389,861,142)
1337	Consolidated Supplemental Hospital Payments	2,363,623,393	2,488,004,621	(124,381,228)	99,933,088	120,469,848	(20,536,760)	2,463,556,481	2,608,474,469	(144,917,988)
1340	Undispositioned Refunds	-	-	-	-	-	-	-	-	-
1350	Medicaid Periodic Interim Payments	-	-	-	-	-	-	-	-	-
1810	Revenue Clearing	-	-	-	-	-	-	-	-	-
1910	Reserves and Transfers	-	-	-	-	-	-	-	-	-
1991	Federal Indirect Reserves	-	-	-	-	-	-	-	-	-
1992	Prior Year Earned Revenue	-	-	-	-	-	-	-	-	-
1993	Prior Year Audit and Adjustments	-	-	-	-	-	-	-	-	-
Division-wide Items										
N/A	Reserve for Retirement Contributions	-	-	-	30,762	N/A	30,762	30,762	N/A	30,762
Total		\$14,896,932,911	\$10,980,695,639	\$3,916,237,272	(\$624,270,097)	(\$311,002,159)	(\$313,267,938)	\$14,272,662,814	\$10,669,693,480	\$3,602,969,334

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Division of Medical Assistance					
Budget Code 14445		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1101	Medical Assistance Administration	386.51	30.00	-	416.51
1102	Contracts and Agreements	-	-	-	-
1103	Health Information Technology	14.00	-	-	14.00
1210	Medical Assistance County Administration	-	-	-	-
1310	Medical Assistance Payments	-	-	-	-
1311	Community Care North Carolina	-	-	-	-
1320	Medical Assistance Cost Settlements	-	-	-	-
1330	Payment Adjustments	-	-	-	-
1331	Rebates	-	-	-	-
1337	Consolidated Supplemental Hospital Payments	-	-	-	-
1340	Undispositioned Refunds	-	-	-	-
1350	Medicaid Periodic Interim Payments	-	-	-	-
1810	Revenue Clearing	-	-	-	-
1910	Reserves and Transfers	-	-	-	-
1991	Federal Indirect Reserves	-	-	-	-
1992	Prior Year Earned Revenue	-	-	-	-
1993	Prior Year Audit and Adjustments	-	-	-	-
Total FTE		400.51	30.00	-	430.51

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17

\$3,916,237,272

Legislative Changes

(9.0) Division of Medical Assistance

49 State Retirement Contributions

\$30,762 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

50 Medicaid Rebase

(\$310,524,345) R
(\$8,056,927) NR**Fund Code:** 1310, 1311, 1320, 1330, 1331, 1337

Reduces the Division of Medical Assistance (DMA) base budget for the impact of enrollment, utilization, and pricing based on the Division of Medical Assistance forecasting model and year to date trends in spending and enrollment. The reduction in the Medicaid rebase represents a 7.9% decrease from the enacted budget. The revised net appropriation for DMA is \$3.6 billion after all changes.

51 Support for Alzheimer's Patients

\$1,000,000 R

Fund Code: 1310

Expands support for Alzheimer's patients and their families through additional slots for Community Alternative Program for Disabled Adults (CAP-DA). The revised net appropriation for DMA is \$3.6 billion after all changes.

52 Coverage for Adult Optical Eye Exams

\$2,143,564 R

Fund Code: 1310

Provides funding to reinstate adult optical eye exams effective January 1, 2017. The revised net appropriation for DMA is \$3.6 billion after all changes.

53 Federal Rural Hospital Designation - Graduate Medical Education

\$759,008

R

Fund Code: 1337

Provides funds to offset the fiscal impact of Cape Fear Valley Hospital being reclassified as a rural hospital by the Centers for Medicare and Medicaid Services as referenced in the Graduate Medical Education item in the Division of Central Management and Support. The reclassification results in access to federal funding for residency programs that will be affiliated with Campbell University Medical School. The reclassification will reduce the rate used to calculate the upper payment limit supplemental payment, and thus reduce the assessment collected and the State's retention amount. The revised net appropriation for DMA will be \$3.6 billion after all changes.

54 Critical Positions

\$1,380,000

R

Fund Code: 1101

30.00

Provides funding for DMA to enhance staffing and operate 3 critical organizational units (Business Information Office, Clinical Policy and Operations). New staff will support automation, data retrieval and analysis. Additionally, the new staff will provide oversight and management of Division of Medical Assistance policy, vendors and stakeholders and to continue provider and recipient service. The revised net appropriation for DMA will be \$3.6 billion after all changes.

Total Legislative Changes

(\$305,211,011)

R

(\$8,056,927)

NR

Total Position Changes

30.00

Revised Budget**\$3,602,969,334**

**NC Health Choice
Budget Code 14446**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$202,808,764
Receipts	\$202,062,006
Net Appropriation	\$746,758

Legislative Changes

Requirements	(\$17,917,042)
Receipts	(\$18,265,376)
Net Appropriation	\$348,334

Revised Budget

Requirements	\$184,891,722
Receipts	\$183,796,630
Net Appropriation	\$1,095,092

General Fund FTE

Enacted Budget	5.00
Legislative Changes	0.00
Revised Budget	5.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

NC Health Choice Budget Code 14446		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1101	Health Choice Administration	1,836,009	1,590,035	245,974	-	-	-	1,836,009	1,590,035	245,974
1102	Contracts and Agreements	2,390,056	1,802,369	587,687	-	-	-	2,390,056	1,802,369	587,687
1310	Health Choice Payments	193,118,771	192,714,037	404,734	(18,303,914)	(18,293,423)	(10,491)	174,814,857	174,420,614	394,243
1311	Community Care North Carolina	6,429,968	6,716,721	(286,755)	141,433	(164,872)	306,305	6,571,399	6,551,849	19,550
1330	Payment Adjustments	(143,040)	(144,690)	1,650	12,596	15,570	(2,974)	(130,444)	(129,120)	(1,324)
1331	Rebates	(672,998)	(616,466)	(56,532)	232,571	177,349	55,222	(440,427)	(439,117)	(1,310)
1340	Undispositioned Receipts	(150,000)	-	(150,000)	-	-	-	(150,000)	-	(150,000)
Division-wide Items										
N/A	Reserve for Retirement Contributions	-	-	-	272	N/A	272	272	N/A	272
Total		\$202,808,764	\$202,062,006	\$746,758	(\$17,917,042)	(\$18,265,376)	\$348,334	\$184,891,722	\$183,796,630	\$1,095,092

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

NC Health Choice					
Budget Code 14446		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1101	Health Choice Administration	5.00	-	-	5.00
1102	Contracts and Agreements	-	-	-	-
1310	Health Choice Payments	-	-	-	-
1311	Community Care North Carolina	-	-	-	-
1330	Payment Adjustments	-	-	-	-
1331	Rebates	-	-	-	-
1340	Undispositioned Receipts	-	-	-	-
Total FTE		5.00	-	-	5.00

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session		FY 16-17	
		\$746,758	
Legislative Changes			
(10.0) NC Health Choice			
55 State Retirement Contributions		\$272	R
Fund Code: N/A			
Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.			
For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.			
56 Health Choice Rebase		(\$4,613,716)	R
Fund Code: 1310		\$4,961,778	
Provides funding for the Health Choice Rebase. The revised net appropriation for the Health Choice Program is \$1 million.			
Total Legislative Changes		(\$4,613,444)	R
		\$4,961,778	NR
Total Position Changes			
Revised Budget		\$1,095,092	

**Services for the Blind/Deaf/Hard of Hearing
Budget Code 14450**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$33,630,274
Receipts	\$25,457,067
Net Appropriation	\$8,173,207

Legislative Changes

Requirements	\$8,200
Receipts	\$0
Net Appropriation	\$8,200

Revised Budget

Requirements	\$33,638,474
Receipts	\$25,457,067
Net Appropriation	\$8,181,407

General Fund FTE

Enacted Budget	312.84
Legislative Changes	0.00
Revised Budget	312.84

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Services for the Blind/Deaf/Hard of Hearing Budget Code 14450		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Service Support	2,017,133	1,524,901	492,232	-	-	-	2,017,133	1,524,901	492,232
1160	Deaf and Hard of Hearing - State Capacity Building	629,729	629,729	-	-	-	-	629,729	629,729	-
1261	Access and Outreach Deaf Community - Local Agency	757,242	757,242	-	-	-	-	757,242	757,242	-
1262	Access and Outreach Deaf Community - Citizens	766,801	766,801	-	-	-	-	766,801	766,801	-
1410	Deaf and Hard of Hearing - Client Services	1,378,419	1,378,419	-	-	-	-	1,378,419	1,378,419	-
1420	Medical Eye Care Services	2,525,184	-	2,525,184	-	-	-	2,525,184	-	2,525,184
1451	Independent Living Services - Chore and Adjustment S	5,749,663	4,424,058	1,325,605	-	-	-	5,749,663	4,424,058	1,325,605
1452	Independent Living Rehabilitation Services	1,419,048	779,748	639,300	-	-	-	1,419,048	779,748	639,300
1481	Vocational Rehabilitation - Employment	16,676,125	13,485,539	3,190,586	-	-	-	16,676,125	13,485,539	3,190,586
1482	Small Business Employment Services	934,193	933,893	300	-	-	-	934,193	933,893	300
1991	Federal Indirect Reserve	154,842	154,842	-	-	-	-	154,842	154,842	-
1992	Prior Year - Earned Revenue	621,895	621,895	-	-	-	-	621,895	621,895	-
Division-wide Items										
N/A	Reserve for Retirement Contributions	-	-	-	8,200	N/A	8,200	8,200	N/A	8,200
Total		\$33,630,274	\$25,457,067	\$8,173,207	\$8,200	\$0	\$8,200	\$33,638,474	\$25,457,067	\$8,181,407

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Services for the Blind/Deaf/Hard of Hearing					
Budget Code 14450		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Service Support	20.00	-	-	20.00
1160	Deaf and Hard of Hearing - State Capacity Building	5.75	-	-	5.75
1261	Access and Outreach Deaf Community - Local Agency	10.00	-	-	10.00
1262	Access and Outreach Deaf Community - Citizens	9.00	-	-	9.00
1410	Deaf and Hard of Hearing - Client Services	17.00	-	-	17.00
1420	Medical Eye Care Services	7.00	-	-	7.00
1451	Independent Living Services - Chore and Adjustment	72.58	-	-	72.58
1452	Independent Living Rehabilitation Services	14.00	-	-	14.00
1481	Vocational Rehabilitation - Employment	145.51	-	-	145.51
1482	Small Business Employment Services	12.00	-	-	12.00
1991	Federal Indirect Reserve	-	-	-	-
1992	Prior Year - Earned Revenue	-	-	-	-
Total FTE		312.84	-	-	312.84

Health and Human Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$8,173,207

Legislative Changes

(11.0) Division of Services for the Blind and Services for the Deaf and Hard of Hearing

57 State Retirement Contributions

\$8,200 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Total Legislative Changes

\$8,200

Total Position Changes

Revised Budget

\$8,181,407

DHHS-BLIND & DEAF/HH-TRUST TELEC

Budget Code: 67425

FY 2016-17**Beginning Unreserved Fund Balance****\$15,566,132****Recommended Budget**

Requirements

\$8,508,549

Receipts

\$11,875,837

Positions

28.00**Legislative Changes****Requirements:****Data Collection and Service Management
Information System****\$0 R**

Provides funds to Budget Code 24410 for the implementation of a Data Collection and Service Management Information System to replace the current legacy system used by the Division of Services for the Deaf and Hard of Hearing. The project shall not proceed until the Business Case has been approved by the State Budget Director and the State Chief Information Officer.

\$750,000 NR**0.00****Subtotal Legislative Changes****\$0 R****\$750,000 NR****0.00****Receipts:****DHHS - Blind & Deaf/HH - Telecommunications
Relay Receipts****\$0 R****\$0 NR****Subtotal Legislative Changes****\$0 R****\$0 NR**

FY 2016-17

Revised Total Requirements	\$9,258,549
Revised Total Receipts	\$11,875,837
Change in Fund Balance	\$2,617,288
Total Positions	28.00

Unappropriated Balance Remaining	\$18,183,420
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Natural and Economic Resources Section H

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**Department of Agriculture and Consumer Services
Budget Code 13700**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$170,696,152
Receipts	\$53,740,379
Net Appropriation	\$116,955,773

Legislative Changes

Requirements	\$5,526,533
Receipts	\$180,719
Net Appropriation	\$5,345,814

Revised Budget

Requirements	\$176,222,685
Receipts	\$53,921,098
Net Appropriation	\$122,301,587

General Fund FTE

Enacted Budget	1,827.75
Legislative Changes	1.00
Revised Budget	1,828.75

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Agriculture and Consumer Services		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 13700										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1011	General Administration	2,261,512	197,396	2,064,116	-	-	-	2,261,512	197,396	2,064,116
1012	Administrative Services	2,116,173	713,574	1,402,599	-	-	-	2,116,173	713,574	1,402,599
1013	Public Affairs	408,040	-	408,040	-	-	-	408,040	-	408,040
1014	Human Resources	2,052,705	253,127	1,799,578	-	-	-	2,052,705	253,127	1,799,578
1017	Emergency Programs Division	1,835,370	301,761	1,533,609	-	-	-	1,835,370	301,761	1,533,609
1018	Internal Audit	239,742	77,868	161,874	-	-	-	239,742	77,868	161,874
1019	IT Services	2,017,309	272,814	1,744,495	-	-	-	2,017,309	272,814	1,744,495
1020	Markets	10,047,330	1,830,882	8,216,448	680,719	180,719	500,000	10,728,049	2,011,601	8,716,448
1027	Property and Construction	694,404	183,275	511,129	-	-	-	694,404	183,275	511,129
1040	Agronomic Services	4,417,577	1,285,070	3,132,507	-	-	-	4,417,577	1,285,070	3,132,507
1050	Federal - State Agricultural Statistics	1,228,139	368,213	859,926	-	-	-	1,228,139	368,213	859,926
1070	Commercial Feed and Pet Food	1,402,288	1,107,712	294,576	-	-	-	1,402,288	1,107,712	294,576
1080	Commercial Fertilizer Analysis	568,259	-	568,259	-	-	-	568,259	-	568,259
1090	Pesticide Control and Analysis	3,862,430	3,778,184	84,246	-	-	-	3,862,430	3,778,184	84,246
1100	Food, Drug, and Cosmetic Analysis	9,549,679	2,045,543	7,504,136	-	-	-	9,549,679	2,045,543	7,504,136
1120	Structural Pest	1,182,765	676,907	505,858	-	-	-	1,182,765	676,907	505,858
1130	Veterinary Services	11,912,358	1,725,145	10,187,213	(72,647)	-	(72,647)	11,839,711	1,725,145	10,114,566
1140	Meat and Poultry Inspection	8,029,284	4,038,481	3,990,803	-	-	-	8,029,284	4,038,481	3,990,803
1150	Weights and Measures Inspection	1,357,256	367,000	990,256	-	-	-	1,357,256	367,000	990,256
1160	Gasoline and Oil Inspection	5,335,690	5,335,690	-	-	-	-	5,335,690	5,335,690	-
1175	Seed and Fertilizer	1,452,841	789,147	663,694	-	-	-	1,452,841	789,147	663,694
1180	Plant Protection	5,172,605	1,934,073	3,238,532	-	-	-	5,172,605	1,934,073	3,238,532
1190	Research Stations - Operating	14,037,213	2,731,940	11,305,273	-	-	-	14,037,213	2,731,940	11,305,273
11S7	NC Forest Service - Linville Gorge - ARRA	6,345	6,345	-	-	-	-	6,345	6,345	-
1210	Distribution of USDA Donations	3,822,936	1,501,477	2,321,459	-	-	-	3,822,936	1,501,477	2,321,459
1510	NC Forest Service	45,751,540	10,883,122	34,868,418	3,025,000	-	3,025,000	48,776,540	10,883,122	37,893,418
1530	NC Forest Service - Dare Bomb Range	959,974	959,974	-	-	-	-	959,974	959,974	-
1535	NC Forest Service - Young Offenders Program	1,165,365	300	1,165,065	-	-	-	1,165,365	300	1,165,065
1610	NC Forest Service - Federal Grants	4,886,695	4,886,695	-	-	-	-	4,886,695	4,886,695	-
1611	Soil and Water Conservation	15,877,091	4,307,128	11,569,963	500,000	-	500,000	16,377,091	4,307,128	12,069,963
1990	Reserves and Transfers	5,863,701	-	5,863,701	1,300,000	-	1,300,000	7,163,701	-	7,163,701
1991	Indirect Cost - Reserve	1,181,536	1,181,536	-	-	-	-	1,181,536	1,181,536	-
Department-wide Items										
	State Retirement Contributions	-	-	-	193,461	N/A	193,461	193,461	N/A	193,461
Undesignated Items		-	-	-	(100,000)	-	(100,000)	(100,000)	-	(100,000)
Total		\$170,696,152	\$53,740,379	\$116,955,773	\$5,526,533	\$180,719	\$5,345,814	\$176,222,685	\$53,921,098	\$122,301,587

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Agriculture and Consumer Services					
Budget Code 13700		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1011	General Administration	23.80	-	-	23.80
1012	Administrative Services	29.00	-	-	29.00
1013	Public Affairs	4.00	-	-	4.00
1014	Human Resources	14.00	-	-	14.00
1017	Emergency Programs Division	18.00	-	-	18.00
1018	Internal Audit	3.00	-	-	3.00
1019	IT Services	20.00	-	-	20.00
1020	Markets	95.00	-	-	95.00
1027	Property and Construction	8.00	-	-	8.00
1040	Agronomic Services	57.00	-	-	57.00
1050	Federal - State Agricultural Statistics	17.00	-	-	17.00
1070	Commercial Feed and Pet Food	22.00	-	-	22.00
1080	Commercial Fertilizer Analysis	7.00	-	-	7.00
1090	Pesticide Control and Analysis	52.80	-	-	52.80
1100	Food, Drug, and Cosmetic Analysis	116.00	-	-	116.00
1120	Structural Pest	19.00	-	-	19.00
1130	Veterinary Services	138.00	1.00	-	139.00
1140	Meat and Poultry Inspection	119.00	-	-	119.00
1150	Weights and Measures Inspection	18.00	-	-	18.00
1160	Gasoline and Oil Inspection	74.00	-	-	74.00
1175	Seed and Fertilizer	24.00	-	-	24.00
1180	Plant Protection	62.75	-	-	62.75
1190	Research Stations - Operating	167.00	-	-	167.00
11S7	NC Forest Service - Linville Gorge - ARRA	-	-	-	-
1210	Distribution of USDA Donations	47.00	-	-	47.00
1510	NC Forest Service	567.60	-	-	567.60
1530	NC Forest Service - Dare Bomb Range	13.00	-	-	13.00
1535	NC Forest Service - Young Offenders Program	17.00	-	-	17.00
1610	NC Forest Service - Federal Grants	32.60	-	-	32.60
1611	Soil and Water Conservation	42.20	-	-	42.20
1990	Reserves and Transfers	-	-	-	-
1991	Indirect Cost - Reserve	-	-	-	-
Total FTE		1,827.75	1.00	-	1,828.75

Agriculture and Consumer Services

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$116,955,773

Legislative Changes

Reserve for Salaries and Benefits

1 State Retirement Contributions

\$193,461 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Department-wide

2 Salary Reserve

(\$100,000)

Fund Code: N/A

Reduces the salary reserve available to the Department by \$100,000. The revised net appropriation for salaries across the Department is \$62.9 million.

Forest Service

3 Firefighting Equipment

\$3,000,000 NR

Fund Code: 1510

Provides \$3.0 million in nonrecurring funding to purchase an airplane and heavy equipment to be used for firefighting. The revised net appropriation to the Forest Service in FY 2016-17 is \$39.1 million.

4 Forest Development Fund

\$25,000 NR

Fund Code: 1510

Provides nonrecurring funds to supplement the Forest Development Fund. These funds are in addition to the funding provided from forest product assessments and will be used for hardwood or soft-hardwood forestation projects. The total funding available in the Forest Development Fund for FY 2016-17 is \$1.7 million. The revised net appropriation to the Fund is \$25,000.

Marketing**5 International Marketing****Fund Code:** 1020

\$500,000 NR

Provides \$500,000 in nonrecurring funds for international marketing of North Carolina agricultural products.

This item also budgets the cash balance of \$180,719 remaining in the Swine Waste fund (23704-2730) to be transferred to the Marketing Division to further support international marketing. The revised net appropriation provided to the Marketing Division is \$8.7 million.

Reserves and Transfers**6 Ag Development and Farmland Preservation Trust Fund - Military Buffers****Fund Code:** 1990

\$1,000,000 NR

Provides \$1.0 million in additional nonrecurring funding to the Trust Fund for military buffers. The revised net appropriation to the Trust Fund in FY 2016-17 is \$3.6 million.

7 Association of Agricultural Fairs**Fund Code:** 1990

\$300,000 NR

Provides a nonrecurring grant to the Association of Agricultural Fairs. The revised net appropriation to the Association is \$300,000.

Soil and Water**8 Agricultural Water Resources Assistance Program (AgWRAP)****Fund Code:** 1611

\$500,000 NR

Provides \$500,000 in nonrecurring funds to supplement existing cost-share funding for AgWRAP. The revised net appropriation provided for AgWRAP in FY 2016-17 is \$1.5 million

Veterinary Services**9 Animal Shelter Support Program****Fund Code:** 1130

(\$150,000) R

Reduces funding for the Animal Shelter Support Fund. The revised net appropriation for the Fund is \$100,000.

10 Animal Welfare Position**Fund Code:** 1130

\$77,353 R

Provides funding to support 1 new position in the Animal Welfare Section of the Veterinary Services Division. This position will be responsible for providing consultative services to animal shelters regarding their operations. The revised net appropriation to the Veterinary Services Division is \$10.1 million.

1.00

Total Legislative Changes	\$20,814	R
	\$5,325,000	NR
Total Position Changes	1.00	
Revised Budget	\$122,301,587	-

DACS Soil & Water Conservation

Budget Code: 23704

FY 2016-17

Beginning Unreserved Fund Balance

\$15,878,001

Recommended Budget

Requirements

\$10,105,835

Receipts

\$9,677,478

Positions

1.00

Legislative Changes

Requirements:

Swine Waste (2730)

\$0 R

Transfers all remaining cash balance in the Swine Waste fund to the Marketing Division for international marketing. The fund will be closed following the transfer of the remaining funds in FY 2016-17.

\$180,719 NR

0.00

Subtotal Legislative Changes

\$0 R

\$180,719 NR

0.00

Receipts:

Swine Waste (2730)

\$0 R

Transfers all remaining cash balance in the Swine Waste fund to the Marketing Division for international marketing. The fund will be closed following the transfer of the remaining funds in FY 2016-17.

\$0 NR

Subtotal Legislative Changes

\$0 R

\$0 NR

FY 2016-17

Revised Total Requirements	\$10,286,554
Revised Total Receipts	\$9,677,478
Change in Fund Balance	(\$609,076)
Total Positions	1.00

Unappropriated Balance Remaining	\$15,268,925
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Department of Labor
Budget Code 13800

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$32,285,798
Receipts	\$16,463,563
Net Appropriation	\$15,822,235

Legislative Changes

Requirements	\$215,182
Receipts	(\$60,004)
Net Appropriation	\$275,186

Revised Budget

Requirements	\$32,500,980
Receipts	\$16,403,559
Net Appropriation	\$16,097,421

General Fund FTE

Enacted Budget	383.25
Legislative Changes	(1.00)
Revised Budget	382.25

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Labor		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 13800										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1120	Administrative Services	3,300,717	1,793,979	1,506,738	-	-	-	3,300,717	1,793,979	1,506,738
1210	Research and Information Technology	575,962	513,805	62,157	-	-	-	575,962	513,805	62,157
1310	Boiler Inspection Division	2,221,914	2,221,914	-	-	-	-	2,221,914	2,221,914	-
1320	Elevator Inspection Division	4,479,528	4,479,528	-	-	-	-	4,479,528	4,479,528	-
1330	Mine and Quarry Inspection Division	346,492	-	346,492	-	-	-	346,492	-	346,492
1331	Federal Mine Safety and Health Act	150,045	150,045	-	-	-	-	150,045	150,045	-
1340	Wage and Hour Division	2,084,225	-	2,084,225	-	-	-	2,084,225	-	2,084,225
1345	Employment Discrimination Bureau	575,992	-	575,992	-	-	-	575,992	-	575,992
1350	Occupational Health and Safety Administration	7,042,380	3,545,034	3,497,346	(120,008)	(60,004)	(60,004)	6,922,372	3,485,030	3,437,342
1351	Review Commission	252,723	-	252,723	-	-	-	252,723	-	252,723
1352	OSHA - State Funds	7,224,694	-	7,224,694	-	-	-	7,224,694	-	7,224,694
1353	OSHA - Federal Funds	1,246,216	1,246,216	-	-	-	-	1,246,216	1,246,216	-
1358	Bureau of Consultative Services	1,447,420	1,302,678	144,742	-	-	-	1,447,420	1,302,678	144,742
1360	OSHA/BLS Statistical Program	254,253	127,127	127,126	-	-	-	254,253	127,127	127,126
1991	Indirect Costs - Reserve	1,083,237	1,083,237	-	-	-	-	1,083,237	1,083,237	-
Department-wide Items										
	State Retirement Contributions	-	-	-	35,190	N/A	35,190	35,190	N/A	35,190
Undesignated Items		-	-	-	300,000	-	300,000	300,000	-	300,000
Total		\$32,285,798	\$16,463,563	\$15,822,235	\$215,182	(\$60,004)	\$275,186	\$32,500,980	\$16,403,559	\$16,097,421

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Labor					
Budget Code 13800		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1120	Administrative Services	41.239	-	-	41.239
1210	Research and Information Technology	5.090	-	-	5.090
1310	Boiler Inspection Division	24.000	-	-	24.000
1320	Elevator Inspection Division	46.000	-	-	46.000
1330	Mine and Quarry Inspection Division	4.600	-	-	4.600
1331	Federal Mine Safety and Health Act	1.400	-	-	1.400
1340	Wage and Hour Division	31.000	-	-	31.000
1345	Employment Discrimination Bureau	7.960	-	-	7.960
1350	Occupational Health and Safety Administration	89.517	(1.00)	-	88.517
1351	Review Commission	3.000	-	-	3.000
1352	OSHA - State Funds	96.876	-	-	96.876
1353	OSHA - Federal Funds	9.916	-	-	9.916
1358	Bureau of Consultative Services	18.654	-	-	18.654
1360	OSHA/BLS Statistical Program	4.000	-	-	4.000
1991	Indirect Costs - Reserve	-	-	-	-
Total FTE		383.252	(1.00)	-	382.252

Senate Committee on Natural and Economic Resources

Labor

GENERAL FUND

	FY 16-17	
Total Budget Enacted 2015 Session	\$15,822,235	
Legislative Changes		
Reserve for Salaries and Benefits		
11 State Retirement Contributions	\$35,190	R
Fund Code: N/A		
Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.		
For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.		
Department-wide		
12 Operating Expenses	\$300,000	
Fund Code: N/A		
Provides \$300,000 in recurring funding to the Department of Labor for operating expenses, including information technology expenditures. The revised net appropriation for the Department of Labor is \$16.1 million.		
Occupational Safety and Health (OSH) Division		
13 Vacant Position Elimination	(\$60,004)	R
Fund Code: 1350		
Eliminates 2 Safety Compliance Officer I positions (60013080 and 60013109) that have been vacant for more than 2 years. Funding for each of these positions is evenly split between net General Fund and federal receipts, so each of these positions is a net appropriation reduction of 0.5 FTE. The revised net appropriation for the OSH Division in FY 2016-17 is \$10.9 million.		
Total Legislative Changes	\$275,186	R
Total Position Changes	-1.00	
Revised Budget	\$16,097,421	

**Department of Environmental Quality
Budget Code 14300**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$158,146,952
Receipts	\$75,717,343
Net Appropriation	\$82,429,609

Legislative Changes

Requirements	\$457,716
Receipts	\$3,000,000
Net Appropriation	(\$2,542,284)

Revised Budget

Requirements	\$158,604,668
Receipts	\$78,717,343
Net Appropriation	\$79,887,325

General Fund FTE

Enacted Budget	1,229.64
Legislative Changes	(3.00)
Revised Budget	1,226.64

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Environmental Quality		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14300										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1125	DENR - Coal Ash Management	1,750,000	1,750,000	-	-	-	-	1,750,000	1,750,000	-
1130	Regional Field Offices Support Services	5,847,251	3,198,801	2,648,450	-	-	-	5,847,251	3,198,801	2,648,450
1140	Administrative Services	9,947,350	3,375,131	6,572,219	(237,861)	-	(237,861)	9,709,489	3,375,131	6,334,358
1315	Marine Fisheries - Administration	4,199,397	1,927,667	2,271,730	-	-	-	4,199,397	1,927,667	2,271,730
1320	Marine Fisheries - Research and Management	10,990,726	3,589,427	7,401,299	549,000	-	549,000	11,539,726	3,589,427	7,950,299
1325	Marine Fisheries - Law Enforcement	6,438,069	2,388,498	4,049,571	-	-	-	6,438,069	2,388,498	4,049,571
1460	WIF - Water Infrastructure	25,606,576	304,861	25,301,715	-	-	-	25,606,576	304,861	25,301,715
1490	Water Supply Protection	5,870,612	5,599,252	271,360	-	-	-	5,870,612	5,599,252	271,360
1495	Shellfish Sanitation	2,037,959	330,812	1,707,147	-	-	-	2,037,959	330,812	1,707,147
1610	LWS - Nat. Res. Planning and Construction	1,624,331	1,363,530	260,801	-	-	-	1,624,331	1,363,530	260,801
1615	Div of Env Assistance and Cust Service (DEACS)	3,101,826	251,551	2,850,275	-	-	-	3,101,826	251,551	2,850,275
1620	Division of Water Resources Water Planning	4,450,002	1,232,269	3,217,733	-	-	-	4,450,002	1,232,269	3,217,733
1625	Coastal Management	6,139,124	4,774,557	1,364,567	-	-	-	6,139,124	4,774,557	1,364,567
1635	Div of Water Res - Lab Serv Water Sciences Sect	2,417,277	706,451	1,710,826	-	-	-	2,417,277	706,451	1,710,826
1660	Groundwater Protection	873,756	873,756	-	-	-	-	873,756	873,756	-
1665	Groundwater Storage Tanks - Leaking	4,248,490	4,248,490	-	-	-	-	4,248,490	4,248,490	-
1671	Underground Storage Tanks - Comp. Inspection	5,275,121	4,275,121	1,000,000	-	-	-	5,275,121	4,275,121	1,000,000
1685	State Revolving Fund	75,274	75,274	-	-	-	-	75,274	75,274	-
1690	Water Resources - Control	14,160,554	7,594,945	6,565,609	-	-	-	14,160,554	7,594,945	6,565,609
1695	Water Resources - Permit Fee	3,921,725	3,921,725	-	-	-	-	3,921,725	3,921,725	-
1705	Water Resources - Albemarle/Pamlico Sounds	1,098,731	1,098,731	-	-	-	-	1,098,731	1,098,731	-
1710	Water Resources - EPA Grant	273,434	273,434	-	-	-	-	273,434	273,434	-
1720	Water Resources - Non-Point Source	4,114,787	4,114,787	-	-	-	-	4,114,787	4,114,787	-
1725	Wetlands-Program Development	468,373	468,373	-	-	-	-	468,373	468,373	-
1730	Land Resources-Administration	362,055	-	362,055	-	-	-	362,055	-	362,055
1735	Geological Survey	1,231,316	232,760	998,556	-	-	-	1,231,316	232,760	998,556
1740	Land Quality	5,492,148	1,414,659	4,077,489	-	-	-	5,492,148	1,414,659	4,077,489
1749	DENR-Energy Office	1,835,276	-	1,835,276	(147,949)	-	(147,949)	1,687,327	-	1,687,327
1760	Solid Waste Management	11,886,783	8,476,480	3,410,303	500,000	3,000,000	(2,500,000)	12,386,783	11,476,480	910,303
1770	Air Quality Control	4,854,105	4,854,105	-	-	-	-	4,854,105	4,854,105	-
1910	Reserves and Transfers	4,552,628	-	4,552,628	-	-	-	4,552,628	-	4,552,628
1940	Federal-Special-Indirect	3,001,896	3,001,896	-	-	-	-	3,001,896	3,001,896	-
Department-wide Items										
	State Retirement Contributions	-	-	-	101,524	N/A	101,524	101,524	N/A	101,524
Undesignated Items		-	-	-	(306,998)	-	(306,998)	(306,998)	-	(306,998)
Total		\$158,146,952	\$75,717,343	\$82,429,609	\$457,716	\$3,000,000	(\$2,542,284)	\$158,604,668	\$78,717,343	\$79,887,325

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Environmental Quality					
Budget Code 14300		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1125	DENR - Coal Ash Management	25.00	-	-	25.00
1130	Regional Field Offices Support Services	49.89	-	-	49.89
1140	Administrative Services	88.92	(3.00)	-	85.92
1315	Marine Fisheries - Administration	29.40	-	-	29.40
1320	Marine Fisheries - Research and Management	119.30	2.00	-	121.30
1325	Marine Fisheries - Law Enforcement	88.30	-	-	88.30
1460	WIF - Water Infrastructure	8.00	-	-	8.00
1490	Water Supply Protection	65.00	-	-	65.00
1495	Shellfish Sanitation	25.00	-	-	25.00
1610	LWS - Nat. Res. Planning and Construction	8.30	-	-	8.30
1615	Div of Env Assistance and Cust Service (DEACS)	35.75	-	-	35.75
1620	Division of Water Resources Water Planning	33.00	-	-	33.00
1625	Coastal Management	49.00	-	-	49.00
1635	Div of Water Res - Lab Serv Water Sciences Sect	29.50	-	-	29.50
1660	Groundwater Protection	13.00	-	-	13.00
1665	Groundwater Storage Tanks - Leaking	29.05	-	-	29.05
1671	Underground Storage Tanks - Compliance, Insp	65.35	-	-	65.35
1685	State Revolving Fund	-	-	-	-
1690	Water Resources - Control	140.50	-	-	140.50
1695	Water Resources - Permit Fee	52.00	-	-	52.00
1705	Water Resources - Albemarle/Pamlico Sounds	13.00	-	-	13.00
1710	Water Resources - EPA Grant	2.00	-	-	2.00
1720	Water Resources - Non-Point Source	23.50	-	-	23.50
1725	Wetlands-Program Development	3.50	-	-	3.50
1730	Land Resources-Administration	3.25	-	-	3.25
1735	Geological Survey	12.52	-	-	12.52
1740	Land Quality	58.77	-	-	58.77
1749	DENR-Energy Office	6.67	(2.00)	-	4.67
1760	Solid Waste Management	122.17	-	-	122.17
1770	Air Quality Control	30.00	-	-	30.00
1910	Reserves and Transfers	-	-	-	-
1940	Federal-Special-Indirect	-	-	-	-
Total FTE		1,229.64	(3.00)	-	1,226.64

Environmental Quality

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$82,429,609

Legislative Changes

Reserve for Salaries and Benefits

14 State Retirement Contributions

\$101,524 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Department-wide

15 Salary Reserve

(\$306,998)

Fund Code: N/A

Reduces the salary reserve available to the Department by \$306,998. The revised net appropriation for salaries across the Department is \$31.7 million.

Administrative Services

16 Public Information Officer (PIO) Positions

(\$150,000) R

Fund Code: 1140

Eliminates 2 PIO positions and associated operating costs. The Department has the discretion to identify the 2 PIO positions to eliminate. The revised net appropriation provided to the Department for Administrative Services in FY 2016-17 is \$6.3 million.

-2.00

17 Vacant Position

(\$87,861) R

Fund Code: 1140

Eliminates a vacant Attorney II position (60035027). The revised net appropriation to the Administrative Services Division in FY 2016-17 is \$6.3 million.

-1.00

Energy Office**18 Vacant Positions**

(\$147,949) R

Fund Code: 1749

-2.00

Eliminates a vacant Environmental Senior Specialist position (65017957) and a vacant Engineer position (65020656). The revised net appropriation to the Energy Office is \$1.7 million.

Marine Fisheries**19 Shellfish Positions**

\$149,000 R

Fund Code: 1320

2.00

Provides additional funding for 2 new positions and associated operating expenses in Marine Fisheries. The positions are provided to accelerate shellfish industry growth in the State and will focus on shellfish production and recycling activities. The revised net appropriation for Marine Fisheries in FY 2016-17 is \$14.2 million.

20 Crab Pot Cleanup**Fund Code:** 1320

\$100,000 NR

Provides \$100,000 in nonrecurring funds for a crab pot cleanup pilot project to be managed by North Carolina Sea Grant. The revised net appropriation for crab pot cleanup is \$100,000.

21 Shellfish Rehabilitation**Fund Code:** 1320

\$300,000 NR

Provides additional funding for cultch planting. The revised net appropriation for cultch planting in FY 2016-17 is \$1.2 million.

Waste Management**22 Mercury Pollution Cash Balance****Fund Code:** 1760

(\$2,500,000) NR

Budgets a nonrecurring transfer of the cash balance in the Mercury Pollution Prevention Account (24300-2119) in FY 2016-17 for the following purposes:

- \$2.5 million to reduce the net appropriation for the Division of Waste Management in FY 2016-17, and
- \$500,000 in requirements and receipts to continue the Mercury Switch Removal program until June 30, 2017.

The revised net appropriation for the Division of Waste Management in FY 2016-17 is \$910,303.

Total Legislative Changes	(\$442,284)	R
	(\$2,100,000)	NR
Total Position Changes	-3.00	
Revised Budget	\$79,887,325	-

DENR - Special

Budget Code: 24300

	FY 2016-17
Beginning Unreserved Fund Balance	\$26,347,556
Recommended Budget	
Requirements	\$91,809,530
Receipts	\$89,744,151
Positions	226.65

Legislative Changes**Requirements:****Inspection and Maintenance Fees (I&M) - Continuation Review Restoration (2338)**

Restores the recurring I&M fee transfer to support the Division of Air Quality following a continuation review. The FY 2016-17 transfer budgeted for the Division is \$2 million.

\$2,000,000 R

\$0 NR

0.00

Mercury Pollution Prevention Account (2119)

Transfers any remaining cash balance available in the Mercury Pollution Prevention Account to the Division of Waste Management in FY 2016-17. The remaining cash balance is estimated to be \$3.0 million. \$2.5 million of the cash balance is provided to support the Division of Waste Management, with the remaining cash balance provided to continue the Mercury Switch Removal program until June 30, 2017.

\$0 R

\$3,000,000 NR

0.00

Subtotal Legislative Changes**\$2,000,000 R****\$3,000,000 NR**

0.00

Receipts:**Inspection and Maintenance Fees (I&M) - Continuation Review Restoration (2338)**

Restores the recurring I&M fee transfer to support the Division of Air Quality following a continuation review. The FY 2016-17 transfer budgeted for the

\$2,000,000 R

\$0 NR

FY 2016-17

Division is \$2 million.

Mercury Pollution Prevention Account (2119)

\$0 R

Adopts Department's recommendation to not restore vehicle title fee receipts provided to the program following a continuation review.

\$0 NR

Therefore, no additional receipts will be deposited in the fund and the fund will be closed effective June 30, 2017.

Subtotal Legislative Changes

\$2,000,000 R

\$0 NR

Revised Total Requirements

\$96,809,530

Revised Total Receipts

\$91,744,151

Change in Fund Balance

(\$5,065,379)

Total Positions

226.65

Unappropriated Balance Remaining

\$21,282,177

Reserve for Air Quality - Fuel Tax

Budget Code: 24301

	FY 2016-17	
Beginning Unreserved Fund Balance	\$1,401,900	
Recommended Budget		
Requirements	\$2,249,400	
Receipts	\$2,079,445	
Positions	93.70	
Legislative Changes		
Requirements:		
Water and Air Quality Account - Continuation Review Restoration (2334)	\$7,299,805	R
Restores the recurring motor fuels tax transfer to the Water and Air Quality Account. The revised requirements for the Division of Air Quality from the motor fuels tax transfer is \$7.3 million.	\$0	NR
	0.00	
Subtotal Legislative Changes	\$7,299,805	R
	\$0	NR
	0.00	
Receipts:		
Water and Air Quality Account - Continuation Review Restoration (2334)	\$7,299,805	R
Restores the recurring motor fuels tax transfer to the Water and Air Quality Account. The revised receipts for the Division of Air Quality from the motor fuels tax transfer is \$7.3 million.	\$0	NR
Subtotal Legislative Changes	\$7,299,805	R
	\$0	NR

FY 2016-17

Revised Total Requirements	\$9,549,205
Revised Total Receipts	\$9,379,250
Change in Fund Balance	(\$169,955)
Total Positions	93.70

Unappropriated Balance Remaining	\$1,231,945
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DENR - Commercial LUST Cleanup

Budget Code: 64305

	FY 2016-17
Beginning Unreserved Fund Balance	\$83,615,036
Recommended Budget	
Requirements	\$45,431,546
Receipts	\$14,628,396
Positions	11.20

Legislative Changes**Requirements:****Commercial Leaking Underground Storage Tank (LUST) Fund - Continuation Review Restoration (6370)**

\$16,200,000 R

Restores the recurring motor fuels tax transfer to the Commercial LUST Fund. The amount transferred to the Fund in FY 2016-17 is approximately \$800,000 more than the amount transferred in FY 2015-16. The revised net appropriation remains \$0, but total annual receipts available to the program are approximately \$23.4 million.

\$0 NR
0.00

Subtotal Legislative Changes

\$16,200,000 R

\$0 NR
0.00

Receipts:**Commercial Leaking Underground Storage Tank (LUST) Fund - Continuation Review Restoration (6370)**

\$16,200,000 R

Restores the recurring motor fuels tax transfer to the Commercial LUST Fund. The amount transferred to the Fund in FY 2016-17 is approximately \$800,000 more than the amount transferred in FY 2015-16. The revised net appropriation remains \$0, but total receipts available to the program in FY 2016-17 are approximately \$23.4 million.

\$0 NR

Senate Appropriations Committee on Natural and Economic Resources

FY 2016-17

Subtotal Legislative Changes

\$16,200,000 R
\$0 NR

Revised Total Requirements

\$61,631,546

Revised Total Receipts

\$30,828,396

Change in Fund Balance

(\$30,803,150)

Total Positions

11.20

Unappropriated Balance Remaining

\$52,811,886

**Wildlife Resources Commission
Budget Code 14350**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$73,137,043
Receipts	\$63,113,547
Net Appropriation	\$10,023,496

Legislative Changes

Requirements	\$19,922
Receipts	\$0
Net Appropriation	\$19,922

Revised Budget

Requirements	\$73,156,965
Receipts	\$63,113,547
Net Appropriation	\$10,043,418

General Fund FTE

Enacted Budget	648.58
Legislative Changes	0.00
Revised Budget	648.58

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Wildlife Resources Commission		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14350										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1101	Administrative Policy and Regulation	1,150,321	1,154,139	(3,818)	-	-	-	1,150,321	1,154,139	(3,818)
1111	Controller's Office	798,871	717,647	81,224	-	-	-	798,871	717,647	81,224
1112	Customer Support Services	1,728,538	1,688,197	40,341	-	-	-	1,728,538	1,688,197	40,341
1113	Information Technology	2,070,109	1,672,062	398,047	-	-	-	2,070,109	1,672,062	398,047
1114	Watercraft Registration and Titling	1,017,689	951,741	65,948	-	-	-	1,017,689	951,741	65,948
1115	Purchasing and Distribution	502,696	459,982	42,714	-	-	-	502,696	459,982	42,714
1116	Budget, Planning, and Audit	226,407	181,341	45,066	-	-	-	226,407	181,341	45,066
1117	Human Resources	470,654	416,603	54,051	-	-	-	470,654	416,603	54,051
1121	Enforcement	22,469,599	16,874,633	5,594,966	-	-	-	22,469,599	16,874,633	5,594,966
1131	Wildlife Education	516,218	429,622	86,596	-	-	-	516,218	429,622	86,596
1132	Pisgah Education Center	755,703	642,457	113,246	-	-	-	755,703	642,457	113,246
1133	Centennial Education Center	513,914	427,208	86,706	-	-	-	513,914	427,208	86,706
1134	Outer Banks Education Center	805,331	668,276	137,055	-	-	-	805,331	668,276	137,055
1135	Publications	1,082,221	1,225,191	(142,970)	-	-	-	1,082,221	1,225,191	(142,970)
1141	Inland Fisheries	9,114,280	7,701,613	1,412,667	-	-	-	9,114,280	7,701,613	1,412,667
1142	Habitat Conservation and Aquatic NGME	1,069,676	944,309	125,367	-	-	-	1,069,676	944,309	125,367
1151	Wildlife Management	5,542,318	4,886,189	656,129	-	-	-	5,542,318	4,886,189	656,129
1152	Wildlife Diversity Program	1,773,847	1,512,902	260,945	-	-	-	1,773,847	1,512,902	260,945
1154	Waterfowl Program	253,994	239,180	14,814	-	-	-	253,994	239,180	14,814
1161	Engineering Water Access	7,827,741	8,167,133	(339,392)	-	-	-	7,827,741	8,167,133	(339,392)
1162	Engineering and Facilities Management	629,980	541,623	88,357	-	-	-	629,980	541,623	88,357
1166	Gamelands Operations and Maintenance	12,793,440	9,665,369	3,128,071	-	-	-	12,793,440	9,665,369	3,128,071
1171	Wildlife Appropriations	23,496	1,946,130	(1,922,634)	-	-	-	23,496	1,946,130	(1,922,634)
Department-wide Items										
	State Retirement Contributions	-	-	-	19,922	N/A	19,922	19,922	N/A	19,922
Total		\$73,137,043	\$63,113,547	\$10,023,496	\$19,922	\$0	\$19,922	\$73,156,965	\$63,113,547	\$10,043,418

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Wildlife Resources Commission					
Budget Code 14350		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1101	Administrative Policy and Regulation	8.50	-	-	8.50
1111	Controller's Office	10.00	-	-	10.00
1112	Customer Support Services	15.00	-	-	15.00
1113	Information Technology	19.00	-	-	19.00
1114	Watercraft Registration and Titling	14.00	-	-	14.00
1115	Purchasing and Distribution	7.00	-	-	7.00
1116	Budget, Planning, and Audit	2.00	-	-	2.00
1117	Human Resources	6.00	-	-	6.00
1121	Enforcement	245.00	-	-	245.00
1131	Wildlife Education	5.50	-	-	5.50
1132	Pisgah Education Center	8.00	-	-	8.00
1133	Centennial Education Center	6.00	-	-	6.00
1134	Outer Banks Education Center	9.00	-	-	9.00
1135	Publications	10.00	-	-	10.00
1141	Inland Fisheries	74.00	-	-	74.00
1142	Habitat Conservation and Aquatic NGME	9.00	-	-	9.00
1151	Wildlife Management	43.00	-	-	43.00
1152	Wildlife Diversity Program	17.00	-	-	17.00
1154	Waterfowl Program	1.00	-	-	1.00
1161	Engineering Water Access	58.54	-	-	58.54
1162	Engineering and Facilities Management	6.00	-	-	6.00
1166	Gamelands Operations and Maintenance	75.04	-	-	75.04
1171	Wildlife Appropriations	-	-	-	-
Total FTE		648.58	-	-	648.58

Wildlife Resources Commission

GENERAL FUND

	FY 16-17	
Total Budget Enacted 2015 Session	\$10,023,496	
Legislative Changes		
Reserve for Salaries and Benefits		
23 State Retirement Contributions	\$19,922	R
Fund Code: N/A		
Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.		
For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.		
Total Legislative Changes	\$19,922	R
Total Position Changes		
Revised Budget	\$10,043,418	

Motor Boat Interest Bearing

Budget Code: 24352

FY 2016-17

Beginning Unreserved Fund Balance

\$2,964,686

Recommended Budget

Requirements

\$14,598,086

Receipts

\$14,598,086

Positions

0.00

Legislative Changes

Requirements:

Continuation Review Restoration (2371)

\$2,085,067 R

Restores the recurring motor fuels tax transfer to the Boating Safety Account to support activities related to boating and water safety, including education and waterway marking, boating access areas, and maintenance of shallow draft inlets. The revised requirements for the Boating Safety Account are \$16.7 million for FY 2016-17.

\$0 NR

0.00

Subtotal Legislative Changes

\$2,085,067 R

\$0 NR

0.00

Receipts:

Continuation Review Restoration (2371)

\$2,085,067 R

Restores the recurring motor fuels tax transfer to the Boating Safety Account to support activities related to boating and water safety, including education and waterway marking, boating access areas, and maintenance of shallow draft inlets. The revised receipts for the Boating Safety Account are \$16.7 million for FY 2016-17.

\$0 NR

Subtotal Legislative Changes

\$2,085,067 R

\$0 NR

FY 2016-17

Revised Total Requirements	\$16,683,153
Revised Total Receipts	\$16,683,153
Change in Fund Balance	\$0
Total Positions	0.00

Unappropriated Balance Remaining	\$2,964,686
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**Department of Commerce
Budget Code 14600**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$122,704,438
Receipts	\$65,108,310
Net Appropriation	\$57,596,128

Legislative Changes

Requirements	\$7,022,856
Receipts	\$0
Net Appropriation	\$7,022,856

Revised Budget

Requirements	\$129,727,294
Receipts	\$65,108,310
Net Appropriation	\$64,618,984

General Fund FTE

Enacted Budget	413.31
Legislative Changes	0.00
Revised Budget	413.31

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Commerce		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14600										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1111	Administrative Services	3,137,481	1,841,448	1,296,033	334,981	-	334,981	3,472,462	1,841,448	1,631,014
1113	Science and Technology	3,324,164	-	3,324,164	-	-	-	3,324,164	-	3,324,164
1114	Economic Development Partnership	17,994,549	-	17,994,549	156,000	-	156,000	18,150,549	-	18,150,549
1120	Management Information System Division	856,063	-	856,063	-	-	-	856,063	-	856,063
1130	Labor and Economic Analysis	6,627,028	5,781,499	845,529	-	-	-	6,627,028	5,781,499	845,529
1477	NC BRIM - Operating	737,528	737,528	-	-	-	-	737,528	737,528	-
1520	Commerce Graphics	256,053	98,406	157,647	-	-	-	256,053	98,406	157,647
1531	Business and Industry Development	59,007	58,907	100	-	-	-	59,007	58,907	100
1533	NC Business Service Center	350,544	350,544	-	-	-	-	350,544	350,544	-
1534	Rural Economic Development Division	15,231,543	-	15,231,543	-	-	-	15,231,543	-	15,231,543
1541	International Trade Division	17,153	17,153	-	-	-	-	17,153	17,153	-
1551	Travel Inquiry Section	494,634	75,358	419,276	-	-	-	494,634	75,358	419,276
1552	Welcome Centers	2,018,203	3,600	2,014,603	-	-	-	2,018,203	3,600	2,014,603
1561	Wanchese - Marine Industrial Park	534,357	534,357	-	-	-	-	534,357	534,357	-
1581	Industrial Finance Center	8,144,049	-	8,144,049	-	-	-	8,144,049	-	8,144,049
1620	Community Assistance	1,509,208	81,298	1,427,910	-	-	-	1,509,208	81,298	1,427,910
1631	Community Development Block Grants	44,440,959	43,803,459	637,500	-	-	-	44,440,959	43,803,459	637,500
1632	Community Assistance - NSP	589,290	589,290	-	-	-	-	589,290	589,290	-
1831	Industrial Commission Administration	15,532,310	11,135,463	4,396,847	-	-	-	15,532,310	11,135,463	4,396,847
1912	Reserves and Transfers	850,315	-	850,315	6,500,000	-	6,500,000	7,350,315	-	7,350,315
Department-wide Items										
	State Retirement Contributions	-	-	-	31,875	N/A	31,875	31,875	N/A	31,875
Total		\$122,704,438	\$65,108,310	\$57,596,128	\$7,022,856	\$0	\$7,022,856	\$129,727,294	\$65,108,310	\$64,618,984

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Commerce					
Budget Code 14600		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1111	Administrative Services	39.42	-	-	39.42
1113	Science and Technology	3.00	-	-	3.00
1114	Economic Development Partnership	-	-	-	-
1120	Management Information System Division	6.00	-	-	6.00
1130	Labor and Economic Analysis	75.06	-	-	75.06
1477	NC BRIM - Operating	9.00	-	-	9.00
1520	Commerce Graphics	3.00	-	-	3.00
1531	Business and Industry Development	-	-	-	-
1533	NC Business Service Center	6.00	-	-	6.00
1534	Rural Economic Development Division	3.00	-	-	3.00
1541	International Trade Division	-	-	-	-
1551	Travel Inquiry Section	5.00	-	-	5.00
1552	Welcome Centers	43.75	-	-	43.75
1561	Wanchese - Marine Industrial Park	3.00	-	-	3.00
1581	Industrial Finance Center	5.75	-	-	5.75
1620	Community Assistance	19.00	-	-	19.00
1631	Community Development Block Grants	22.80	-	-	22.80
1632	Community Assistance - NSP	10.20	-	-	10.20
1831	Industrial Commission Administration	159.33	-	-	159.33
1912	Reserves and Transfers	-	-	-	-
Total FTE		413.31	-	-	413.31

Commerce

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$57,596,128

Legislative Changes

Reserve for Salaries and Benefits

24 State Retirement Contributions

\$31,875 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Administration

25 General Operating Funds

\$334,981

Fund Code: 1111

Provides additional funds to the Administrative Services Division for operating support, including travel. The revised net appropriation to the Administrative Services Division is \$1.6 million.

Economic Development Partnership

26 Food Manufacturing Task Force

\$156,000 R

Fund Code: 1114

Provides an additional \$156,000 to the Economic Development Partnership of North Carolina (EDPNC) to support a position dedicated to attracting and maintaining existing food processing entities. The revised net appropriation to the EDPNC is \$18.1 million.

Reserves**27 Regional Wastewater Funding****Fund Code:** 1912

\$6,000,000 NR

Provides funds to be used for the construction of public infrastructure and improvements to public wastewater facilities, including pretreatment facilities. These funds are for economic development related to addressing the needs of pharmaceutical, biotech processing, telecommunications, and other industries located in the Johnston County Research and Training Zone established pursuant to Chapter 153A of the General Statutes. The revised net appropriation for the project is \$6.0 million.

28 Broughton Hospital**Fund Code:** 1912

\$500,000 NR

Provides funds for the Department to continue an economic development project related to the reuse of the Broughton Hospital campus, including funding for prime development consulting and mothballing efforts at the facility. The revised net appropriation for the Broughton project is \$500,000.

Total Legislative Changes

\$522,856 R

\$6,500,000 NR

Total Position Changes**Revised Budget**\$64,618,984

**Commerce State-Aid
Budget Code 14601**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$18,055,810
Receipts	\$0
Net Appropriation	\$18,055,810

Legislative Changes

Requirements	(\$2,100,000)
Receipts	\$0
Net Appropriation	(\$2,100,000)

Revised Budget

Requirements	\$15,955,810
Receipts	\$0
Net Appropriation	\$15,955,810

General Fund FTE

Enacted Budget	0.00
Legislative Changes	0.00
Revised Budget	0.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Commerce - State Aid		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14601										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1121	Biotechnology Center	13,600,338	-	13,600,338	-	-	-	13,600,338	-	13,600,338
1913	State Aid to Non-State Entities	4,455,472	-	4,455,472	(2,100,000)	-	(2,100,000)	2,355,472	-	2,355,472
Total		\$18,055,810	\$0	\$18,055,810	(\$2,100,000)	\$0	(\$2,100,000)	\$15,955,810	\$0	\$15,955,810

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Commerce - State Aid					
Budget Code 14601		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1121	Biotechnology Center	-	-	-	-
1913	State Aid to Non-State Entities	-	-	-	-
Total FTE		-	-	-	-

Senate Committee on Natural and Economic Resources

Commerce - State Aid

GENERAL FUND

	FY 16-17
Total Budget Enacted 2015 Session	\$18,055,810

Legislative Changes

High Point Market Authority

29 High Point Market Authority	\$400,000	R
Fund Code: 1913		

Provides an additional \$400,000 in recurring funds to the High Point Market Authority for marketing efforts, including expansion of the new application with Bluedot technology. The revised net appropriation for the High Point Market Authority is \$1.6 million.

The Support Center

30 The Support Center		
Fund Code: 1913	(\$2,500,000)	NR

Eliminates funding provided to The Support Center for FY 2016-17. The revised net appropriation for The Support Center is \$0.

Total Legislative Changes	\$400,000	R
	(\$2,500,000)	NR

Total Position Changes

Revised Budget	\$15,955,810
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**Department of Natural and Cultural Resources
Budget Code 14800**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$196,635,052
Receipts	\$27,345,649
Net Appropriation	\$169,289,403

Legislative Changes

Requirements	\$5,789,491
Receipts	\$0
Net Appropriation	\$5,789,491

Revised Budget

Requirements	\$202,424,543
Receipts	\$27,345,649
Net Appropriation	\$175,078,894

General Fund FTE

Enacted Budget	1,713.01
Legislative Changes	2.50
Revised Budget	1,715.51

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Natural and Cultural Resources		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14800										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Office of the Secretary	2,196,681	250	2,196,431	-	-	-	2,196,681	250	2,196,431
1115	LWS-CLEAN WATER MANAGEMENT TRUST	13,784,982	-	13,784,982	5,000,000	-	5,000,000	18,784,982	-	18,784,982
1116	NHP-ADMINISTRATION	450,000	-	450,000	-	-	-	450,000	-	450,000
1120	Administrative Services	7,099,276	78,739	7,020,537	-	-	-	7,099,276	78,739	7,020,537
1210	Archives and History - Administration	726,834	130,395	596,439	-	-	-	726,834	130,395	596,439
1220	Historical Publications	243,409	-	243,409	-	-	-	243,409	-	243,409
1230	Archives and Records	3,189,042	265,987	2,923,055	-	-	-	3,189,042	265,987	2,923,055
1241	State Historic Sites	7,148,747	620	7,148,127	-	-	-	7,148,747	620	7,148,127
1242	Tryon Palace - Historic Sites and Gardens	2,981,058	343,255	2,637,803	-	-	-	2,981,058	343,255	2,637,803
1243	State Capitol	341,838	200	341,638	-	-	-	341,838	200	341,638
1245	NC Maritime Museum	1,709,908	-	1,709,908	-	-	-	1,709,908	-	1,709,908
1250	Historic Preservation	1,318,750	81,413	1,237,337	-	-	-	1,318,750	81,413	1,237,337
1255	Historic Preservation - Federal	955,323	955,323	-	-	-	-	955,323	955,323	-
1260	Office of State Archaeology	1,618,983	107,740	1,511,243	169,269	-	169,269	1,788,252	107,740	1,680,512
1290	Western Office	214,595	8,040	206,555	-	-	-	214,595	8,040	206,555
1320	Museum of Art	6,695,142	514,106	6,181,036	-	-	-	6,695,142	514,106	6,181,036
1330	NC Arts Council	7,898,827	-	7,898,827	-	-	-	7,898,827	-	7,898,827
1340	NC Symphony	2,067,250	-	2,067,250	-	-	-	2,067,250	-	2,067,250
1355	NC Arts Council - Federal Funds	928,725	928,725	-	-	-	-	928,725	928,725	-
1410	State Library Services	4,482,960	29,181	4,453,779	200,000	-	200,000	4,682,960	29,181	4,653,779
1480	Statewide Library Programs and Grants	15,678,714	-	15,678,714	-	-	-	15,678,714	-	15,678,714
1495	State Library - Federal	4,406,063	4,406,063	-	-	-	-	4,406,063	4,406,063	-
1500	Museum of History	5,856,009	1,400	5,854,609	-	-	-	5,856,009	1,400	5,854,609
1680	North Carolina Division of Parks and Recreation	61,337,383	7,902,933	53,434,450	-	-	-	61,337,383	7,902,933	53,434,450
1760	North Carolina Museum of Natural Sciences	14,741,137	449,734	14,291,403	-	-	-	14,741,137	449,734	14,291,403
1805	North Carolina Zoological Park	18,487,130	7,953,306	10,533,824	-	-	-	18,487,130	7,953,306	10,533,824
1855	North Carolina Aquariums Fund	9,647,428	2,969,809	6,677,619	(40,000)	-	(40,000)	9,607,428	2,969,809	6,637,619
1991	Indirect Reserve	218,430	218,430	-	-	-	-	218,430	218,430	-
1992	Continuation Reserve	210,428	-	210,428	336,000	-	336,000	546,428	-	546,428
Department-wide Items										
	State Retirement Contributions	-	-	-	186,425	N/A	186,425	186,425	N/A	186,425
Undesignated Items		-	-	-	(62,203)	-	(62,203)	(62,203)	-	(62,203)
Total		\$196,635,052	\$27,345,649	\$169,289,403	\$5,789,491	\$0	\$5,789,491	\$202,424,543	\$27,345,649	\$175,078,894

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Natural and Cultural Resources					
Budget Code 14800		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Office of the Secretary	24.00	-	-	24.00
1115	LWS-CLEAN WATER MANAGEMENT TRUST	9.60	-	-	9.60
1116	NHP-ADMINISTRATION	5.00	-	-	5.00
1120	Administrative Services	33.45	-	-	33.45
1210	Archives and History - Administration	9.00	-	-	9.00
1220	Historical Publications	4.00	-	-	4.00
1230	Archives and Records	50.86	-	-	50.86
1241	State Historic Sites	125.80	-	-	125.80
1242	Tryon Palace - Historic Sites and Gardens	44.00	-	-	44.00
1243	State Capitol	6.00	-	-	6.00
1245	NC Maritime Museum	27.00	-	-	27.00
1250	Historic Preservation	18.50	-	-	18.50
1255	Historic Preservation - Federal	10.49	-	-	10.49
1260	Office of State Archaeology	16.76	3.00	-	19.76
1290	Western Office	2.00	-	-	2.00
1320	Museum of Art	116.05	-	-	116.05
1330	NC Arts Council	20.14	-	-	20.14
1340	NC Symphony	8.00	-	-	8.00
1355	NC Arts Council - Federal Funds	0.61	-	-	0.61
1410	State Library Services	64.00	-	-	64.00
1480	Statewide Library Programs and Grants	-	-	-	-
1495	State Library - Federal	13.00	-	-	13.00
1500	Museum of History	90.50	-	-	90.50
1680	North Carolina Division of Parks and Recreation	480.50	-	-	480.50
1760	North Carolina Museum of Natural Sciences	152.00	-	-	152.00
1805	North Carolina Zoological Park	263.25	-	-	263.25
1855	North Carolina Aquariums Fund	118.50	(0.50)	-	118.00
1991	Indirect Reserve	-	-	-	-
1992	Continuation Reserve	-	-	-	-
Total FTE		1,713.01	2.50	-	1,715.51

Natural and Cultural Resources

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$169,289,403

Legislative Changes

Reserve for Salaries and Benefits

31 State Retirement Contributions

\$186,425 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Department-wide

32 Salary Reserve

(\$62,203) R

Fund Code: N/A

Reduces salary reserve available to the Department by \$62,203. The revised net appropriation for salaries across the Department is \$65.7 million.

Aquariums

33 Jennette's Pier

(\$40,000) R

Fund Code: 1855

Eliminates the director position (65010297) for Jennette's Pier. This item also splits the funding for the director of the North Carolina Aquarium on Roanoke Island with receipts that were previously budgeted for the director of Jennette's Pier. A corresponding special provision directs that the director of the North Carolina Aquarium on Roanoke Island also serve as the director of Jennette's Pier. The revised net appropriation for the Aquariums Division is \$6.6 million.

-0.50

Historical Resources

34 Archaeology Research Center

\$169,269 R

Fund Code: 1260

3.00

Provides the State Archaeology Research Center with permanent, full-time positions to assist in surveying statewide archaeological resources, reviewing permit applications and construction plans that receive state or federal assistance, and issuing permits to individuals and groups for operations and salvage of land and sea properties in North Carolina. The revised net appropriation for the Office of State Archaeology is \$1.7 million.

35 Queen Anne's Revenge

\$336,000 NR

Fund Code: 1260

Provides nonrecurring funds for archaeological work for Queen Anne's Revenge conservation and excavation project. The revised net appropriation for the project in FY 2016-17 is \$336,000.

Land and Water Stewardship

36 Clean Water Management Trust Fund (CWMTF)

\$5,000,000 NR

Fund Code: 1115

Provides additional funding for CWMTF. The revised net appropriation for CWMTF is \$18.8 million.

State Library

37 Statewide Children's Digital Library

\$200,000 NR

Fund Code:

Establishes a statewide children's digital library specifically targeted to children from pre-K through 4th grade. Funding for this project will be used to purchase children's fiction materials including e-audio and e-books that will be accessible to all State-aid eligible public libraries in NC. The revised net appropriation for the State Library is \$20.3 million.

Total Legislative Changes

\$253,491 R

\$5,536,000 NR

Total Position Changes

2.50 "

Revised Budget

\$175,078,894

North Carolina Zoo Fund

Budget Code: 24814

FY 2016-17

Beginning Unreserved Fund Balance	\$936,579
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Recommended Budget

Requirements	\$0
Receipts	\$0
Positions	0.00

Legislative Changes**Requirements:****North Carolina Zoo Fund (2240)**

Establishes a budget for repair and renovation projects at the North Carolina Zoo. The revised requirements for the Zoo Fund are \$1.5 million.

\$405,955	R
\$0	NR
0.00	

Subtotal Legislative Changes

\$405,955	R
\$0	NR
0.00	

Receipts:**North Carolina Zoo Fund (2240)**

Establishes a budget for the transfer of funds from the General Fund. The revised receipts for the Zoo Fund are \$1.5 million.

\$1,500,000	R
\$0	NR

Subtotal Legislative Changes

\$1,500,000	R
\$0	NR

FY 2016-17

Revised Total Requirements	\$405,955	
Revised Total Receipts	\$1,500,000	
Change in Fund Balance	\$1,094,045	-
Total Positions	0.00	

Unappropriated Balance Remaining	\$2,030,624	
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North Carolina Aquariums Fund

Budget Code: 24816

FY 2016-17

Beginning Unreserved Fund Balance

\$5,047,678

Recommended Budget

Requirements

\$0

Receipts

\$0

Positions

0.00

Legislative Changes

Requirements:

North Carolina Aquarium Fund (2865)

\$2,800,000 R

Establishes a budget for repair and renovation projects at the State aquariums and Jennette's Pier.

\$0 NR

This item also establishes a budget for the aquariums' debt service payment. The revised requirements for the Aquarium Fund are \$2.8 million.

0.00

Subtotal Legislative Changes

\$2,800,000 R

\$0 NR

0.00

Receipts:

North Carolina Aquariums Fund (2865)

\$2,800,000 R

Establishes a budget for the transfer of funds from the General Fund. The revised receipts for the Aquarium Fund are \$2.8 million.

\$0 NR

Subtotal Legislative Changes

\$2,800,000 R

\$0 NR

FY 2016-17

Revised Total Requirements	\$2,800,000	
Revised Total Receipts	\$2,800,000	
Change in Fund Balance	\$0	-
Total Positions	0.00	
Unappropriated Balance Remaining	\$5,047,678	

**Department of Natural and Cultural Resources -
Roanoke Island Commission
Budget Code 14802**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$823,384
Receipts	\$300,000
Net Appropriation	\$523,384

Legislative Changes

Requirements	\$0
Receipts	\$0
Net Appropriation	\$0

Revised Budget

Requirements	\$823,384
Receipts	\$300,000
Net Appropriation	\$523,384

General Fund FTE

Enacted Budget	0.00
Legislative Changes	0.00
Revised Budget	0.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Natural and Cultural Resources - Roanoke Island Commission Budget Code 14802		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1584	Roanoke Island Commission	823,384	300,000	523,384	-	-	-	823,384	300,000	523,384
Total		\$823,384	\$300,000	\$523,384	\$0	\$0	\$0	\$823,384	\$300,000	\$523,384

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Natural and Cultural Resources - Roanoke Island Commission					
Budget Code 14802		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1584	Roanoke Island Commission	-	-	-	-
Total FTE		-	-	-	-

DNCR - Roanoke Island Commission

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$523,384

Legislative Changes

Roanoke Island Festival Park

38 No legislative changes
Fund Code: N/A

Total Legislative Changes

Total Position Changes

Revised Budget

\$523,384



Justice and Public Safety Section I



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**Department of Public Safety
Budget Code 14550**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$2,000,925,794
Receipts	\$153,560,168
Net Appropriation	\$1,847,365,626

Legislative Changes

Requirements	\$22,361,271
Receipts	\$0
Net Appropriation	\$22,361,271

Revised Budget

Requirements	\$2,023,287,065
Receipts	\$153,560,168
Net Appropriation	\$1,869,726,897

General Fund FTE

Enacted Budget	24,900.45
Legislative Changes	(20.00)
Revised Budget	24,880.45

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Public Safety		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14550										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1100	Division of Administration	64,934,710	138,899	64,795,811	245,654	-	245,654	65,180,364	138,899	65,041,465
1115	Victims Services	9,948,019	3,767,421	6,180,598	-	-	-	9,948,019	3,767,421	6,180,598
1170	Governor's Crime Commission	29,466,131	25,347,073	4,119,058	-	-	-	29,466,131	25,347,073	4,119,058
1210	Youth Detention Center Services	12,967,007	5,853,114	7,113,893	-	-	-	12,967,007	5,853,114	7,113,893
1220	Youth Development Center Services	17,516,531	456,372	17,060,159	-	-	-	17,516,531	456,372	17,060,159
1225	Youth Treatment Services	15,879,568	-	15,879,568	-	-	-	15,879,568	-	15,879,568
1226	Youth Education Services	6,258,629	1,284,938	4,973,691	-	-	-	6,258,629	1,284,938	4,973,691
1230	Community Program Services	20,110,490	298,078	19,812,412	-	-	-	20,110,490	298,078	19,812,412
1240	JCPC Grants Management System	22,745,217	-	22,745,217	-	-	-	22,745,217	-	22,745,217
1250	Juvenile Court Services	33,300,985	146,597	33,154,388	-	-	-	33,300,985	146,597	33,154,388
1260	Safer Schools Initiative	359,132	-	359,132	-	-	-	359,132	-	359,132
1305	Prison Management	12,486,399	58,699	12,427,700	-	-	-	12,486,399	58,699	12,427,700
1307	Inmate Construction Program	1,263,799	-	1,263,799	-	-	-	1,263,799	-	1,263,799
1310	Prison Custody and Security	775,535,274	8,471,996	767,063,278	-	-	-	775,535,274	8,471,996	767,063,278
1314	Prison Road Squad and Litter Crews	9,040,000	9,040,000	-	-	-	-	9,040,000	9,040,000	-
1316	Prison Center for Community Transition	513,072	-	513,072	-	-	-	513,072	-	513,072
1318	Prison Gang Unit Management	437,947	-	437,947	-	-	-	437,947	-	437,947
1320	Prison Food Service and Cleaning	72,815,524	8,625,820	64,189,704	-	-	-	72,815,524	8,625,820	64,189,704
1321	Prison Inmate Clothing and Bedding	17,049,824	-	17,049,824	-	-	-	17,049,824	-	17,049,824
1331	Prison General Health	160,109,955	4,792,710	155,317,245	(189,764)	-	(189,764)	159,920,191	4,792,710	155,127,481
1332	Prison Mental Health	36,851,743	-	36,851,743	-	-	-	36,851,743	-	36,851,743
1333	Prison Dental Health	11,712,752	-	11,712,752	-	-	-	11,712,752	-	11,712,752
1334	Prison Pharmacy Services	38,142,587	515,201	37,627,386	-	-	-	38,142,587	515,201	37,627,386
1340	Prison Inmate Education	10,381,498	1,930,411	8,451,087	-	-	-	10,381,498	1,930,411	8,451,087
1345	Prison Corrective Programs	44,459,459	-	44,459,459	-	-	-	44,459,459	-	44,459,459
1346	SOAR Program	122,752	-	122,752	-	-	-	122,752	-	122,752
1347	Prison Work Release	996,108	-	996,108	(55,890)	-	(55,890)	940,218	-	940,218
1350	ACDP - Administration	493,292	-	493,292	-	-	-	493,292	-	493,292
1352	ACDP - In Prison Treatment	6,521,347	797,000	5,724,347	-	-	-	6,521,347	797,000	5,724,347
1354	ACDP - Community Based Treatment	7,637,084	-	7,637,084	-	-	-	7,637,084	-	7,637,084
1355	DPS Confinement in Response to Violation (CRV)	8,933,220	-	8,933,220	-	-	-	8,933,220	-	8,933,220
1360	Community Corrections - Management	2,642,976	90,628	2,552,348	-	-	-	2,642,976	90,628	2,552,348
1365	Community Corrections - Interstate Compact	729,093	199,845	529,248	-	-	-	729,093	199,845	529,248
1370	Community Corrections - Regular Supervision	156,198,351	109,372	156,088,979	-	-	-	156,198,351	109,372	156,088,979
1375	Community Corrections - Community Supervision	12,409,189	-	12,409,189	-	-	-	12,409,189	-	12,409,189
1377	Community Corrections - Electronic Monitoring	6,853,623	11,704	6,841,919	-	-	-	6,853,623	11,704	6,841,919
1380	Community Corrections - Judicial Services	12,441,828	-	12,441,828	-	-	-	12,441,828	-	12,441,828
1385	Security Services for ACJJ	4,356,945	-	4,356,945	-	-	-	4,356,945	-	4,356,945
1390	Post-Release Supervision and Parole Commission	2,496,316	-	2,496,316	-	-	-	2,496,316	-	2,496,316
1392	Grievance Resolution Board	590,016	-	590,016	-	-	-	590,016	-	590,016
1399	Division Wide Operations	911,859	760,986	150,873	-	-	-	911,859	760,986	150,873
1402	LE - State Capitol Police	4,726,888	2,958,933	1,767,955	-	-	-	4,726,888	2,958,933	1,767,955

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Public Safety		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14550										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1405	LE - Law Enforcement Support Services	8,920	8,920	-	-	-	-	8,920	8,920	-
1408	LE - SHP Missing Persons Administration	113,032	-	113,032	-	-	-	113,032	-	113,032
1410	LE - SHP Aviation Administration	2,336,053	232,091	2,103,962	-	-	-	2,336,053	232,091	2,103,962
1411	LE - SHP Field Administration	206,089,271	3,988,064	202,101,207	-	-	-	206,089,271	3,988,064	202,101,207
1414	LE - SHP VIPER Administration	13,256,517	-	13,256,517	-	-	-	13,256,517	-	13,256,517
1450	State Bureau of Investigation	54,317,468	13,521,050	40,796,418	-	-	-	54,317,468	13,521,050	40,796,418
1500	EM - EMPG Operations	11,459,238	9,085,482	2,373,756	-	-	-	11,459,238	9,085,482	2,373,756
1501	EM - Planning	2,655,979	2,655,979	-	-	-	-	2,655,979	2,655,979	-
1502	EM - Homeland Security	10,104,465	10,104,465	-	-	-	-	10,104,465	10,104,465	-
1504	EM - Geospatial (GTM)	7,865,098	7,865,098	-	507,784	-	507,784	8,372,882	7,865,098	507,784
1505	EM - Recovery	558,834	558,834	-	-	-	-	558,834	558,834	-
1506	EM - Operations	1,078,600	1,078,600	-	-	-	-	1,078,600	1,078,600	-
1507	EM - CAP	159,211	-	159,211	-	-	-	159,211	-	159,211
1509	EM - Hazard Mitigation - Non-Disaster	387,776	169,204	218,572	-	-	-	387,776	169,204	218,572
1511	Geodetic Survey	1,445,000	607,616	837,384	-	-	-	1,445,000	607,616	837,384
1600	National Guard	5,757,511	1,733,804	4,023,707	-	-	-	5,757,511	1,733,804	4,023,707
1601	National Guard - Armory	20,021,396	18,597,004	1,424,392	-	-	-	20,021,396	18,597,004	1,424,392
1602	National Guard - Air	4,739,906	4,299,960	439,946	-	-	-	4,739,906	4,299,960	439,946
1603	National Guard - Youth Programs	5,224,380	3,398,200	1,826,180	-	-	-	5,224,380	3,398,200	1,826,180
Department-wide Items										
	State Highway Patrol Step Increase				1,840,597	N/A	1,840,597	1,840,597	N/A	1,840,597
	Correctional Officer Custody-Level Based Pay Adj.				16,919,481	N/A	16,919,481	16,919,481	N/A	16,919,481
	State Retirement Contributions				3,093,409	N/A	3,093,409	3,093,409	N/A	3,093,409
Total		\$2,000,925,794	\$153,560,168	\$1,847,365,626	\$22,361,271	\$0	\$22,361,271	\$2,023,287,065	\$153,560,168	\$1,869,726,897

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Public Safety					
Budget Code 14550		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1100	Division of Administration	703.12	(18.00)	-	685.12
1115	Victims Services	18.50	-	-	18.50
1170	Governor's Crime Commission	25.00	-	-	25.00
1210	Youth Detention Center Services	185.50	-	-	185.50
1220	Youth Development Center Services	252.00	-	-	252.00
1225	Youth Treatment Services	244.00	-	-	244.00
1226	Youth Education Services	72.75	-	-	72.75
1230	Community Program Services	21.00	-	-	21.00
1240	JCPC Grants Management System	-	-	-	-
1250	Juvenile Court Services	537.75	-	-	537.75
1260	Safer Schools Initiative	4.00	-	-	4.00
1305	Prison Management	169.14	-	-	169.14
1307	Inmate Construction Program	4.00	-	-	4.00
1310	Prison Custody and Security	12,604.78	-	-	12,604.78
1314	Prison Road Squad and Litter Crews	183.00	-	-	183.00
1316	Prison Center for Community Transition	-	-	-	-
1318	Prison Gang Unit Management	8.00	-	-	8.00
1320	Prison Food Service and Cleaning	483.00	-	-	483.00
1321	Prison Inmate Clothing and Bedding	-	-	-	-
1331	Prison General Health	1,346.00	(1.00)	-	1,345.00
1332	Prison Mental Health	557.00	-	-	557.00
1333	Prison Dental Health	107.00	-	-	107.00
1334	Prison Pharmacy Services	82.50	-	-	82.50
1340	Prison Inmate Education	60.00	-	-	60.00
1345	Prison Corrective Programs	899.11	-	-	899.11
1346	SOAR Program	2.00	-	-	2.00
1347	Prison Work Release	19.36	(1.00)	-	18.36
1350	ACDP - Administration	4.31	-	-	4.31
1352	ACDP - In Prison Treatment	104.00	-	-	104.00
1354	ACDP - Community Based Treatment	113.00	-	-	113.00
1355	DPS Confinement in Response to Violation (CRV)	86.00	-	-	86.00
1360	Community Corrections - Management	31.70	-	-	31.70
1365	Community Corrections - Interstate Compact	11.00	-	-	11.00
1370	Community Corrections - Regular Supervision	2,415.00	-	-	2,415.00
1375	Community Corrections - Community Supervision	4.50	-	-	4.50
1377	Community Corrections - Electronic Monitoring	7.00	-	-	7.00
1380	Community Corrections - Judicial Services	241.00	-	-	241.00
1385	Security Services for ACJJ	58.10	-	-	58.10
1390	Post-Release Supervision and Parole Commission	32.00	-	-	32.00
1392	Grievance Resolution Board	7.00	-	-	7.00
1399	Division Wide Operations	10.00	-	-	10.00
1402	LE - State Capitol Police	94.00	-	-	94.00
1405	LE - Law Enforcement Support Services	-	-	-	-
1408	LE - SHP Missing Persons Administration	1.00	-	-	1.00
1410	LE - SHP Aviation Administration	13.00	-	-	13.00
1411	LE - SHP Field Administration	2,088.00	-	-	2,088.00
1414	LE - SHP VIPER Administration	52.00	-	-	52.00
1450	State Bureau of Investigation	560.00	-	-	560.00
1500	EM - EMPG Operations	67.86	-	-	67.86
1501	EM - Planning	23.44	-	-	23.44
1502	EM - Homeland Security	17.38	-	-	17.38
1504	EM - Geospatial (GTM)	29.88	-	-	29.88
1505	EM - Recovery	9.55	-	-	9.55
1506	EM - Operations	6.50	-	-	6.50

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Public Safety					
Budget Code 14550		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1507	EM - CAP	2.00	-	-	2.00
1509	EM - Hazard Mitigation - Non-Disaster	3.00	-	-	3.00
1511	Geodetic Survey	18.22	-	-	18.22
1600	National Guard	26.00	-	-	26.00
1601	National Guard - Armory	57.00	-	-	57.00
1602	National Guard - Air	52.75	-	-	52.75
1603	National Guard - Youth Programs	65.75	-	-	65.75
			-	-	-
Total FTE		24,900.45	(20.00)	-	24,880.45

Public Safety

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$1,847,365,626

Legislative Changes

A. Reserve for Salaries and Benefits

- 1 State Highway Patrol Trooper Step Increase \$1,840,597 R
Fund Code: N/A

Provides funds for an experience-based step increase for eligible State Highway Patrol Troopers pursuant to G.S. 20-187.3.

- 2 Correctional Officer Custody-level Based Pay Adjustment \$16,919,481 R
Fund Code: N/A

Provides funds to continue implementation of custody-level pay for Correctional Officers, Custody Supervisors, and Prison Facility Administrators started in FY 2015-16.

- 3 State Retirement Contributions \$3,093,409
Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

C. Emergency Management and National Guard

- 4 School Risk Management Plans \$507,784 NR
Fund Code: 1504

Provides funds for the construction and development of first-generation School Risk Management Plans for 835 public schools in accordance with G.S. 115C-105.49. Federal grant funds were used to complete plans for the other 1,500 schools. The revised net appropriation for Emergency Management - Geospatial (GTM) is \$507,784.

E. Administration

5 Budget Realignment for Medical Claims Processing

(\$1,380,762) R

Fund Code: 1100, 1331, 1347

-20.00

Realigns the administrative budget for the Department to transition to contracted medical claims processing services. An accountant position (60056450, total position cost \$103,847) is eliminated September 1, 2016. The director of medical claims position (60056431, \$97,975) is eliminated October 1, 2016. Two processing assistant V positions (60056424, \$48,828, and 60056433, \$43,952) are eliminated April 1, 2017. Another processing assistant V position (60056449, \$48,828) is eliminated June 1, 2017. In addition, the following vacant positions are eliminated:

Fund	Position	Title	Total Position Cost
1331	60056957	Physician	\$189,764
1100	60000998	Administrative Officer II	\$ 78,254
1100	60056087	Nurse Supervisor	\$ 93,438
1100	60056280	Personnel Assistant IV	\$ 52,814
1100	60084640	Info. Technology Mgr.	\$129,497
1100	60089796	Desktop Services Analyst	\$ 71,754
1100	60090523	Tech. Support Technician	\$ 54,971
1100	60056171	IT Manager- Networking	\$ 98,928
1100	60066134	Personnel Analyst I	\$ 54,206
1100	60070228	Personnel Analyst I	\$ 59,392
1100	65009338	Corr. Training Instructor II	\$ 94,009
1100	60089753	Personnel Technician I	\$ 48,720
1100	60056395	Tech. Support Analyst	\$ 61,761
1100	60000975	Accounting Technician	\$ 50,077
1347	60056439	Accounting Technician	\$ 55,890

The annualized savings in net appropriation from the elimination of these positions will be \$1,536,907 in FY 2017-18.

6 Medical Claims Processing

\$1,330,762 R

Fund Code: 1100

Provides funds for outsourcing medical claims processing. Billing for inmate medical services performed by outside medical providers will be electronic beginning October 1, 2016. The annualized cost for this contract in FY 2017-18 is estimated to be \$1.5 million. The revised net appropriation for this program in FY 2016-17 is \$1,380,762.

Total Legislative Changes

\$21,853,487 R

\$507,784 NR

Total Position Changes

-20.00

Revised Budget

\$1,869,726,897

**Department of Justice
Budget Code 13600**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$85,208,440
Receipts	\$32,492,848
Net Appropriation	\$52,715,592

Legislative Changes

Requirements	\$4,339,117
Receipts	\$0
Net Appropriation	\$4,339,117

Revised Budget

Requirements	\$89,547,557
Receipts	\$32,492,848
Net Appropriation	\$57,054,709

General Fund FTE

Enacted Budget	820.76
Legislative Changes	1.00
Revised Budget	821.76

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Justice		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 13600										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1100	General Administration	2,355,194	-	2,355,194	-	-	-	2,355,194	-	2,355,194
1200	Legal Services	51,996,584	27,867,541	24,129,043	-	-	-	51,996,584	27,867,541	24,129,043
1400	State Crime Laboratory	19,457,635	1,736,138	17,721,497	4,226,193	-	4,226,193	23,683,828	1,736,138	21,947,690
1500	Criminal Justice Training and Standards	11,015,417	2,471,035	8,544,382	-	-	-	11,015,417	2,471,035	8,544,382
1991	Indirect Reserve	383,610	418,134	(34,524)	-	-	-	383,610	418,134	(34,524)
Department-wide Items										
	State Retirement Contributions				112,924	N/A	112,924	112,924	N/A	112,924
Total		\$85,208,440	\$32,492,848	\$52,715,592	\$4,339,117	\$0	\$4,339,117	\$89,547,557	\$32,492,848	\$57,054,709

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Justice					
Budget Code 13600		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1100	General Administration	24.00	-	-	24.00
1200	Legal Services	442.76	-	-	442.76
1400	State Crime Laboratory	218.00	1.00	-	219.00
1500	Criminal Justice Training and Standards	132.00	-	-	132.00
1991	Indirect Reserve	4.00	-	-	4.00
Total FTE		820.76	1.00	-	821.76

Senate Committee on Justice and Public Safety

Justice

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$52,715,592

Legislative Changes

A. Reserve for Salaries and Benefits

7 State Retirement Contributions

\$112,924 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

B. State Crime Laboratory

8 Western Crime Lab Funds

\$301,276 R
\$1,087,803 NR
1.00

Fund Code: 1400

Provides funds to equip and operate the new Western Crime Lab in Edneyville. Construction of the new 36,000 square foot facility is expected to be completed in February 2017. Funds are provided for an HVAC Technician, effective September 1, 2016 (\$52,867), scientific supplies (\$120,000), and increased maintenance and utility costs (\$128,409). The annualized amount will be \$494,361 beginning July 1, 2017. An additional \$1.1 million is provided to purchase new equipment for the lab. The revised net appropriation for the State Crime Laboratory is \$21,947,390 in FY 2016-17, a 19.2% increase over the certified budget.

9 Crime Lab Equipment

\$640,000 NR

Fund Code: 1400

Provides additional funds for equipment needs at State Crime Laboratory facilities in Raleigh and Greensboro. The revised net appropriations for the State Crime Laboratory is \$21,947,690 in FY 2016-17, a 19.2% increase over the certified budget.

10 Outsourcing Funds for Forensic Analysis

\$2,197,114 NR

Fund Code: 1400

Provides additional funds for outsourcing forensic analysis services, including toxicology and DNA. The revised net appropriations for the State Crime Laboratory is \$21,947,690 in FY 2016-17, a 19.2% increase over the certified budget.

Justice

Total Legislative Changes

\$414,200 R

\$3,924,917 NR

Total Position Changes

1.00

Revised Budget

\$57,054,709

**Office of Indigent Defense Services
Budget Code 12001**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$126,974,092
Receipts	\$10,344,128
Net Appropriation	\$116,629,964

Legislative Changes

Requirements	\$5,631,994
Receipts	\$0
Net Appropriation	\$5,631,994

Revised Budget

Requirements	\$132,606,086
Receipts	\$10,344,128
Net Appropriation	\$122,261,958

General Fund FTE

Enacted Budget	519.35
Legislative Changes	0.00
Revised Budget	519.35

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Office of Indigent Defense Services		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 12001										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1310	Indigent Persons Attorney	76,152,404	10,125,135	66,027,269	3,500,000	-	3,500,000	79,652,404	10,125,135	69,527,269
1320	Public Defender Service	48,473,979	35,664	48,438,315	-	-	-	48,473,979	35,664	48,438,315
1380	Indigent Defense Service	2,347,709	183,329	2,164,380	-	-	-	2,347,709	183,329	2,164,380
Department-wide Items										
	Compensation Reserve				2,000,000	N/A	2,000,000	2,000,000	N/A	2,000,000
	State Retirement Contributions				100,253	N/A	100,253	100,253	N/A	100,253
	Consolidated Judicial Retirement Contrib.				31,741	N/A	31,741	31,741	N/A	31,741
Total		\$126,974,092	\$10,344,128	\$116,629,964	\$5,631,994	\$0	\$5,631,994	\$132,606,086	\$10,344,128	\$122,261,958

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Office of Indigent Defense Services					
Budget Code 12001		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1310	Indigent Persons Attorney	-	-	-	-
1320	Public Defender Service	499.75	-	-	499.75
1380	Indigent Defense Service	19.60	-	-	19.60
			-	-	-
Total FTE		519.35	-	-	519.35

Judicial - Indigent Defense

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$116,629,964

Legislative Changes

A. Reserve for Salaries and Benefits

11 Compensation Increase Reserve - Judicial Branch/ Indigent Defense Services	\$1,000,000	R
Fund Code: N/A	\$1,000,000	NR

Provides \$1 million for salary increases and \$1 million for one-time merit-based bonuses for State employees. The Commission on Indigent Defense Services shall develop policies for the allocation of these salary increases and merit-based bonuses. Merit-based bonuses provided by employing agencies shall not be considered compensation for retirement purposes. Corresponding special provisions provide additional details on these compensation adjustments.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394 million in FY 2016-17.

12 State Retirement Contributions	\$100,253	
Fund Code: N/A		

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

13 Consolidated Judicial Retirement Contributions	\$31,741	R
Fund Code: N/A		

Increases the State's contribution for members of the Consolidated Judicial Retirement System (CJRS) to fund the actuarially determined contribution.

The revised net appropriation for members of CJRS is approximately \$23.4 million.

Judicial - Indigent Defense

14 Additional Private Assigned Counsel Funds

Fund Code: 1310

\$3,500,000 NR

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. The revised net appropriation for Private Assigned Counsel funds in FY 2016-17 is \$69,527,269.

Total Legislative Changes

\$1,131,994 R

\$4,500,000 NR

Total Position Changes

Revised Budget\$122,261,958

**Administrative Office of the Courts
Budget Code 12000**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$485,407,793
Receipts	\$1,281,472
<hr/>	
Net Appropriation	\$484,126,321

Legislative Changes

Requirements	\$16,893,600
Receipts	\$0
<hr/>	
Net Appropriation	\$16,893,600

Revised Budget

Requirements	\$502,301,393
Receipts	\$1,281,472
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Net Appropriation	\$501,019,921

General Fund FTE

Enacted Budget	5,794.31
Legislative Changes	0.00
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Revised Budget	5,794.31

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Administrative Office of the Courts Budget Code 12000		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1100	Administration and Services	50,772,638	681,041	50,091,597	250,000	-	250,000	51,022,638	681,041	50,341,597
1200	Appellate Division	13,868,952	-	13,868,952	-	-	-	13,868,952	-	13,868,952
1300	Trial Court Division	298,536,162	-	298,536,162	-	-	-	298,536,162	-	298,536,162
1410	Specialty Services and Programs	20,429,106	200,000	20,229,106	-	-	-	20,429,106	200,000	20,229,106
1600	Office- District Attorney	99,565,686	134,807	99,430,879	-	-	-	99,565,686	134,807	99,430,879
1700	Independent Commissions	2,235,249	265,624	1,969,625	50,000	-	50,000	2,285,249	265,624	2,019,625
Department-wide Items										
	Compensation Reserve				10,000,000	N/A	10,000,000	10,000,000	N/A	10,000,000
	Assistant and Deputy Clerk Step Increase				3,713,393	N/A	3,713,393	3,713,393	N/A	3,713,393
	Magistrate Step Increase				1,205,761	N/A	1,205,761	1,205,761	N/A	1,205,761
	State Retirement Contributions				782,187	N/A	782,187	782,187	N/A	782,187
	Consolidated Judicial Retirement Contrib.				892,259	N/A	892,259	892,259	N/A	892,259
Total		\$485,407,793	\$1,281,472	\$484,126,321	\$16,893,600	\$0	\$16,893,600	\$502,301,393	\$1,281,472	\$501,019,921

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Administrative Office of the Courts					
Budget Code 12000		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1100	Administration and Services	296.85	-	-	296.85
1200	Appellate Division	128.00	-	-	128.00
1300	Trial Court Division	3,980.34	-	-	3,980.34
1410	Specialty Services and Programs	236.50	-	-	236.50
1600	Office- District Attorney	1,130.13	-	-	1,130.13
1700	Independent Commissions	22.50	-	-	22.50
			-	-	-
Total FTE		5,794.31	-	-	5,794.31

Senate Committee on Justice and Public Safety

Judicial

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$484,126,321

Legislative Changes

A. Reserve for Salaries and Benefits

15 Compensation Increase Reserve - Judicial Branch/ AOC

\$5,000,000 R

Fund Code: N/A

\$5,000,000 NR

Provides \$5 million for salary increases and \$5 million for one-time merit-based bonuses for State employees. The Administrative Officer of the Courts shall develop policies for the allocation of these salary increases and merit-based bonuses. Merit-based bonuses provided by employing agencies shall not be considered compensation for retirement purposes. Corresponding special provisions provide additional details on these compensation adjustments.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394 million in FY 2016-17.

16 Assistant and Deputy Clerk Step Increase

\$3,713,393 R

Fund Code: N/A

Provides funds for an experience-based step increase for eligible Assistant and Deputy Clerks of Superior Court pursuant to G.S. 7A-102.

17 Magistrate Step Increase

\$1,205,761 R

Fund Code: N/A

Provides funds for an experience-based step increase for eligible Magistrates pursuant to G.S. 7A-171.11.

18 State Retirement Contributions

\$782,187 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Judicial

Senate Committee on Justice and Public Safety

FY 16-17

19 Consolidated Judicial Retirement Contributions

\$892,259 R

Fund Code: N/A

Increases the State's contribution for members of the Consolidated Judicial Retirement System (CJRS) to fund the actuarially determined contribution.

The revised net appropriation for members of CJRS is approximately \$23.4 million.

B. Administration

20 Mental Health Records Database

\$250,000 NR

Fund Code: 1100

Provides funds to digitize mental health records to facilitate clerks' compliance with the requirements of S.L. 2015-195, Amend Firearm Laws. The revised net appropriation for AOC Administration is \$50,341,597.

C. Independent Commissions

21 Access to Civil Justice

\$50,000 NR

Fund Code: 1700

Provides additional funds to the NC State Bar for Pisgah Legal Services for legal aid. The revised net appropriation for Access to Civil Justice is \$50,000 in FY 2016-17. This program also receives approximately \$2.7 million from two court costs that go directly to the NC State Bar.

Total Legislative Changes

\$11,593,600 R

\$5,300,000 NR

Total Position Changes

Revised Budget

\$501,019,921

General Government

Section J



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Department of Military and Veterans Affairs
Budget Code 13050

General Fund Budget

		<u>FY 2016-17</u>
Enacted Budget		
Requirements		\$7,806,254
Receipts		\$0
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Net Appropriation		\$7,806,254
 Legislative Changes		
Requirements		\$210,000
Receipts		\$0
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Net Appropriation		\$210,000
 Revised Budget		
Requirements		\$8,026,400
Receipts		\$0
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Net Appropriation		\$8,026,400

General Fund FTE

Enacted Budget	77.90
Legislative Changes	4.00
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Revised Budget	81.90

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Military and Veterans Affairs Budget Code 13050		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1100	Administration	7,806,254	-	7,806,254	210,000	-	210,000	8,016,254	-	8,016,254
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	10,146	N/A	10,146	10,146	N/A	10,146
Total		\$7,806,254	\$0	\$7,806,254	\$220,146	\$0	\$220,146	\$8,026,400	\$0	\$8,026,400

**Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session**

Department of Military and Veterans Affairs					
Budget Code 13050		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1100	Administration	77.90	4.00	-	81.90
Total FTE		77.90	4.00	-	81.90

(1.0) Department of Military and Veterans Affairs

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$7,806,254

Legislative Changes

Reserve for Salaries and Benefits

1 State Retirement Contributions

\$10,146 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Veterans Cemeteries

2 Additional Staff

\$200,000 R

Fund Code: 1100

4.00

Provides funding for the creation of 4 additional FTEs to support the North Carolina Veterans Cemeteries. These positions will work in the areas of maintenance and grounds keeping and in addition, help meet the growing burial demands in the State at all four cemeteries. The revised net appropriation for this fund after all changes in this act is \$8.0 million.

Veterans Home Program

3 Rename Black Mountain Veterans Home

\$10,000 NR

Fund Code: 1100

Provides funds to effectuate the name change from the Black Mountain Veterans Home to Zebulon Doyle Alley State Veterans Home. The revised net appropriation for this fund after all changes in this act is \$8.0 million.

Total Legislative Changes

\$210,146 R

\$10,000 NR

Total Position Changes

4.00

Revised Budget

\$8,026,400

**Office of Administrative Hearings
Budget Code 18210**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$6,925,905
Receipts	\$1,782,492
Net Appropriation	\$5,143,413

Legislative Changes

Requirements	\$10,141
Receipts	\$0
Net Appropriation	\$10,141

Revised Budget

Requirements	\$6,936,046
Receipts	\$1,782,492
Net Appropriation	\$5,153,554

General Fund FTE

Enacted Budget	45.00
Legislative Changes	0.00
Revised Budget	45.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Office of Administrative Hearings Budget Code 18210		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1100	Administration and Operations	6,925,905	1,782,492	5,143,413	-			6,925,905	1,782,492	5,143,413
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	10,141	N/A	10,141	10,141	N/A	10,141
Total		\$6,925,905	\$1,782,492	\$5,143,413	\$10,141	\$0	\$10,141	\$6,936,046	\$1,782,492	\$5,153,554

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Office of Administrative Hearings				
Budget Code 18210		Enacted	Legislative Changes	Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Total Requirements
1100	Administration and Operations	45.00	-	45.00
Total FTE		45.00	-	45.00

(2.0) Office of Administrative Hearings

GENERAL FUND

Total Budget Enacted 2015 Session**FY 16-17**
\$5,143,413

Legislative Changes**Reserve for Salaries and Benefits****4 State Retirement Contributions****\$10,141 R****Fund Code: N/A**

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Total Legislative Changes**\$10,141 R****Total Position Changes****Revised Budget****\$5,153,554**

**Department of State Treasurer
Budget Code 13410**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$51,609,807
Receipts	\$41,261,423
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Net Appropriation	\$10,348,384

Legislative Changes

Requirements	-\$195,735
Receipts	\$0
<hr/>	
Net Appropriation	-\$195,735

Revised Budget

Requirements	\$51,414,072
Receipts	\$41,261,423
<hr/>	
Net Appropriation	\$10,152,649

General Fund FTE

Enacted Budget	373.75
Legislative Changes	0.00
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Revised Budget	373.75

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of State Treasurer Budget Code 13410		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	General Administration	1,934,493	1,934,493	-	-	-	-	1,934,493	1,934,493	-
1130	Escheat Fund - Administration	3,515,218	3,515,218	-	-	-	-	3,515,218	3,515,218	-
1150	Information Services	8,479,380	8,479,380	-	-	-	-	8,479,380	8,479,380	-
1210	Investment Management	9,089,958	2,996,563	6,093,395	-	-	-	9,089,958	2,996,563	6,093,395
1310	Local Government - Operations	5,180,471	4,981,607	198,864	(198,864)	-	(198,864)	4,981,607	4,981,607	-
1410	Retirement Operations	17,895,552	17,895,552	-	-	-	-	17,895,552	17,895,552	-
1450	Achieving a Better Life Experience	595,000	-	595,000	-	-	-	595,000	-	595,000
1510	Financial Operations Division	4,919,735	1,458,610	3,461,125	-	-	-	4,919,735	1,458,610	3,461,125
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	3,129	N/A	3,129	3,129	N/A	3,129
Total		\$51,609,807	\$41,261,423	\$10,348,384	-\$195,735	\$0	-\$195,735	\$51,414,072	\$41,261,423	\$10,152,649

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of State Treasurer					
Budget Code 13410		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	General Administration	21.20	-	-	21.20
1130	Escheat Fund - Administration	29.70	-	-	29.70
1150	Information Services	48.00	-	-	48.00
1210	Investment Management	37.90	-	-	37.90
1310	Local Government - Operations	37.00	-	-	37.00
1410	Retirement Operations	162.25	-	-	162.25
1450	Achieving a Better Life Experience	4.00	-	-	4.00
1510	Financial Operations Division	33.70	-	-	33.70
Total FTE		373.75	-	-	373.75

(3.0) Treasurer

GENERAL FUND

Total Budget Enacted 2015 SessionFY 16-17
\$10,348,384**Legislative Changes****Reserve for Salaries and Benefits****5 State Retirement Contributions**

\$3,129 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Local Government Commission**6 Correction of Receipt-Budgeted Positions**

(\$198,864) R

Fund Code: 1310

Corrects the source of funds available to the Local Government Commission (LGC) for 2 positions appropriated in SL 2015-241 and reduces the net appropriations. Those positions became receipt-supported through SL 2015-268 and were to be paid for by receipts received by the LGC (local sales tax revenues). The revised net appropriation for this fund is \$0.

Total Legislative Changes

(\$195,735) R

Total Position Changes**Revised Budget**

\$10,152,649

**Fire Rescue National Guard Pensions
Budget Code 13412**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$21,691,299
Receipts	\$0
Net Appropriation	\$21,691,299

Legislative Changes

Requirements	\$5,152,982
Receipts	\$0
Net Appropriation	\$5,152,982

Revised Budget

Requirements	\$26,844,281
Receipts	\$0
Net Appropriation	\$26,844,281

General Fund FTE

Enacted Budget	0.00
Legislative Changes	0.00
Revised Budget	0.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Fire Rescue National Guard Pensions Budget Code 13412		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1414	General Fund Contribution to National Guard	7,066,299	-	7,066,299	1,450,774	-	1,450,774	8,517,073	-	8,517,073
1415	General Fund Contribution to Fire & Rescue Squad	13,900,000	-	13,900,000	3,702,208	-	3,702,208	17,602,208	-	17,602,208
1432	Line of Duty Death Benefits	725,000	-	725,000	-	-	-	725,000	-	725,000
Department-wide Items										
Total		\$21,691,299	\$0	\$21,691,299	\$5,152,982	\$0	\$5,152,982	\$26,844,281	\$0	\$26,844,281

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Fire Rescue National Guard Pensions					
Budget Code 13412		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1414	General Fund Contribution to National Guard	-	-	-	-
1415	General Fund Contribution to Fire and Rescue Squad	-	-	-	-
1432	Line of Duty Death Benefits	-	-	-	-
Total FTE		-	-	-	-

(4.0) Fire Rescue Nat Guard Pensions & LDD Benefits**GENERAL FUND**

		FY 16-17	
Total Budget Enacted 2015 Session		\$21,691,299	.
<hr/>			
Legislative Changes			
<hr/>			
Reserve for Salaries and Benefits			
<hr/>			
7 National Guard Pension Fund		\$1,450,774	R
Fund Code: 1414			
Increases the State's contribution to the National Guard Pension Fund (NGPF) to match the actuarially determined contribution. The revised net appropriation to the NGPF is \$8.5 million.			
8 Firefighters' and Rescue Squad Workers' Pension Fund		\$3,702,208	R
Fund Code: 1415			
Increases the State's contribution to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) to match the actuarially determined contribution. The revised net appropriation to the FRSWPF is \$17.6 million.			
<hr/>			
Total Legislative Changes		\$5,152,982	R
<hr/>			
Total Position Changes			
Revised Budget		\$26,844,281	
<hr/>			

**Department of Insurance
Budget Code 13900**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$49,550,287
Receipts	\$11,195,041
Net Appropriation	\$38,355,246

Legislative Changes

Requirements	\$1,877,818
Receipts	\$158,000
Net Appropriation	\$1,719,818

Revised Budget

Requirements	\$51,428,105
Receipts	\$11,353,041
Net Appropriation	\$40,075,064

General Fund FTE

Enacted Budget	422.68
Legislative Changes	0.00
Revised Budget	422.68

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Insurance Budget Code 13900		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1100	Administration	7,273,829	117,916	7,155,913	1,500,000	-	1,500,000	8,773,829	117,916	8,655,913
1200	Company Services Group	10,183,922	31,160	10,152,762	146,887	-	146,887	10,330,809	31,160	10,299,649
1400	Producers, Fraud and Products Group	8,778,957	2,919,461	5,859,496	-	-	-	8,778,957	2,919,461	5,859,496
1500	Office of State Fire Marshal	16,206,131	5,258,794	10,947,337	158,000	158,000	-	16,364,131	5,416,794	10,947,337
1600	Consumer Assistance Group	6,420,339	2,867,710	3,552,629	-	-	-	6,420,339	2,867,710	3,552,629
1900	Reserves and Transfers	687,109	-	687,109	-	-	-	687,109	-	687,109
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	72,931	N/A	72,931	72,931	N/A	72,931
Total		\$49,550,287	\$11,195,041	\$38,355,246	\$1,877,818	\$158,000	\$1,719,818	\$51,428,105	\$11,353,041	\$40,075,064

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Insurance					
Budget Code 13900		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1100	Administration	62.17	-	-	62.17
1200	Company Services Group	102.08	-	-	102.08
1400	Producers, Fraud and Products Group	95.00	-	-	95.00
1500	Office of State Fire Marshal	95.43	-	-	95.43
1600	Consumer Assistance Group	68.00	-	-	68.00
1900	Reserves and Transfers	-			-
Total FTE		422.68	-	-	422.68

(5.0) Insurance

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$38,355,246

Legislative Changes

Reserve for Salaries and Benefits

9 State Retirement Contributions

\$72,931 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Albemarle Building

10 Equipment

Fund Code: 1100

\$1,500,000

Provides funds for equipment and IT Infrastructure for the Albemarle Building. The building is set to open in FY 2016-17. The revised net appropriation for this fund is \$8.7 million.

Captives Insurance Regulation

11 Actuary Funding

\$146,887 R

Fund Code: 1200

Provides funds for an actuary position authorized under Session Law 2015-241. This position will provide support for the captives insurance industry and continue to market and promote the industry in North Carolina. The revised net appropriation for this fund is \$10.3 million.

Office of State Fire Marshal

12 State Fire Protection Program

Fund Code: 1500

Transfers \$158,000 in receipts from the Department of Transportation for FY 2016-17 on a nonrecurring basis to support the State Fire Protection grant program. The revised net appropriation for the State Fire Protection program is \$3.8 million.

Senate Committee on General Government and Information Technology

FY 16-17

Total Legislative Changes	\$219,818	R
	\$1,500,000	NR
Total Position Changes		
Revised Budget	\$40,075,064	

Special Fund – Non-Interest Bearing

Budget Code: 23900

	FY 2016-17
Beginning Unreserved Fund Balance	\$2,227,193
Recommended Budget	
Requirements	\$45,571,476
Receipts	\$45,571,476
Positions	2.90

Legislative Changes**Requirements:****Rescue Squad Workers' Relief Fund**

Continues the transfer of a portion of vehicle inspection fee from the Department of Transportation, Division of Motor Vehicles to continue support of the State's grant program that provides funding to eligible beneficiaries for FY 2016-17. The revised net appropriation for the Rescue Squad Worker's Relief Fund is \$1.5 million.

\$0	R
\$1,456,931	NR
0.00	

Subtotal Legislative Changes

\$0	R
\$1,456,931	NR
0.00	

Receipts:**Rescue Squad Workers' Relief Fund**

\$0	R
\$1,456,931	NR

Subtotal Legislative Changes

\$0	R
\$1,456,931	NR

Senate Appropriations Committee on General Government and Information Technology

FY 2016-17

Revised Total Requirements	\$47,028,407
Revised Total Receipts	\$47,028,407
Change in Fund Balance	\$0
Total Positions	2.90

Unappropriated Balance Remaining	\$2,227,193
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Special Fund – Non-Interest Bearing

Budget Code: 23901

	FY 2016-17
Beginning Unreserved Fund Balance	\$7,922,502
Recommended Budget	
Requirements	\$346,233
Receipts	\$346,233
Positions	3.50

Legislative Changes**Requirements:****Volunteer Rescue/EMS Program**

Continues the transfer of a portion of vehicle inspection stickers from the Department of Transportation, Division of Motor Vehicles to continue support of the State's grant program that provides funding to local rescue organizations. This is a nonrecurring transfer of funds. The revised net appropriation for the Rescue Squad Worker's Relief Fund is \$1.0 million.

\$0	R
\$957,352	NR
0.00	

Subtotal Legislative Changes

\$0	R
\$957,352	NR
0.00	

Receipts:**Volunteer Rescue/EMS Grants**

\$0	R
\$957,352	NR

Subtotal Legislative Changes

\$0	R
\$957,352	NR

Senate Appropriations Committee on General Government and Information Technology

FY 2016-17

Revised Total Requirements	\$1,303,585
Revised Total Receipts	\$1,303,585
Change in Fund Balance	\$0
Total Positions	3.50

Unappropriated Balance Remaining	\$7,922,502
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**State Board of Elections
Budget Code 18025**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$6,617,898
Receipts	\$104,535
Net Appropriation	\$6,513,363

Legislative Changes

Requirements	\$11,488
Receipts	\$0
Net Appropriation	\$11,488

Revised Budget

Requirements	\$6,629,386
Receipts	\$104,535
Net Appropriation	\$6,524,851

General Fund FTE

Enacted Budget	61.00
Legislative Changes	0.00
Revised Budget	61.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

State Board of Elections Budget Code 18025		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1100	Administration	995,627	102,000	893,627	-	-	-	995,627	102,000	893,627
1200	Campaign Reporting	1,400,604	2,535	1,398,069	-	-	-	1,400,604	2,535	1,398,069
1201	Ethics and Campaign Reform	96,945	-	96,945	-	-	-	96,945	-	96,945
1300	Voter Registration and Voting Systems	3,117,696	-	3,117,696	-	-	-	3,117,696	-	3,117,696
1400	Voter Information Verification Act (VIVA)	1,007,026	-	1,007,026	-	-	-	1,007,026	-	1,007,026
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	11,488	N/A	11,488	11,488	N/A	11,488
Total		\$6,617,898	\$104,535	\$6,513,363	\$11,488	\$0	\$11,488	\$6,629,386	\$104,535	\$6,524,851

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

State Board of Elections					
Budget Code 18025		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1100	Administration	7.00	-	-	7.00
1200	Campaign Reporting	18.00	-	-	18.00
1201	Ethics and Campaign Reform	-	-	-	-
1300	Voter Registration and Voting Systems	29.00	-	-	29.00
1400	Voter Information Verification Act (VIVA)	7.00	-	-	7.00
Total FTE		61.00	-	-	61.00

(6.0) State Board of Elections

GENERAL FUND

Total Budget Enacted 2015 SessionFY 16-17
\$6,513,363

Legislative Changes

Reserve for Salaries and Benefits

13 State Retirement Contributions

\$11,488 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Total Legislative Changes

\$11,488 R

Total Position Changes

Revised Budget

\$6,524,851

**General Assembly
Budget Code 11000**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$58,225,706
Receipts	\$1,216,655
Net Appropriation	\$57,009,051

Legislative Changes

Requirements	\$6,664,500
Receipts	\$0
Net Appropriation	\$6,664,500

Revised Budget

Requirements	\$63,673,551
Receipts	\$1,216,655
Net Appropriation	\$63,673,551

General Fund FTE

Enacted Budget	315.25
Legislative Changes	0.00
Revised Budget	315.25

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

General Assembly Budget Code 11000		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Senate	9,909,066	-	9,909,066	-	-	-	9,909,066	-	9,909,066
1120	House of Representatives	14,804,645	-	14,804,645	-	-	-	14,804,645	-	14,804,645
1211	Administrative Division	8,791,033	6,000	8,785,033	-	-	-	8,791,033	6,000	8,785,033
1212	Bill Drafting Division	3,026,682	-	3,026,682	-	-	-	3,026,682	-	3,026,682
1213	Legislative Analysis Division	5,206,225	-	5,206,225	-	-	-	5,206,225	-	5,206,225
1214	Fiscal Research Division	4,782,066	-	4,782,066	-	-	-	4,782,066	-	4,782,066
1215	Building Maintenance	2,355,867	-	2,355,867	-	-	-	2,355,867	-	2,355,867
1216	Food Service	1,786,699	1,053,600	733,099	-	-	-	1,786,699	1,053,600	733,099
1217	Information Systems	5,905,342	-	5,905,342	-	-	-	5,905,342	-	5,905,342
1219	Program Evaluation Division	1,466,751	-	1,466,751	-	-	-	1,466,751	-	1,466,751
1900	Committees and Other Reserves	191,330	157,055	34,275	-	-	-	191,330	157,055	34,275
Department-wide Items										
N/A	Budget Additions	-	-	-	4,000,000	N/A	4,000,000	4,000,000	N/A	4,000,000
N/A	Compensation Increases	-	-	-	2,000,000	N/A	2,000,000	2,000,000	N/A	2,000,000
N/A	Legislative Retirement Contributions	-	-	-	112,450	N/A	112,450	112,450	N/A	112,450
N/A	Retirement System Contributions	-	-	-	552,050	N/A	552,050	552,050	N/A	552,050
Total		\$58,225,706	\$1,216,655	\$57,009,051	\$6,664,500	\$0	\$6,664,500	\$63,673,551	\$1,216,655	\$63,673,551

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

General Assembly					
Budget Code 11000		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Senate	46.00	-	-	46.00
1120	House of Representatives	26.00	-	-	26.00
1211	Administrative Division	41.00	-	-	41.00
1212	Bill Drafting Division	16.00	-	-	16.00
1213	Legislative Analysis Division	48.00	-	-	48.00
1214	Fiscal Research Division	39.00	-	-	39.00
1215	Building Maintenance	24.00	-	-	24.00
1216	Food Service	20.25	-	-	20.25
1217	Information Systems	38.00	-	-	38.00
1219	Program Evaluation Division	15.00	-	-	15.00
1900	Committees and Other Reserves	2.00	-	-	2.00
Total FTE		315.25	-	-	315.25

(7.0) General Assembly

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$57,009,051

Legislative Changes

Reserve for Salaries and Benefits

14 Compensation Increase Reserve - Legislative Branch

\$1,000,000 R

Fund Code: N/A

\$1,000,000 NR

Provides \$1 million for salary increases and \$1 million for one-time merit-based bonuses for State employees. The Legislative Services Commission shall develop policies for the allocation of these salary increases and merit-based bonuses. Merit-based bonuses provided by employing agencies shall not be considered compensation for retirement purposes. Corresponding special provisions provide additional details on these compensation adjustments. For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394.0 million in FY 2016-17.

15 State Retirement Contributions

\$112,450 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

16 Legislative Retirement Contributions

\$552,050 R

Fund Code: N/A

Increases the State's contribution for members of the Legislative Retirement System (LRS) to fund the actuarially determined contribution.

The revised net appropriation for members of LRS is estimated to be \$0.8 million.

Agency Wide

17 Budget Additions

\$3,000,000 R

Fund Code: N/A

\$1,000,000 NR

Provides additional funding for the General Assembly's operations, temporary staffing requirements, and other expenditures associated with the running of session. This recurring funding will realign the General Assembly's structural operating budget to account for differences in expenditures between Short Session and Long Session. This appropriation is offset by a reduction in the special fund account 21000. The revised net appropriation for the General Assembly is \$63.7 million.

Total Legislative Changes

\$4,664,500 R

\$2,000,000 NR

Total Position Changes

Revised Budget

\$63,673,551

Special Fund – Non-Interest Bearing

Budget Code: 21000

FY 2016-17

Beginning Unreserved Fund Balance

\$9,284,152

Recommended Budget

Requirements

\$400,000

Receipts

\$0

Positions

0.00

Legislative Changes

Requirements:

Budget Correction

(\$400,000) R

Eliminates a transfer out of this fund. The revised net appropriation for this fund is \$0.

\$0 NR

0.00

Operations

R

Transfers funds from the reserve account to general fund availability for the purpose of providing funds for operations.

\$3,000,000 NR

0.00

Subtotal Legislative Changes

(\$400,000) R

\$3,000,000 NR

0.00

Receipts:

North Carolina General Assembly

\$0 R

\$0 NR

Subtotal Legislative Changes

\$0 R

\$0 NR

FY 2016-17

Revised Total Requirements	\$3,000,000	
Revised Total Receipts	\$0	
Change in Fund Balance	(\$3,000,000)	-
Total Positions	0.00	

Unappropriated Balance Remaining	\$6,284,152	
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Office of the Governor
Budget Code 13000

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$6,120,837
Receipts	\$554,663
Net Appropriation	\$5,566,174

Legislative Changes

Requirements	\$10,560
Receipts	\$0
Net Appropriation	\$10,560

Revised Budget

Requirements	\$6,131,397
Receipts	\$554,663
Net Appropriation	\$5,576,734

General Fund FTE

Enacted Budget	54.20
Legislative Changes	0.00
Revised Budget	54.20

Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session

Office of the Governor Budget Code 13000		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Administration	5,460,791	436,366	5,024,425	-	-	-	5,460,791	436,366	5,024,425
1631	Raleigh Executive Residence	644,587	111,297	533,290	-	-	-	644,587	111,297	533,290
1632	Western Executive Residence	15,459	7,000	8,459	-	-	-	15,459	7,000	8,459
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	10,560	N/A	10,560	10,560	N/A	10,560
Total		\$6,120,837	\$554,663	\$5,566,174	\$10,560	\$0	\$10,560	\$6,131,397	\$554,663	\$5,576,734

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Office of the Governor					
Budget Code 13000		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Administration	51.20	-	-	51.20
1631	Raleigh Executive Residence	3.00	-	-	3.00
1632	Western Executive Residence	-	-	-	-
Total FTE		54.20	-	-	54.20

(8.0) Governor

GENERAL FUND

Total Budget Enacted 2015 Session**FY 16-17**
\$5,566,174

Legislative Changes**Reserve for Salaries and Benefits****18 State Retirement Contributions****\$10,560** R**Fund Code: N/A**

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Total Legislative Changes**\$10,560** R**Total Position Changes**

Revised Budget**\$5,576,734**

**Office of the Governor - Special
Budget Code 13001**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$2,334,447
Receipts	\$334,447
Net Appropriation	\$2,000,000

Legislative Changes

Requirements	\$0
Receipts	\$0
Net Appropriation	\$0

Revised Budget

Requirements	\$2,334,447
Receipts	\$334,447
Net Appropriation	\$2,000,000

General Fund FTE

Enacted Budget	3.39
Legislative Changes	0.00
Revised Budget	3.39

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Office of the Governor - Special Budget Code 13001		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1A15	Education and Workforce Innovation Program	2,000,000	-	2,000,000	-	-	-	2,000,000	-	2,000,000
1R30	Governor's Special Projects	334,447	334,447	-	-	-	-	334,447	334,447	-
Department-wide Items										
Total		\$2,334,447	\$334,447	\$2,000,000	\$0	\$0	\$0	\$2,334,447	\$334,447	\$2,000,000

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Office of the Governor - Special					
Budget Code 13001		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1A15	Education and Workforce Innovation Program	0.20	-	-	0.20
1R30	Governor's Special Projects	3.19	-	-	3.19
Total FTE		3.39	-	-	3.39

(9.0) Governor - Special Projects

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$2,000,000

Legislative Changes

19 No legislative changes
Fund Code: N/A

Total Legislative Changes

Total Position Changes

Revised Budget

\$2,000,000

Office of State Budget and Management
Budget Code 13005

General Fund Budget

FY 2016-17

Enacted Budget

Receipts	\$571,883
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Legislative Changes

Requirements	\$294,160
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Receipts	\$0
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Net Appropriation	\$294,160
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Revised Budget

Requirements	\$8,397,451
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Receipts	\$571,883
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Net Appropriation	\$7,825,568
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General Fund FTE

Enacted Budget	69.31
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Legislative Changes	3.00
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Revised Budget	72.31
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**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Office of State Budget and Management Budget Code 13005		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1310	Office of State Budget and Management	7,797,082	265,674	7,531,408	278,200	-	278,200	8,075,282	265,674	7,809,608
1322	NC GEAR	306,209	306,209	-	-	-	-	306,209	306,209	-
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	15,960	N/A	15,960	15,960	N/A	15,960
Total		\$8,103,291	\$571,883	\$7,531,408	\$294,160	\$0	\$294,160	\$8,397,451	\$571,883	\$7,825,568

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Office of State Budget and Management					
Budget Code 13005		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1310	Office of State Budget and Management	65.31	3.00	-	68.31
1322	NC GEAR	4.00	-	-	4.00
Total FTE		69.31	3.00	-	72.31

(10.0) State Budget & Management

GENERAL FUND

Total Budget Enacted 2015 Session		FY 16-17	
		\$7,531,408	-
Legislative Changes			
Reserve for Salaries and Benefits			
20 State Retirement Contributions		\$15,960	R
Fund Code: N/A			
Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.			
For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.			
Office of State Budget and Management			
21 Connect NC Bond Staff		\$278,200	R
Fund Code: 1310			
		3.00	
Provides funding for 3 staff to assist agencies as needed with Connect NC Bond projects. The revised net appropriation for this fund is \$7.8 million.			
Total Legislative Changes		\$294,160	R
Total Position Changes			3.00
Revised Budget		\$7,825,568	

Dorothea Dix Land Proceeds

Budget Code: 63008

FY 2016-17

Beginning Unreserved Fund Balance**\$52,102,273****Recommended Budget**

Requirements	\$0
Receipts	\$0
Positions	0.00

Legislative Changes**Requirements:****Child Facility-Based Crisis Centers**

Transfers funds to the Department of Health and Human Services, Budget Code 24460 for start-up costs (renovation or construction) to establish 1 or 2 child facility-based crisis centers, at least 1 of which will be in the south/east/central region. Funds will be awarded on a competitive basis, and will be available across 2 years [because construction and renovation tends to take longer than a year].

\$0	R
\$2,000,000	NR
0.00	

Inpatient Behavioral Health Beds

Transfers funds to the Department of Health and Human Services, Budget Code 24460 for the purpose of expanding inpatient capacity, especially in rural areas near counties with limited inpatient capacity relative to their needs through constructing new beds or renovating existing beds to form new inpatient psychiatric units or new facility-based crisis centers, prioritizing rural hospitals in the process.

\$0	R
\$12,000,000	NR
0.00	

Subtotal Legislative Changes

\$0	R
\$14,000,000	NR
0.00	

Receipts:

Senate Appropriations Committee on General Government and Information Technology

FY 2016-17

Dorothea Dix Proceeds	\$0	R
	\$0	NR
Subtotal Legislative Changes	\$0	R
	\$0	NR

Revised Total Requirements	\$14,000,000
Revised Total Receipts	\$0
Change in Fund Balance	(\$14,000,000)
Total Positions	0.00

Unappropriated Balance Remaining	\$38,102,273
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**Office of State Budget and Management - Special
Budget Code 13085**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$2,000,000
Receipts	\$0
Net Appropriation	\$2,000,000

Legislative Changes

Requirements	\$5,050,000
Receipts	\$0
Net Appropriation	\$5,050,000

Revised Budget

Requirements	\$7,050,000
Receipts	\$0
Net Appropriation	\$7,050,000

General Fund FTE

Enacted Budget	0.00
Legislative Changes	0.00
Revised Budget	0.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Office of State Budget and Management - Special Budget Code 13085		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1022	Special Appropriations	2,000,000	-	2,000,000	5,050,000	-	5,050,000	7,050,000	-	7,050,000
Department-wide Items										
Total		\$2,000,000	\$0	\$2,000,000	\$5,050,000	\$0	\$5,050,000	\$7,050,000	\$0	\$7,050,000

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Office of State Budget and Management - Special					
Budget Code 13085		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1022	Special Appropriations	-	-	-	-
Total FTE		-	-	-	-

(11.0) State Budget and Management - Special

GENERAL FUND

Total Budget Enacted 2015 Session**FY 16-17**
\$2,000,000

Legislative Changes**22 Career and Technical Education School Renovation Funds****Fund Code: 1022****\$5,000,000 NR**

Provides funds to Onslow County to retrofit and purchase equipment for a regional career and technical education center. The revised net appropriation for this project is \$5.0 million.

23 Facility Rehabilitation**Fund Code: 1022****\$50,000 NR**

Provides funds to the Andrew Jackson Historical Foundation, Inc. to renovate the Museum of the Waxhaws. The revised net appropriation for the museum is \$50,000.

Total Legislative Changes**\$5,050,000 NR****Total Position Changes****Revised Budget****\$7,050,000**

**Office of the State Auditor
Budget Code 13300**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$17,576,536
Receipts	\$5,571,745
Net Appropriation	\$12,004,791

Legislative Changes

Requirements	\$240,714
Receipts	\$0
Net Appropriation	\$240,714

Revised Budget

Requirements	\$17,817,250
Receipts	\$5,571,745
Net Appropriation	\$12,245,505

General Fund FTE

Enacted Budget	168.00
Legislative Changes	0.00
Revised Budget	168.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Office of the State Auditor Budget Code 13300		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Administration	2,567,022	-	2,567,022	-	-	-	2,567,022	-	2,567,022
1210	Field Audit Division	15,009,514	5,571,745	9,437,769	212,371	-	212,371	15,221,885	5,571,745	9,650,140
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	28,343	N/A	28,343	28,343	N/A	28,343
Total		\$17,576,536	\$5,571,745	\$12,004,791	\$240,714	\$0	\$240,714	\$17,817,250	\$5,571,745	\$12,245,505

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Office of the State Auditor					
Budget Code 13300		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Administration	23.00	-	-	23.00
1210	Field Audit Division	145.00	-	-	145.00
Total FTE		168.00	-	-	168.00

(12.0) Auditor

GENERAL FUND

Total Budget Enacted 2015 Session		FY 16-17	
		\$12,004,791	-
Legislative Changes			
Reserve for Salaries and Benefits			
24 State Retirement Contributions		\$28,343	R
Fund Code: N/A			
Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.			
For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.			
Field Audit Division			
25 Subject Matter Experts			
Fund Code: 1210		\$150,000	
Provides \$150,000 on a nonrecurring basis for the use of subject matter experts during audits. The revised net appropriation for this fund from all actions in this report is \$9.7 million.			
26 Security Officer		\$55,065	R
Fund Code: 1210		\$7,306	NR
Provides funding to allow the Office of the State Auditor to contract with the State Capitol Police for 1 full time security officer to be located in the building shared by the Office of the State Auditor, Secretary of State, and Department of Labor. The revised net appropriation for this fund from all actions in this report is \$9.7 million.			
Total Legislative Changes		\$83,408	R
		\$157,306	NR
Total Position Changes			
Revised Budget		\$12,245,505	-

**Housing Finance Agency
Budget Code 13010**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$25,660,000
Receipts	\$0
<hr/>	
Net Appropriation	\$25,660,000

Legislative Changes

Requirements	\$5,519,750
Receipts	\$5,519,750
<hr/>	
Net Appropriation	\$0

Revised Budget

Requirements	\$31,179,750
Receipts	\$5,519,750
<hr/>	
Net Appropriation	\$25,660,000

General Fund FTE

Enacted Budget	0.00
Legislative Changes	0.00
<hr/>	
Revised Budget	0.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Housing Finance Agency Budget Code 13010		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1100	Housing Finance Agency Appropriations	25,660,000	-	25,660,000	5,519,750	5,519,750	-	31,179,750	5,519,750	25,660,000
Department-wide Items										
Total		\$25,660,000	\$0	\$25,660,000	\$5,519,750	\$5,519,750	\$0	\$31,179,750	\$5,519,750	\$25,660,000

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Housing Finance Agency					
Budget Code 13010		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1100	Housing Finance Agency Appropriations	-	-	-	-
Total FTE		-	-	-	-

(13.0) Housing Finance Agency

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$25,660,000 .

Legislative Changes

27 Community Living Housing Fund

Fund Code: 1100

Authorizes the Housing Finance Agency to expend receipts transferred from the Department of Health and Human Services for the Community Living Housing Fund (CLHF). These funds increase access to permanent, community-based integrated housing for individuals with disabilities in support of the Olmstead Settlement. Requirements for the CLHF are increased from \$0 to \$5,519,750, as are receipts. The revised net appropriation for CLHF is \$0.

Total Legislative Changes

Total Position Changes

Revised Budget

\$25,660,000

**Secretary of State
Budget Code 13200**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$11,812,320
Receipts	\$61,625
<hr/>	
Net Appropriation	\$11,750,695

Legislative Changes

Requirements	\$656,755
Receipts	\$0
<hr/>	
Net Appropriation	\$656,755

Revised Budget

Requirements	\$12,469,075
Receipts	\$61,625
<hr/>	
Net Appropriation	\$12,407,450

General Fund FTE

Enacted Budget	169.88
Legislative Changes	6.00
<hr/>	
Revised Budget	175.88

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Secretary of State Budget Code 13200		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	General Administration	3,239,053	1,000	3,238,053	-	-	-	3,239,053	1,000	3,238,053
1120	Publications Division	226,352	21,700	204,652	-	-	-	226,352	21,700	204,652
1150	Lobbyist Registration	326,523	-	326,523	-	-	-	326,523	-	326,523
1210	Corporations Division	3,178,785	2,100	3,176,685	-	-	-	3,178,785	2,100	3,176,685
1220	Certification and Filing Division	2,446,347	34,825	2,411,522	-	-	-	2,446,347	34,825	2,411,522
1230	Securities Division	1,682,769	2,000	1,680,769	632,615	-	632,615	2,315,384	2,000	2,313,384
1600	Charitable Fundraising Licensure	712,491	-	712,491	-	-	-	712,491	-	712,491
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	24,140	N/A	24,140	24,140	N/A	24,140
Total		\$11,812,320	\$61,625	\$11,750,695	\$656,755	\$0	\$656,755	\$12,469,075	\$61,625	\$12,407,450

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Secretary of State					
Budget Code 13200		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	General Administration	34.10	-	-	34.10
1120	Publications Division	2.73	-	-	2.73
1150	Lobbyist Registration	5.00	-	-	5.00
1210	Corporations Division	57.87	-	-	57.87
1220	Certification and Filing Division	40.00	-	-	40.00
1230	Securities Division	20.75	6.00	-	26.75
1600	Charitable Fundraising Licensure	9.43	-	-	9.43
Total FTE		169.88	6.00	-	175.88

(14.0) Secretary of State

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$11,750,695

Legislative Changes

Reserve for Salaries and Benefits

28 State Retirement Contributions

\$24,140 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Securities Division

29 Securities Staffing

\$632,615 R

Fund Code: 1230

6.00

Increases staffing levels within the Securities Division to assist with the sale of securities products. The new positions will allow the division to address rising demand due to recent Federal regulatory reforms, which have increased the pool of eligible North Carolina businesses and investors who can purchase and sell securities products. The following positions will be created: 4 Financial Investigators, 1 Attorney III, and 1 Financial Investigating Manager. The revised net appropriation for the Securities Division is \$2.3 million.

Total Legislative Changes

\$656,755 R

Total Position Changes

6.00

Revised Budget

\$12,407,450

**Lieutenant Governor
Budget Code 13100**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$677,972
Receipts	\$0
<hr/>	
Net Appropriation	\$677,972

Legislative Changes

Requirements	\$11,535
Receipts	\$0
<hr/>	
Net Appropriation	\$11,535

Revised Budget

Requirements	\$689,507
Receipts	\$0
<hr/>	
Net Appropriation	\$689,507

General Fund FTE

Enacted Budget	6.00
Legislative Changes	0.00
<hr/>	
Revised Budget	6.00

Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session

Lieutenant Governor Budget Code 13100		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1110	Administration	677,972	-	677,972	10,000	-	10,000	687,972	-	687,972
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	1,535	N/A	1,535	1,535	N/A	1,535
Total		\$677,972	\$0	\$677,972	\$11,535	\$0	\$11,535	\$689,507	\$0	\$689,507

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Lieutenant Governor					
Budget Code 13100		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1110	Administration	6.00	-	-	6.00
Total FTE		6.00	-	-	6.00

(15.0) Lieutenant Governor

GENERAL FUND

Total Budget Enacted 2015 SessionFY 16-17
\$677,972

Legislative Changes

Reserve for Salaries and Benefits

30 State Retirement Contributions

\$1,535 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Administration

31 Subscription and Travel

\$10,000 R

Fund Code: 1110

Funds business-related employee travel and office subscriptions. The revised net appropriation for the Lieutenant Governor from all actions in this report is \$0.7 million.

Total Legislative Changes

\$11,535 R

Total Position Changes

Revised Budget

\$689,507

**Department of Administration
Budget Code 14100**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$117,513,117
Receipts	\$58,848,632
<hr/>	
Net Appropriation	\$58,664,485

Legislative Changes

Requirements	\$2,106,856
Receipts	\$0
<hr/>	
Net Appropriation	\$2,106,856

Revised Budget

Requirements	\$119,619,973
Receipts	\$58,848,632
<hr/>	
Net Appropriation	\$60,771,341

General Fund FTE

Enacted Budget	445.96
Legislative Changes	13.20
<hr/>	
Revised Budget	459.16

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Administration Budget Code 14100		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1111	Office of the Secretary	1,471,523	120,843	1,350,680	-	-	-	1,471,523	120,843	1,350,680
1121	DOA - Fiscal Management	1,760,027	690,025	1,070,002	-	-	-	1,760,027	690,025	1,070,002
1122	DOA - Personnel	767,226	186,804	580,422	-	-	-	767,226	186,804	580,422
1123	Ofc for Historically Underutilized Business	522,910	1,000	521,910	-	-	-	522,910	1,000	521,910
1230	Non Public Education	442,174	-	442,174	-	-	-	442,174	-	442,174
1241	Management Information Services	1,192,539	375,994	816,545	-	-	-	1,192,539	375,994	816,545
1311	Office of State Personnel (OSHR)	7,974,654	113,506	7,861,148	-	-	-	7,974,654	113,506	7,861,148
1411	State Construction Office	5,935,846	684,911	5,250,935	577,922	-	577,922	6,513,768	684,911	5,828,857
1412	State Property Office	2,138,934	1,207,688	931,246	-	-	-	2,138,934	1,207,688	931,246
1421	Facilities Management Division	31,531,658	4,030,404	27,501,254	-	-	-	31,531,658	4,030,404	27,501,254
1511	Purchase and Contract	3,058,659	1,476,743	1,581,916	-	-	-	3,058,659	1,476,743	1,581,916
1731	Council for Women & Domestic Violence	716,417	-	716,417	475,941	-	475,941	1,192,358	-	1,192,358
1734	Sexual Assault Program	2,894,972	-	2,894,972	-	-	-	2,894,972	-	2,894,972
1741	Human Relations Commission	-	-	-	596,858	-	596,858	596,858	-	596,858
1742	MLK Commission	23,378	-	23,378	-	-	-	23,378	-	23,378
1761	Youth Advocacy and Involvement Office	475,941	-	475,941	(475,941)	-	(475,941)	-	-	-
1772	State Veterans Home Program	45,864,689	45,864,689	-	-	-	-	45,864,689	45,864,689	-
1781	Domestic Violence Program	5,086,099	-	5,086,099	-	-	-	5,086,099	-	5,086,099
1782	Domestic Violence Center	3,913,212	3,913,212	-	-	-	-	3,913,212	3,913,212	-
1810	State Ethics Commission	1,230,025	56,679	1,173,346	870,000	-	870,000	2,100,025	56,679	2,043,346
1851	Pension - Surviving Spouse	12,000	-	12,000	-	-	-	12,000	-	12,000
1861	Commission on Indian Affairs	302,850	-	302,850	-	-	-	302,850	-	302,850
1900	Reserves and Transfers	197,384	126,134	71,250	-	-	-	197,384	126,134	71,250
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	62,076	N/A	62,076	62,076	N/A	62,076
Total		\$117,513,117	\$58,848,632	\$58,664,485	\$2,106,856	\$0	\$2,106,856	\$119,619,973	\$58,848,632	\$60,771,341

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Administration					
Budget Code 14100		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1111	Office of the Secretary	11.00	-	-	11.00
1121	DOA - Fiscal Management	24.00	-	-	24.00
1122	DOA - Personnel	10.00	-	-	10.00
1123	Ofc for Historically Underutilized Business	8.00	-	-	8.00
1230	Non Public Education	5.75	-	-	5.75
1241	Management Information Services	10.00	-	-	10.00
1311	Office of State Personnel (OSHR)	65.00	-	-	65.00
1411	State Construction Office	55.00	6.00	-	61.00
1412	State Property Office	27.00	-	-	27.00
1421	Facilities Management Division	154.25	-	-	154.25
1511	Purchase and Contract	33.10	-	-	33.10
1731	Council for Women & Domestic Violence	9.00	4.00	-	13.00
1734	Sexual Assault Program	0.36	-	-	0.36
1741	Human Relations Commission	0.04	7.20	-	7.24
1742	MLK Commission	-	-	-	-
1761	Youth Advocacy and Involvement Office	4.00	(4.00)	-	-
1772	State Veterans Home Program	8.77	-	-	8.77
1781	Domestic Violence Program	4.64	-	-	4.64
1782	Domestic Violence Center	-	-	-	-
1810	State Ethics Commission	13.00	-	-	13.00
1851	Pension - Surviving Spouse	-	-	-	-
1861	Commission on Indian Affairs	3.05	-	-	3.05
1900	Reserves and Transfers	-	-	-	-
Total FTE		445.96	13.20	-	459.16

(16.0) Administration**GENERAL FUND****Total Budget Enacted 2015 Session****FY 16-17**
\$58,664,485**Legislative Changes****Reserve for Salaries and Benefits****32 State Retirement Contributions**

\$62,076 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Advocacy Programs**33 Youth Advocacy and Involvement Office Transfer**

(\$475,941) R

Fund Code: 1761

-4.00

Transfers all funding and all 4 positions from the Youth Advocacy and Involvement Office to the Council for Women. The Council for Women will be renamed the Council for Women and Youth Involvement. The following positions will be transferred:

60014064 Advocacy Program Director
60014061 Administrative Officer II
60014065 Administrative Officer II
60014502 Administrative Officer II

The revised net appropriation for the Youth Advocacy and Involvement Office is \$0.

34 Council for Women and Youth Involvement

\$475,941 R

Fund Code: 1731

4.00

Expands the Council for Women by receiving a transfer of funding and 4 positions from the Youth Advocacy and Involvement Office. The Council for Women is renamed the Council for Women and Youth Involvement. The following positions will be added:

60014064 Advocacy Program Director
60014061 Administrative Officer II
60014065 Administrative Officer II
60014502 Administrative Officer II

The revised net appropriation for this fund is \$1.2 million.

Senate Committee on General Government and Information Technology

FY 16-17

35 Human Relations Commission Restored Funding

\$545,407 R

Fund Code: 1741

6.20

Restores \$545,407 of recurring funding and 6.20 positions for the Human Relations Commission, which was funded with a nonrecurring appropriation in FY 2015-16 while it underwent a continuation review. The revised net appropriation for the Human Relations Commission from all actions in this report is \$0.6 million.

36 Human Relations Commission New Position

\$51,451 R

Fund Code: 1741

1.00

Provides \$51,451 for the salary and benefits for 1 new Administrative Assistant position. The revised net appropriation for the Human Relations Commission from all actions in this report is \$0.6 million.

State Construction Office**37 Connect NC Bond Administration**

\$545,747 R

Fund Code: 1411

\$32,175 NR

6.00

Provides funds to the State Construction Office within the Department of Administration due to the increased workload from the Connect NC Bond. The increased funding will pay for new software licenses and 6 positions. The revised net appropriation for the State Construction Office is \$5.8 million.

State Ethics Commission**38 Existing Electronic Application Maintenance**

\$20,000 R

Fund Code: 1810

Provides funding for continued maintenance and required updates to the State's electronic ethics application. The system accepts, tracks, and reports Statement of Economic Interest (SEI) filings, as well as maintains required ethics trainings for certain State employees and elected officials. The revised net appropriation for the State Ethics Commission from all actions in this report is \$2.0 million.

39 New Electronic Application Development

\$850,000 NR

Fund Code: 1810

Funds the development and implementation of a new electronic application system to allow individuals to file and amend SEI electronically and to provide relevant updates to the ethics training modules. The revised net appropriation for the State Ethics Commission from all actions in this report is \$2.0 million.

Total Legislative Changes

\$1,224,681 R

\$882,175 NR

Total Position Changes

13.20

Revised Budget

\$60,771,341

**Department of Revenue
Budget Code 14700**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$133,915,718
Receipts	\$53,458,039
Net Appropriation	\$80,457,679

Legislative Changes

Requirements	\$501,372
Receipts	\$0
Net Appropriation	\$501,372

Revised Budget

Requirements	\$134,417,090
Receipts	\$53,458,039
Net Appropriation	\$80,959,051

General Fund FTE

Enacted Budget	1,471.25
Legislative Changes	0.00
Revised Budget	1,471.25

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Revenue Budget Code 14700		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1600	Administration	3,618,680		3,618,680	-	-	-	3,618,680	-	3,618,680
1601	Enterprise Project Management Office	780,186		780,186	-	-	-	780,186	-	780,186
1603	Human Resources	1,522,319		1,522,319	-	-	-	1,522,319	-	1,522,319
1605	Information Technology	15,983,036	406,374	15,576,662	-	-	-	15,983,036	406,374	15,576,662
1607	Revenue Research	429,658		429,658	-	-	-	429,658	-	429,658
1609	Criminal Investigations	911,367		911,367	-	-	-	911,367	-	911,367
1624	Income Tax Division	2,079,237		2,079,237	-	-	-	2,079,237	-	2,079,237
1625	Excise Tax Division	200,724		200,724	-	-	-	200,724	-	200,724
1627	Sales and Use Taxes	1,315,833		1,315,833	-	-	-	1,315,833	-	1,315,833
1629	Local Government Division	5,167,717	5,167,717	-	-	-	-	5,167,717	5,167,717	-
1643	Taxpayer Assistance	8,672,798	294,830	8,377,968	-	-	-	8,672,798	294,830	8,377,968
1660	Collection	259,611		259,611	-	-	-	259,611	-	259,611
1661	Project Collect Tax	26,347,464	26,347,464	-	-	-	-	26,347,464	26,347,464	-
1662	Taxpayer Call Center	10,154,241	10,154,241	-	-	-	-	10,154,241	10,154,241	-
1663	Examination	24,414,627		24,414,627	-	-	-	24,414,627	-	24,414,627
1670	Unauthorized Substance Tax	1,520,211		1,520,211	-	-	-	1,520,211	-	1,520,211
1681	Business Operations	8,113,860	47,740	8,066,120	350,000	-	350,000	8,463,860	47,740	8,416,120
1683	Financial Services	836,692		836,692	-	-	-	836,692	-	836,692
1685	Documents Payments Processing	11,568,447	1,206,014	10,362,433	-	-	-	11,568,447	1,206,014	10,362,433
1700	Motor Fuels	4,994,370	4,994,370	-	-	-	-	4,994,370	4,994,370	-
1708	International Registration	229,020	229,020	-	-	-	-	229,020	229,020	-
1710	Fuel Tax Compliance	1,604,094	1,604,094	-	-	-	-	1,604,094	1,604,094	-
1711	Federal Grant - Joint Operations Center	590,791	590,791	-	-	-	-	590,791	590,791	-
1800	White Goods - Disposal Tax	425,000	425,000	-	-	-	-	425,000	425,000	-
1820	Scrap Tire Disposal Tax	425,000	425,000	-	-	-	-	425,000	425,000	-
1830	Public Transit Tax	715,384	715,384	-	-	-	-	715,384	715,384	-
1840	Dry Cleaning Solvent Tax	125,000	125,000	-	-	-	-	125,000	125,000	-
1870	Solid Waste Disposal Tax	225,000	225,000	-	-	-	-	225,000	225,000	-
1880	911 - Service Charge	500,000	500,000	-	-	-	-	500,000	500,000	-
1900	Reserves and Transfers	185,351		185,351	-	-	-	185,351	-	185,351
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	151,372	N/A	151,372	151,372	N/A	151,372
Total		\$133,915,718	\$53,458,039	\$80,457,679	\$501,372	\$0	\$501,372	\$134,417,090	\$53,458,039	\$80,959,051

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Revenue				
Budget Code 14700		Enacted	Legislative Changes	
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts
1600	Administration	29.00	-	-
1601	Enterprise Project Management Office	8.00	-	-
1603	Human Resources	20.00	-	-
1605	Information Technology	99.25	-	-
1607	Revenue Research	7.00	-	-
1609	Criminal Investigations	10.00	-	-
1624	Income Tax Division	22.00	-	-
1625	Excise Tax Division	2.00	-	-
1627	Sales and Use Taxes	14.00	-	-
1629	Local Government Division	33.00	-	-
1643	Taxpayer Assistance	144.00	-	-
1660	Collection	2.00	-	-
1661	Project Collect Tax	266.00	-	-
1662	Taxpayer Call Center	137.00	-	-
1663	Examination	328.00	-	-
1670	Unauthorized Substance Tax	20.00	-	-
1681	Business Operations	18.00	-	-
1683	Financial Services	11.00	-	-
1685	Documents Payments Processing	202.00	-	-
1700	Motor Fuels	50.00	-	-
1708	International Registration	3.00	-	-
1710	Fuel Tax Compliance	17.00	-	-
1711	Federal Grant - Joint Operations Center	2.00	-	-
1800	White Goods - Disposal Tax	6.00	-	-
1820	Scrap Tire Disposal Tax	6.00	-	-
1830	Public Transit Tax	8.00	-	-
1840	Dry Cleaning Solvent Tax	-	-	-
1870	Solid Waste Disposal Tax	1.00	-	-
1880	911 - Service Charge	6.00	-	-
1900	Reserves and Transfers	-	-	-
Total FTE		1,471.25	-	-

Senate Committee on General Government and Information Technology

(17.0) Revenue

GENERAL FUND

Total Budget Enacted 2015 Session		FY 16-17	
		\$80,457,679	
Legislative Changes			
Reserve for Salaries and Benefits			
40 State Retirement Contributions		\$151,372	R
Fund Code: N/A			
Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.			
For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.			
Business Operations			
41 Business Functions Optimization			
Fund Code: 1681		\$350,000	NR
Provides funds to the Department of Revenue to hire a contractor to identify opportunities to lower operational costs through automation or outsourcing of paper-driven processes. The revised net appropriation for the Business Operations fund is \$8.4 million.			
Total Legislative Changes		\$151,372	R
		\$350,000	NR
Total Position Changes			
Revised Budget		\$80,959,051	

Project Collect Tax

Budget Code: 24704

	FY 2016-17
Beginning Unreserved Fund Balance	\$63,433,264
Recommended Budget	
Requirements	\$37,732,539
Receipts	\$23,013,024
Positions	0.00

Legislative Changes**Requirements:****Tax Fraud Analysis**

Provides funds to the Department of Revenue to continue a contract with a vendor to perform tax fraud analysis using the Government Data Analytics Center (GDAC) and to pay for identity theft protection information technology upgrades.

\$0 R
\$2,000,000 NR
0.00

Implementation of New Tax Types

Provides funds from the Collection Assistance Fee to pay for programming the insurance and liquid nicotine tax types to enable automated collection.

\$0 R
\$582,800 NR
0.00

Subtotal Legislative Changes

\$0 R
\$2,582,800 NR
0.00

Receipts:**Tax Fraud Analysis**

\$0 R
\$0 NR

Implementation of New Tax Types

\$0 R
\$0 NR

Subtotal Legislative Changes

\$0 R
\$0 NR

Senate Appropriations Committee on General Government and Information Technology

FY 2016-17

Revised Total Requirements	\$40,315,339
Revised Total Receipts	\$23,013,024
Change in Fund Balance	(\$17,302,315)
Total Positions	0.00

Unappropriated Balance Remaining	\$46,130,949
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ITAS Replacement

Budget Code: 24708

	FY 2016-17
Beginning Unreserved Fund Balance	\$22,341,776
Recommended Budget	
Requirements	\$2,047,600
Receipts	\$2,047,600
Positions	7.00

Legislative Changes**Requirements:****Operations and Maintenance for Tax Systems**

Authorizes the Department of Revenue to spend \$12,000,000 nonrecurring in receipt funding for tax systems. The supported systems are Enterprise Tax Management, Portfolio Warehouse, and Modernize eFile.

\$0 R
\$12,000,000 NR
0.00

Subtotal Legislative Changes

\$0 R
\$12,000,000 NR
0.00

Receipts:**Operations and Maintenance for Tax Systems**

\$0 R
\$0 NR

Subtotal Legislative Changes

\$0 R
\$0 NR

Senate Appropriations Committee on General Government and Information Technology

FY 2016-17

Revised Total Requirements	\$14,047,600
Revised Total Receipts	\$2,047,600
Change in Fund Balance	(\$12,000,000)
Total Positions	7.00

Unappropriated Balance Remaining	\$10,341,776
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**Office of the State Controller
Budget Code 14160**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$23,158,226
Receipts	\$431,840
Net Appropriation	\$22,726,386

Legislative Changes

Requirements	\$532,021
Receipts	\$496,578
Net Appropriation	\$35,443

Revised Budget

Requirements	\$23,690,247
Receipts	\$928,418
Net Appropriation	\$22,761,829

General Fund FTE

Enacted Budget	169.00
Legislative Changes	0.00
Revised Budget	169.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Office of the State Controller Budget Code 14160		Enacted Budget			Legislative Changes			Revised Budget		
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1000	Office of State Controller	23,158,226	431,840	22,726,386	496,578	496,578	-	23,654,804	928,418	22,726,386
Department-wide Items										
N/A	Retirement System Contributions	-	-	-	35,443	N/A	35,443	35,443	N/A	35,443
Total		\$23,158,226	\$431,840	\$22,726,386	\$532,021	\$496,578	\$35,443	\$23,690,247	\$928,418	\$22,761,829

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Office of the State Controller					
Budget Code 14160		Enacted	Legislative Changes	Revised	
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1000	Office of State Controller	169.00	-	-	169.00
Total FTE		169.00	-	-	169.00

(18.0) State Controller**GENERAL FUND****Total Budget Enacted 2015 Session****FY 16-17**
\$22,726,386**Legislative Changes****Reserve for Salaries and Benefits****42 State Retirement Contributions****\$35,443 R****Fund Code: N/A**

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

State Controller**43 Continuation Review of BEACON Positions****Fund Code: 1000**

Restores the transfer of funds from the Department of Transportation to the State Controller for Building Enterprise Access for North Carolina's Core Operation Needs (BEACON) positions under continuation review on a nonrecurring basis for FY 2016-17. The total amount transferred is \$496,578. The revised net appropriation for personnel costs for the State Controller is \$15.5 million.

Total Legislative Changes**\$35,443 R****Total Position Changes****Revised Budget****\$22,761,829**

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Transportation Section K

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**Department of Transportation
Budget Code 84210**

Highway Fund Budget ¹

FY 2016-17

Enacted Budget

Requirements	\$7,199,755,488
Receipts	\$5,210,154,339
Net Appropriation	\$1,989,601,149

Legislative Changes

Requirements	\$61,433,462
Receipts	\$2,124,611
Net Appropriation	\$59,308,851

Revised Budget

Requirements	\$7,261,188,950
Receipts	\$5,212,278,950
Net Appropriation	\$2,048,910,000

Highway Fund FTE

Enacted Budget	12,350.00
Legislative Changes	45.00
Revised Budget	12,395.00

¹ Enacted Budget and Revised Budget amounts include duplicate receipt-supported fund codes for field operations, grant programs, and equipment established pursuant to S.L. 2011-145, Sec. 28.2. The revised budget without these fund codes is \$3,202,288,046 for requirements, \$1,153,378,046 for receipts, and \$2,048,910,000 for net appropriation.

Department of Transportation		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 84210										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
0001	Board of Transportation	61,834	-	61,834	-	-	-	61,834	-	61,834
0002	Communications	1,805,282	-	1,805,282	-	-	-	1,805,282	-	1,805,282
0006	Legal - Attorney General Staff	1,487,928	-	1,487,928	-	-	-	1,487,928	-	1,487,928
0007	Administration - Secretary	3,275,617	261,774	3,013,843	-	-	-	3,275,617	261,774	3,013,843
0177	Computer Systems	389,663	389,663	-	-	-	-	389,663	389,663	-
1096	Strategic Planning - Office of Transportation - Admini	177,973	-	177,973	-	-	-	177,973	-	177,973
1104	Governance Office - Admin	632,053	-	632,053	-	-	-	632,053	-	632,053
7011	Inspector General	2,424,025	675,096	1,748,929	-	-	-	2,424,025	675,096	1,748,929
7015	Human Resources	4,476,225	-	4,476,225	-	-	-	4,476,225	-	4,476,225
7020	Financial	9,472,574	4,054,093	5,418,481	78,616	78,616	-	9,551,190	4,132,709	5,418,481
7025	Information Technology	58,134,239	6,492,880	51,641,359	-	-	-	58,134,239	6,492,880	51,641,359
7030	Facilities Management and Support Services	23,251,622	3,607,721	19,643,901	-	-	-	23,251,622	3,607,721	19,643,901
	DOT ADMINISTRATION	105,589,035	15,481,227	90,107,808	78,616	78,616	-	105,667,651	15,559,843	90,107,808
0055	Chief Engineer	661,136	-	661,136	-	-	-	661,136	-	661,136
0056	Deputy Chief Engineer of Operations	854,057	-	854,057	-	-	-	854,057	-	854,057
0064	Director of Preconstruction	33,103	33,103	-	-	-	-	33,103	33,103	-
0149	Transportation Mobility and Safety	5,353,414	5,353,414	-	-	-	-	5,353,414	5,353,414	-
0178	Project Development and Environmental Analysis	883,378	883,378	-	-	-	-	883,378	883,378	-
1018	Director of Construction	245,178	245,178	-	-	-	-	245,178	245,178	-
1065	Utilities Unit - Administration	298,461	298,461	-	-	-	-	298,461	298,461	-
1067	Materials and Tests Unit	1,054,087	1,054,087	-	-	-	-	1,054,087	1,054,087	-
1069	Roadside Environmental Unit	2,306,740	-	2,306,740	-	-	-	2,306,740	-	2,306,740
1070	Construction Unit	632,908	632,908	-	-	-	-	632,908	632,908	-
1078	Office of Equal Opportunity and Workforce Services	334,084	334,084	-	-	-	-	334,084	334,084	-
1129	Office of Equal Opportunity and Workforce Services	365,487	365,487	-	-	-	-	365,487	365,487	-
1130	Office of Equal Opportunity and Workforce Services	676,974	-	676,974	-	-	-	676,974	-	676,974
1186	Structure Management	459,276	459,276	-	-	-	-	459,276	459,276	-
7070	Transportation Planning Program	174,731	174,731	-	-	-	-	174,731	174,731	-
1201	Division 1 - Right of Way Administration	46,294	46,294	-	-	-	-	46,294	46,294	-
1202	Division 2 - Right of Way Administration	47,814	47,814	-	-	-	-	47,814	47,814	-
1203	Division 3 - Right of Way Administration	57,497	57,497	-	-	-	-	57,497	57,497	-
1204	Division 4 - Right of Way Administration	49,054	49,054	-	-	-	-	49,054	49,054	-
1205	Division 5 - Right of Way Administration	61,596	61,596	-	-	-	-	61,596	61,596	-
1206	Division 6 - Right of Way Administration	51,112	51,112	-	-	-	-	51,112	51,112	-
1207	Division 7 - Right of Way Administration	43,820	43,820	-	-	-	-	43,820	43,820	-
1208	Division 8 - Right of Way Administration	45,419	45,419	-	-	-	-	45,419	45,419	-
1209	Division 9 - Right of Way Administration	102,390	102,390	-	-	-	-	102,390	102,390	-
1210	Division 10 - Right of Way Administration	44,304	44,304	-	-	-	-	44,304	44,304	-
1211	Division 11 - Right of Way Administration	48,872	48,872	-	-	-	-	48,872	48,872	-
1212	Division 12 - Right of Way Administration	39,749	39,749	-	-	-	-	39,749	39,749	-
1213	Division 13 - Right of Way Administration	43,966	43,966	-	-	-	-	43,966	43,966	-
1214	Division 14 - Right of Way Administration	48,967	48,967	-	-	-	-	48,967	48,967	-
1256	Program Development - Administration	1,533,247	1,533,247	-	-	-	-	1,533,247	1,533,247	-
7080	Division 1	1,591,841	-	1,591,841	-	-	-	1,591,841	-	1,591,841
7085	Division 2	1,774,325	-	1,774,325	-	-	-	1,774,325	-	1,774,325
7090	Division 3	1,709,132	-	1,709,132	-	-	-	1,709,132	-	1,709,132
7095	Division 4	1,616,684	-	1,616,684	-	-	-	1,616,684	-	1,616,684
7100	Division 5	1,822,335	-	1,822,335	-	-	-	1,822,335	-	1,822,335
7105	Division 6	1,737,242	-	1,737,242	-	-	-	1,737,242	-	1,737,242
7110	Division 7	1,820,648	-	1,820,648	-	-	-	1,820,648	-	1,820,648
7115	Division 8	1,533,066	-	1,533,066	-	-	-	1,533,066	-	1,533,066
7120	Division 9	1,608,235	-	1,608,235	-	-	-	1,608,235	-	1,608,235
7125	Division 10	2,063,088	-	2,063,088	-	-	-	2,063,088	-	2,063,088

Department of Transportation		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 84210										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
7130	Division 11	1,465,762	-	1,465,762	-	-	-	1,465,762	-	1,465,762
7135	Division 12	1,516,666	-	1,516,666	-	-	-	1,516,666	-	1,516,666
7140	Division 13	1,413,375	-	1,413,375	-	-	-	1,413,375	-	1,413,375
7145	Division 14	1,752,340	-	1,752,340	-	-	-	1,752,340	-	1,752,340
7150	Preconstruction Design Administration	1,555,873	1,555,873	-	-	-	-	1,555,873	1,555,873	-
7153	Technical Services - Administration	5,081,352	4,688,009	393,343	-	-	-	5,081,352	4,688,009	393,343
7175	Field Operations Support	1,001,747	-	1,001,747	-	-	-	1,001,747	-	1,001,747
7176	State Asset Management	1,594,752	40,000	1,554,752	-	-	-	1,594,752	40,000	1,554,752
7185	Safety	3,159,051	580,517	2,578,534	-	-	-	3,159,051	580,517	2,578,534
7190	Right of Way - Administration	2,447,890	2,447,890	-	-	-	-	2,447,890	2,447,890	-
	DOH ADMINISTRATION	54,862,519	21,410,497	33,452,022	-	-	-	54,862,519	21,410,497	33,452,022
7812	Construction - Secondary	12,000,000	-	12,000,000	-	-	-	12,000,000	-	12,000,000
7814	Construction - Public Service Roads	1,723,707	-	1,723,707	-	-	-	1,723,707	-	1,723,707
7817	Spot Safety	12,100,000	-	12,100,000	-	-	-	12,100,000	-	12,100,000
7818	Construction - Contingency	12,000,000	-	12,000,000	-	-	-	12,000,000	-	12,000,000
7837	Division of Small Urban Construction	-	-	-	2,500,000	-	2,500,000	2,500,000	-	2,500,000
7838	Economic Development	4,731,171	-	4,731,171	-	-	-	4,731,171	-	4,731,171
	CONSTRUCTION	42,554,878	-	42,554,878	2,500,000	-	2,500,000	45,054,878	-	45,054,878
0934	Reserve - General Maintenance	45,560,850	-	45,560,850	439,809,059	-	439,809,059	485,369,909	-	485,369,909
7821	Maintenance - Primary	135,479,149	-	135,479,149	(135,479,149)	-	(135,479,149)	-	-	-
7822	Maintenance - Secondary	285,289,910	-	285,289,910	(285,289,910)	-	(285,289,910)	-	-	-
7824	Contract Resurfacing	497,946,495	-	497,946,495	-	-	-	497,946,495	-	497,946,495
7841	Pavement Preservation	85,045,024	-	85,045,024	-	-	-	85,045,024	-	85,045,024
7839	Bridge Program	242,074,444	-	242,074,444	300,000	-	300,000	242,374,444	-	242,374,444
	MAINTENANCE	1,291,395,872	-	1,291,395,872	19,340,000	-	19,340,000	1,310,735,872	-	1,310,735,872
7827	FHWA Construction	876,621,600	876,621,600	-	-	-	-	876,621,600	876,621,600	-
	PLANNING & RESEARCH	876,621,600	876,621,600	-	-	-	-	876,621,600	876,621,600	-
7832	OSHA Program	358,030	-	358,030	-	-	-	358,030	-	358,030
	OSHA	358,030	-	358,030	-	-	-	358,030	-	358,030
7836	State Aid - Highway Fund for WBS	147,500,000	-	147,500,000	-	-	-	147,500,000	-	147,500,000
	STATE AID TO MUNICIPALITIES	147,500,000	-	147,500,000	-	-	-	147,500,000	-	147,500,000
0041	Aeronautics	2,264,669	203,717	2,060,952	-	-	-	2,264,669	203,717	2,060,952
7830	Airports Program	51,700,000	20,000,000	31,700,000	14,817,417	-	14,817,417	66,517,417	20,000,000	46,517,417
0036	Public Transportation	330,350	-	330,350	-	-	-	330,350	-	330,350
7831	Public Transportation - Highway Fund	122,576,052	34,732,983	87,843,069	4,000,000	-	4,000,000	126,576,052	34,732,983	91,843,069
0037	Rail Division	603,869	-	603,869	-	-	-	603,869	-	603,869
7829	Railroad Program	73,273,725	50,225,920	23,047,805	13,750,000	-	13,750,000	87,023,725	50,225,920	36,797,805
0035	Bicycle Program	726,895	-	726,895	-	-	-	726,895	-	726,895
7040	Ferry Administration	1,281,490	-	1,281,490	-	-	-	1,281,490	-	1,281,490
7825	Ferry Operations	44,318,905	5,000,000	39,318,905	-	-	-	44,318,905	5,000,000	39,318,905
	MULTI-MODAL	297,075,955	110,162,620	186,913,335	32,567,417	-	32,567,417	329,643,372	110,162,620	219,480,752
0042	Governor's Highway Safety Program	502,482	251,241	251,241	-	-	-	502,482	251,241	251,241
7828	Governor's Highway Safety Program	13,500,000	13,500,000	-	-	-	-	13,500,000	13,500,000	-
	GOVERNOR'S HIGHWAY SAFETY PROGRAM	14,002,482	13,751,241	251,241	-	-	-	14,002,482	13,751,241	251,241
0049	Driver Licensing	50,577,557	180,400	50,397,157	3,160,541	-	3,160,541	53,738,098	180,400	53,557,698
0054	Motor Vehicle Exhaust Emissions	12,077,863	-	12,077,863	-	-	-	12,077,863	-	12,077,863
7050	DMV - Commissioner's Office	9,085,196	11,000	9,074,196	1,812,636	-	1,812,636	10,897,832	11,000	10,886,832

Summary of Highway Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Transportation		Enacted	Legislative Changes		Revised
Budget Code 84210					
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
0002	Communications	17.00	-	-	17.00
0006	Legal - Attorney General Staff	18.00	-	-	18.00
0007	Administration - Secretary	27.00	-	-	27.00
0035	Bicycle Program	3.00	-	-	3.00
0036	Public Transportation	3.00	-	-	3.00
0037	Rail Division	7.00	-	-	7.00
0041	Aeronautics	16.00	-	-	16.00
0042	Governor's Highway Safety Program	5.00	-	-	5.00
0049	Driver Licensing	706.00	-	-	706.00
0054	Motor Vehicle Exhaust Emissions	123.00	-	-	123.00
0055	Chief Engineer	5.00	-	-	5.00
0056	Deputy Chief Engineer of Operations	5.00	-	-	5.00
0149	Transportation Mobility and Safety	49.00	-	-	49.00
0177	Computer Systems	3.00	-	-	3.00
0178	Project Development and Environmental Analysis	7.00	-	-	7.00
0704	Legal - Field	45.00	-	-	45.00
0714	Engineer Trainee Program	44.00	-	-	44.00
0720	Governor's Highway Safety Program	7.00	-	-	7.00
1017	Director of Preconstruction - Field	1.00	-	-	1.00
1018	Director of Construction	2.00	-	-	2.00
1020	Utilities Unit - Engineering and Encroachments	21.00	-	-	21.00
1065	Utilities Unit - Administration	4.00	-	-	4.00
1066	Utilities Unit - Field	17.00	-	-	17.00
1067	Materials and Tests Unit	16.00	-	-	16.00
1068	Materials and Tests - Field	138.00	-	-	138.00
1069	Roadside Environmental Unit	21.00	-	-	21.00
1070	Construction Unit	6.00	-	-	6.00
1071	Construction Unit - Field	23.00	-	-	23.00
1078	Office of Equal Opportunity and Workforce Services	3.00	-	-	3.00
1080	Roadside Environmental Unit - SW Field	37.00	-	-	37.00
1081	Equal Opportunity and Workforce Services - Field	24.00	-	-	24.00
1087	Safe Routes to School - Field	1.00	-	-	1.00
1088	Public Information - Field	7.00	-	-	7.00
1096	SPOT - Administration	1.00	-	-	1.00
1097	SPOT - Field	2.00	-	-	2.00
1098	HR Talent Management - Field	1.00	-	-	1.00
1099	Governance Office - Field	8.00	-	-	8.00
1104	Governance Office - Admin	6.00	-	-	6.00
1112	State Road Maintenance - Field	17.00	-	-	17.00
1129	Office of Equal Opportunity and Workforce Services	4.00	-	-	4.00
1130	Office of Equal Opportunity and Workforce Services	7.00	-	-	7.00
1136	State Road Maintenance - Field	3.00	-	-	3.00
1186	Structure Management	4.00	-	-	4.00
1201	Division 1 - Right of Way Administration	1.00	-	-	1.00
1202	Division 2 - Right of Way Administration	1.00	-	-	1.00
1203	Division 3 - Right of Way Administration	1.00	-	-	1.00
1204	Division 4 - Right of Way Administration	1.00	-	-	1.00
1205	Division 5 - Right of Way Administration	1.00	-	-	1.00
1206	Division 6 - Right of Way Administration	1.00	-	-	1.00
1207	Division 7 - Right of Way Administration	1.00	-	-	1.00
1208	Division 8 - Right of Way Administration	1.00	-	-	1.00
1209	Division 9 - Right of Way Administration	2.00	-	-	2.00
1210	Division 10 - Right of Way Administration	1.00	-	-	1.00
1211	Division 11 - Right of Way Administration	1.00	-	-	1.00
1212	Division 12 - Right of Way Administration	1.00	-	-	1.00
1213	Division 13 - Right of Way Administration	1.00	-	-	1.00

Summary of Highway Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Transportation					
Budget Code 84210		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1214	Division 14 - Right of Way Administration	1.00	-	-	1.00
1255	Performance Metrics Management	2.00	-	-	2.00
1256	Program Development - Administration	16.00	-	-	16.00
1258	Program Development - Field	14.00	-	-	14.00
7011	Inspector General	25.00	-	-	25.00
7015	Human Resources	56.00	-	-	56.00
7020	Financial	111.00	-	1.00	112.00
7025	Information Technology	124.00	-	-	124.00
7030	Facilities Management and Support Services	48.00	-	-	48.00
7040	Ferry Administration	13.00	-	-	13.00
7050	DMV - Commissioner's Office	123.00	-	-	123.00
7055	Vehicle Registration	414.00	-	44.00	458.00
7060	License and Theft Bureau	147.00	-	-	147.00
7070	Transportation Planning Program	3.00	-	-	3.00
7080	Division 1	18.00	-	-	18.00
7085	Division 2	19.00	-	-	19.00
7090	Division 3	19.00	-	-	19.00
7095	Division 4	17.00	-	-	17.00
7100	Division 5	20.00	-	-	20.00
7105	Division 6	19.00	-	-	19.00
7110	Division 7	20.00	-	-	20.00
7115	Division 8	17.00	-	-	17.00
7120	Division 9	18.00	-	-	18.00
7125	Division 10	24.00	-	-	24.00
7130	Division 11	14.00	-	-	14.00
7135	Division 12	16.00	-	-	16.00
7140	Division 13	14.00	-	-	14.00
7145	Division 14	19.00	-	-	19.00
7150	Preconstruction Design Administration	14.00	-	-	14.00
7153	Technical Services - Administration	49.00	-	-	49.00
7175	Field Operations Support	10.00	-	-	10.00
7176	State Asset Management	18.00	-	-	18.00
7185	Safety	15.00	-	-	15.00
7190	Right of Way - Administration	30.00	-	-	30.00
7200	01 Field	420.00	-	-	420.00
7235	02 Field	381.00	-	-	381.00
7265	03 Field	376.00	-	-	376.00
7295	04 Field	398.00	-	-	398.00
7325	05 Field	450.00	-	-	450.00
7355	06 Field	374.00	-	-	374.00
7385	07 Field	339.00	-	-	339.00
7415	08 Field	383.00	-	-	383.00
7445	09 Field	313.00	-	-	313.00
7470	10 Field	361.00	-	-	361.00
7500	11 Field	469.00	-	-	469.00
7530	12 Field	336.00	-	-	336.00
7555	13 Field	387.00	-	-	387.00
7580	14 Field	441.00	-	-	441.00
7610	IT - Field	131.00	-	-	131.00
7615	Ferry	452.00	-	-	452.00
7620	Facilities Management and Operations Support	9.00	-	-	9.00
7625	Preconstruction Design - Field	262.00	-	-	262.00
7626	Technical Services - Field	282.00	-	-	282.00
7627	Structure Management - Field	196.00	-	-	196.00
7671	Traffic Mobility and Safety	165.00	-	-	165.00
7675	Right of Way - Field	63.00	-	-	63.00

Summary of Highway Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Transportation					
Budget Code 84210		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
7685	Transportation Planning Program - Field	109.00	-	-	109.00
7690	IT Group	66.00	-	-	66.00
7695	PDEA - Field	121.00	-	-	121.00
7700	Construction and Maintenance - Field	1,097.00	-	-	1,097.00
7705	Grants - Field	71.00	-	-	71.00
7710	Equipment and Inventory Unit	933.00	-	-	933.00
Total FTE		12,350.00	-	45.00	12,395.00

Senate Committee on Department of Transportation

Highway Fund

HIGHWAY FUND

Total Budget Enacted 2015 Session

FY 16-17
\$1,989,601,149

Legislative Changes

Administration

1 Tag and Tax Together Program

Fund Code: 7020

Continues funding for a time-limited accountant position to support the Tag and Tax Together Program, increasing budgeted receipts by \$78,616 from the administrative fee authorized in G.S. 105-330.5(b).

Construction

2 Small Urban Construction

\$2,500,000 R

Fund Code: 7837

Continues funding for the Small Urban Construction Fund. The revised net appropriation for Small Urban Construction is \$2,500,000 in FY 2016-17.

Division of Motor Vehicles

3 Military Commercial Driver License Training

\$258,885 R

Fund Code: 0049

Provides funding to continue a training initiative to assist military personnel in obtaining a Commercial Driver License (CDL). The revised net appropriation for this initiative is \$258,885 in FY 2016-17.

4 DMV Modernization Promotion

\$500,000 NR

Fund Code: 7050

Increases funding for advertising/marketing by \$500,000 nonrecurring for a multi-channel public outreach campaign to promote DMV modernization initiatives and the availability of online services. The revised net appropriation for advertising/marketing is \$561,600 in FY 2016-17.

5 Driver License Examiner Staff Augmentation

\$2,901,656 R

Fund Code: 0049

Provides funding for contracted driver license examiners to augment existing staffing and implement a 60-hour business week model in Districts 3 and 6. The revised net appropriation for professional fees is \$3,294,841 in FY 2016-17.

6 Tag and Tax Together Program**Fund Code:** 7055

Continues funding for 44 time-limited positions to support the Tag and Tax Together Program, increasing budgeted receipts by \$2,045,995 from the administrative fee authorized in G.S. 105-330.5(b).

7 Medical Review Program

\$1,312,636

R

Fund Code: 7050

Increases funding for the Medical Review Program for contracted medical reviews. The revised net appropriation for the Commissioner's Office is \$10,886,832 in FY 2016-17.

Intermodal**8 Public Transportation - Rural Operating Assistance Program**

\$3,000,000

R

Fund Code: 7831

Increases funding for rural transit system operating assistance. The revised net appropriation for the Rural Operating Assistance Program (ROAP) is \$19,807,528 in FY 2016-17.

9 Public Transportation - State Maintenance Assistance Program

\$1,000,000

R

Fund Code: 7831

Increases funding for urban transit system operating assistance. The revised net appropriation for the State Maintenance Assistance Program (SMAP) is \$31,528,557 in FY 2016-17.

10 Rail - Freight Rail & Rail Crossing Safety Improvement Fund

\$13,750,000

R

Fund Code: 7829

Increases funding for the Freight Rail & Rail Crossing Safety Improvement Fund by \$13.75 million recurring for track improvements, crossing safety, and industrial, port, and military access improvements. The revised net appropriation for the Freight Rail & Rail Crossing Safety Improvement Fund is \$17,500,000 in FY 2016-17.

11 Aviation - State Aid to Airports

\$14,817,417

R

Fund Code: 7830

Increases funding for grants-in-aid for general aviation airport development. The revised net appropriation for the Airports Program is \$46,517,417 in FY 2016-17.

Maintenance

- 12 Reserve for General Maintenance** \$420,769,059 R
Fund Code: 0934

Consolidates funding for roadway maintenance within the Reserve for General Maintenance based on the elimination of the Primary Maintenance account and the Secondary Road Maintenance and Improvement Fund. Through collaboration with the 14 highway division engineers, the Department shall develop new guidelines and procedures to allocate funds within this reserve account for maintenance on primary and secondary roads. The intent is to give greater discretion to the 14 highway division engineers to manage their budgets more effectively and efficiently. The revised net appropriation for the Reserve for General Maintenance is \$485,369,909 in FY 2016-17.

- 13 Primary Maintenance** (\$135,479,149) R
Fund Code: 7821

Consolidates the funding from three maintenance accounts into one fund. The intent is to give greater discretion to the 14 highway division engineers to manage their budgets more effectively and efficiently. Funds in the Primary Maintenance account are transferred to the Reserve for General Maintenance (Fund Code 0934). The revised net appropriation for Primary Maintenance is \$0 in FY 2016-17.

- 14 Secondary Road Maintenance and Improvement Fund** (\$285,289,910) R
Fund Code: 7822

Consolidates the funding from three maintenance accounts into one fund. The intent is to give greater discretion to the 14 highway division engineers to manage their budgets more effectively and efficiently. Funds in the Secondary Maintenance and Improvement Fund are transferred to the Reserve for General Maintenance (Fund Code 0934). The revised net appropriation for the Secondary Maintenance and Improvement Fund is \$0 in FY 2016-17.

- 15 Bridge Program (Statutory Adjustment)** \$300,000 R
Fund Code: 7839

Adjusts funding for the Bridge Program based on the revised revenue forecast. The program receives the balance of funds generated from the gasoline inspection fee after deducting expenses for the Department of Revenue for collecting the tax and expenses for the Department of Agriculture and Consumer Services for fuel inspection. The revised net appropriation for the Bridge Program is \$242,374,444 in FY 2016-17.

- 16 Litter and Debris Removal** \$10,000,000 NR
Fund Code: 0934

Increases funding for litter and debris removal by \$10,000,000 nonrecurring. Revised requirements for litter and debris removal total \$26.9 million. The revised net appropriation for the Reserve for General Maintenance is \$485,369,909 in FY 2016-17.

Reserves

17 Compensation Increase Reserve

\$4,000,000 R

Fund Code: N/A

\$4,000,000 NR

Provides \$4 million recurring for salary increases and \$4 million nonrecurring for one-time merit-based bonuses for State employees. Each employing agency shall develop policies for the allocation of these salary increases and merit-based bonuses. Merit-based bonuses provided by employing agencies shall not be considered compensation for retirement purposes. Corresponding special provisions provide additional details on these compensation adjustments.

The approximate revised net appropriation for Highway Fund-supported positions is \$310.6 million for FY 2016-17.

18 State Retirement Contributions

\$968,257 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution.

The approximate revised net appropriation for Highway Fund-supported members of TSERS is \$47.4 million for FY 2016-17.

Transfers

19 Continuation Review Reserve

(\$9,694,578) R

Fund Code: 1163

Eliminates the \$9.7 million reserve for appropriated transfers and the \$29.4 million reserve for potential revenue established by S.L. 2015-241, Sec. 6.20 in FY 2016-17.

Revenues are restored to the following programs based on the results of Continuation Reviews:

DEQ - Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund
 DEQ - Division of Air Quality Inspection and Maintenance Fees
 DEQ - Division of Air Quality Water and Air Quality Account
 DEQ - Mercury Pollution Prevention Account
 DOI - Rescue Squad Workers' Relief Fund
 DOI - Volunteer Rescue/EMS Grant Program
 WRC - Boating Account

20 Department of Insurance - State Fire Protection Grant Fund

\$158,000 NR

Fund Code: 0878

Restores the transfer to the Department of Insurance, State Fire Protection Grant Fund in FY 2016-17. The revised net appropriation for the State Fire Protection Grant Fund is \$158,000 in FY 2016-17.

Senate Committee on Department of Transportation

FY 16-17

21 Department of Public Safety - Inmate Litter Collection & Road Cleanup**Fund Code:** 0934

\$9,040,000 NR

Restores funding in FY 2016-17 for inmate road squads and litter crews provided under the supervision of the Department of Public Safety within the Reserve for General Maintenance per the consolidation of Highway Fund maintenance accounts. The revised net appropriation for these activities is \$9,040,000 in FY 2016-17.

22 Office of State Controller - Best Shared Services**Fund Code:** 0893

\$496,578 NR

Restores funding in FY 2016-17 for the Office of State Controller for 7.24 full-time equivalent positions which support human resources and payroll operations. The revised net appropriation for transfer to the Office of State Controller - BEST Shared Services is \$496,578 in FY 2016-17.

Total Legislative Changes

\$35,114,273 R

\$24,194,578 NR

Total Position Changes**Revised Budget**\$2,048,910,000

**Department of Transportation
Budget Code 84290**

Highway Trust Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$1,339,235,000
Receipts	\$0
<hr/>	
Net Appropriation	\$1,339,235,000

Legislative Changes

Requirements	\$32,045,000
Receipts	\$0
<hr/>	
Net Appropriation	\$32,045,000

Revised Budget

Requirements	\$1,371,280,000
Receipts	\$0
<hr/>	
Net Appropriation	\$1,371,280,000

Highway Trust Fund FTE

Enacted Budget	0.00
Legislative Changes	0.00
<hr/>	
Revised Budget	0.00

Summary of Highway Trust Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session

Department of Transportation		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 84290										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
6002	Program Administration	35,064,813	-	35,064,813	-	-	-	35,064,813	-	35,064,813
6005	Bond Redemption	51,785,964	-	51,785,964	-	-	-	51,785,964	-	51,785,964
6006	Bond Interest	9,226,265	-	9,226,265	-	-	-	9,226,265	-	9,226,265
6008	Turnpike Authority	49,000,000	-	49,000,000	-	-	-	49,000,000	-	49,000,000
6012	Transfer to Visitor Center	400,000	-	400,000	-	-	-	400,000	-	400,000
9075	Strategic Prioritization	1,193,757,958	-	1,193,757,958	32,045,000	-	32,045,000	1,225,802,958	-	1,225,802,958
Total		\$1,339,235,000	\$0	\$1,339,235,000	\$32,045,000	\$0	\$32,045,000	\$1,371,280,000	\$0	\$1,371,280,000

Highway Trust Fund

HIGHWAY TRUST FUND

	FY 16-17
Total Budget Enacted 2015 Session	\$1,339,235,000

Legislative Changes

Construction

23 Strategic Transportation Investments	\$32,045,000	R
Fund Code: 9075		

Modifies funding to the Strategic Transportation Investments Program. The revised net appropriation is \$1,225,802,958 in FY 2016-17.

Revenue Availability

24 Certificate of Title Fees
Fund Code: N/A

Eliminates the transfer of \$0.50 of the fee collected per certificate of title transaction to the Mercury Switch Removal Account in the Department of Environmental Quality, increasing Highway Trust Fund revenue by \$1.2 million.

Total Legislative Changes	\$32,045,000	R
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Total Position Changes

Revised Budget	\$1,371,280,000
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**Reserves,
Debt Service,
and Other
Adjustments
Section L**

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**Statewide Reserves
Budget Code Multiple**

General Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$1,129,696,961
Receipts	\$0
<hr/>	
Net Appropriation	\$1,129,696,961

Legislative Changes

Requirements	(\$11,433,757)
Receipts	\$0
<hr/>	
Net Appropriation	(\$11,433,757)

Revised Budget

Requirements	\$1,118,263,204
Receipts	\$0
<hr/>	
Net Appropriation	\$1,118,263,204

General Fund FTE

Enacted Budget	0.00
Legislative Changes	0.00
<hr/>	
Revised Budget	0.00

Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session

Statewide Reserves		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code Multiple										
Budget Code	Budget Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
N/A	Lottery Reserve	-	-	-	50,000,000	-	50,000,000	50,000,000	-	50,000,000
N/A	Mental Health Task Force Reserve	-	-	-	10,000,000	-	10,000,000	10,000,000	-	10,000,000
19001	Contingency and Emergency	5,000,000	-	5,000,000	-	-	-	5,000,000	-	5,000,000
19003	Compensation Increase Reserve	-	-	-	78,533,800	-	78,533,800	78,533,800	-	78,533,800
19004	Salary Adjustment Fund	25,000,000	-	25,000,000	-	-	-	25,000,000	-	25,000,000
19005	OSHR Minimum Market Adjustments	12,000,000	-	12,000,000	(7,000,000)	-	(7,000,000)	5,000,000	-	5,000,000
19013	Job Development Grant Fund (JDIG)	71,728,126	-	71,728,126	(10,000,000)	-	(10,000,000)	61,728,126	-	61,728,126
19044	Information Technology Fund & Reserve	43,002,697	-	43,002,697	(43,002,697)	-	(43,002,697)	-	-	-
19048	Workers Compensation Reserve	21,500,543	-	21,500,543	-	-	-	21,500,543	-	21,500,543
19063	One North Carolina Fund	9,000,000	-	9,000,000	(417,883)	-	(417,883)	8,582,117	-	8,582,117
19068	Pending Legislation	-	-	-	200,000	-	200,000	200,000	-	200,000
19064	Reserve for Future Benefit Needs	71,000,000	-	71,000,000	-	-	-	71,000,000	-	71,000,000
19080	UNC System Enrollment Growth Reserve	31,000,000	-	31,000,000	(31,000,000)	-	(31,000,000)	-	-	-
19081	Public Schools ADM	107,000,000	-	107,000,000	(107,000,000)	-	(107,000,000)	-	-	-
19082	Film and Entertainment Grant Fund	30,000,000	-	30,000,000	-	-	-	30,000,000	-	30,000,000
19930	State Emergency & Disaster Relief Fund	-	-	-	10,000,000	-	10,000,000	10,000,000	-	10,000,000
19420	Debt Service - General Fund	701,849,215	-	701,849,215	1,253,023	-	1,253,023	703,102,238	-	703,102,238
19425	Debt Service - Federal	1,616,380	-	1,616,380	37,000,000	-	37,000,000	38,616,380	-	38,616,380
Total		1,129,696,961	-	1,129,696,961	(11,433,757)	-	(11,433,757)	1,118,263,204	-	1,118,263,204

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Statewide Reserves					
Budget Code Multiple		<u>Enacted</u>	<u>Legislative Changes</u>		<u>Revised</u>
Budget Code	Budget Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
N/A	Lottery Reserve	-	-	-	-
19001	Contingency and Emergency	-	-	-	-
19003	Compensation Increase Reserve	-	-	-	-
19004	Salary Adjustment Fund	-	-	-	-
19005	OSHR Minimum Market Adjustments	-	-	-	-
19013	Job Development Grant Fund (JDIG)	-	-	-	-
19044	Information Technology Fund & Reserve	-	-	-	-
19048	Workers Compensation Reserve	-	-	-	-
19063	One North Carolina Fund	-	-	-	-
19068	Pending Legislation	-	-	-	-
19064	Reserve for Future Benefit Needs	-	-	-	-
19080	UNC System Enrollment Growth Reserve	-	-	-	-
19081	Public Schools ADM	-	-	-	-
19082	Film and Entertainment Grant Fund	-	-	-	-
19930	State Emergency & Disaster Relief Fund	-	-	-	-
19420	Debt Service - General Fund	-	-	-	-
19425	Debt Service - Federal	-	-	-	-
Total		-	-	-	-

Statewide Reserves

GENERAL FUND

FY 16-17

Total Budget Enacted 2015 Session

\$1,129,696,961

Legislative Changes

A. Base Budget Adjustments

- 1 Public Schools Average Daily Membership (ADM) (\$107,000,000) R
 Budget Code: 19081

Eliminates the ADM Reserve. Funding for increased ADM in FY 2016-17 is provided in the Department of Public Instruction budget in the Education section of the Committee Report. The revised net appropriation for the Public Schools ADM Reserve is \$0 for FY 2016-17.

- 2 University of North Carolina (UNC) System Enrollment Growth Reserve (\$31,000,000) R
 Budget Code: 19080

Eliminates the UNC System Enrollment Growth Reserve. Funding for projected enrollment growth is provided in the UNC System budget in the Education section of the Committee Report. The revised net appropriation for the UNC System Enrollment Growth Reserve is \$0 for FY 2016-17.

B. Employee Salaries and Benefits

- 3 Compensation Increase Reserve - Executive Branch \$31,000,000 R
 Budget Code: 19003 \$46,000,000 NR

Provides \$31 million for salary increases and \$46 million for one-time merit-based bonuses for State employees. The Office of State Human Resources shall develop policies for the allocation of these salary increases and merit-based bonuses. Merit-based bonuses provided by employing agencies shall not be considered compensation for retirement purposes. Corresponding special provisions provide additional details on these compensation adjustments.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394 million in FY 2016-17.

4 Compensation Increase Reserve - State Agency Teachers

\$1,533,800 R

Budget Code: 19003

Funds salary increases for State agency teachers within the Departments of Health and Human Services, Public Instruction, Public Safety, and the North Carolina School of Science and Math that are paid in accordance with the Statewide teacher salary schedule. Also funds an experience-based step increase for educators earning a year of creditable experience. Together, these increases provide, on average, a 6.5% increase for educators.

The changes to the teacher salary schedule provide annual salary increases for educators earning a year of creditable service for the first 15 years of experience. The salary schedule retains the tier-based system for educators with 16 or more years of creditable service. A corresponding special provision provides additional details on the changes to the teacher salary schedule.

For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for salaries is \$11.4 billion, an increase of nearly \$394 million in FY 2016-17.

5 Minimum of Market Reserve

(\$7,000,000) NR

Budget Code: 19005

Reduces the Minimum of Market reserve to reflect an implementation date of February 2017. The revised net appropriation for Minimum of Market funding is \$5 million in FY 2016-17.

C. Other Reserves**6 Mental Health Task Force Reserve**

\$10,000,000 NR

Budget Code: N/A

Provides a reserve in anticipation of legislation pending the results of the Governor's Task Force on Mental Health and Substance Use. The revised net appropriation for the Reserve is \$10 million.

7 Lottery Reserve

\$50,000,000 NR

Budget Code: N/A

Provides funds to the Lottery Reserve to be used for school construction needs pending the outcome of the study in Sec. 25.1. The revised net appropriation for the Lottery Reserve from this action is \$50 million.

8 Pending Legislation

\$200,000 NR

Budget Code: 19068

Provides funds for pending legislation such as S.B. 124, Modernize Assumed Business Name Statutes. The revised net appropriation for the Pending Legislation Reserve is \$200,000.

Senate Committee on Appropriations/Base Budget

FY 16-17

9 State Emergency Response and Disaster Relief Fund

Budget Code: 19930

\$10,000,000 NR

Provides funds for emergencies and disasters as specified in G.S. 166A-19.42. The revised net appropriation for the State Emergency Response and Disaster Relief Fund in FY 2016-17 is \$10 million.

10 Job Development Incentive Grants (JDIG) Reserve

Budget Code: 19013

(\$10,000,000) NR

Adjusts funding in the JDIG Reserve to reflect projected spending needs based on anticipated payouts of awarded grants. The revised net appropriation for JDIG in FY 2016-17 is \$61,728,126.

11 One North Carolina Fund

Budget Code: 19063

(\$417,883) NR

Adjusts funding to reflect projected spending needs based on anticipated performance of grantees. The revised net appropriation for the One North Carolina Fund in FY 2016-17 is \$8,582,117.

12 Information Technology (IT) Fund Transfer

Budget Code: 19044

(\$21,681,854) R

Eliminates the IT Fund and transfers the funds traditionally appropriated to the IT Fund to the Department of Information Technology's (DIT) General Fund budget code 14660. The revised net appropriation for the IT Fund in Statewide Reserves in FY 2016-17 is \$0.

13 Information Technology (IT) Reserve Transfer

Budget Code: 19044

(\$21,320,843) R

Eliminates the IT Reserve and transfers the funds traditionally appropriated to the IT Reserve to the DIT General Fund budget code 14660. The revised net appropriation for the IT Fund previously budgeted in Statewide Reserves is \$0 for FY 2016-17.

D. Debt Service

14 Federal Reimbursement Adjustment

Budget Code: 19425

\$37,000,000 NR

Provides funds to repay in its entirety the debt owed to the federal government for the Wilmington Harbor Navigation 96 Act Project. The revised net appropriation for this debt in FY 2016-17 is \$37 million.

15 Debt Service Adjustment

Budget Code: 19420

\$1,253,023 R

Increases General Fund debt service funding to pay increased costs anticipated for the Connect NC bond. The revised net appropriation for debt service in FY 2016-17 is \$703,102,238.

Statewide Reserves

Senate Committee on Appropriations/Base Budget

FY 16-17

Total Legislative Changes

(\$147,215,874) R

\$135,782,117 NR

Total Position Changes

Revised Budget

\$1,118,263,204

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Capital Section M

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**General Fund Supported Capital Improvements
Budget Code 19600**

Capital Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$12,175,000
Receipts	\$6,087,500
Net Appropriation	\$6,087,500

Legislative Changes

Requirements	\$136,679,182
Receipts	\$53,552,000
Net Appropriation	\$83,127,182

Revised Budget

Requirements	\$148,854,182
Receipts	\$59,639,500
Net Appropriation	\$89,214,682

Capital Fund FTE

Enacted Budget	0.00
Legislative Changes	0.00
Revised Budget	0.00

Summary of Capital Improvement Appropriations
Fiscal Year 2016-17
2016 Legislative Session

General Fund Supported Capital Improvements		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 19600										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
	Department of Public Safety									
	National Guard Armories	11,175,000	6,087,500	5,087,500	(69,000)	-	(69,000)	11,106,000	6,087,500	5,018,500
	Joint Forces Helipad Planning	-	-	-	69,000	-	69,000	69,000	-	69,000
	North Carolina State University									
	Engineering Building Planning	1,000,000		1,000,000			-	1,000,000	-	1,000,000
	Department of Agriculture and Consumer Services									
	Southeastern NC Agriculture Events Center				165,000	-	165,000	165,000	-	165,000
	Department of Environmental Quality									
	Water Resources Development Projects	-	-	-	58,572,000	53,552,000	5,020,000	58,572,000	53,552,000	5,020,000
	University of North Carolina									
	Univ. of North Carolina - Asheville Land Purchase	-	-	-	2,000,000	-	2,000,000	2,000,000	-	2,000,000
	Repairs and Renovations				75,942,182		75,942,182	75,942,182		75,942,182
Total		\$12,175,000	\$6,087,500	\$6,087,500	136,679,182	53,552,000	83,127,182	148,854,182	59,639,500	89,214,682

Senate Committee on Appropriations/Base Budget

Capital

GENERAL FUND

Total Budget Enacted 2015 Session

FY 16-17
\$6,087,500

Legislative Changes

A. Department of Agriculture and Consumer Services

1 Horse Stables

Fund Code: 19600

\$165,000 NR

Provides funds to the Department of Agriculture and Consumer Services to build horse stables at the Southeastern North Carolina Agricultural Events Center. The revised net appropriation for horse stables is \$165,000.

B. Department of Environmental Quality

2 Water Resources Development Projects

Fund Code: 19600

\$5,020,000 NR

Provides funds for the State's share of Water Resources Development Projects. State Funds will match \$32.1 million in federal funds and \$5.4 million in local funds. The Department will also utilize \$5.5 million in carry-forward funds. The revised net appropriation for Water Resources Development Projects is \$5.0 million.

C. Department of Public Safety

3 Armory Facility and Development Projects

Fund Code: 19600

(\$69,000) NR

Reduces funding to the National Guard Armories and Facilities projects by \$69,000. The funding reduction shall be applied equally to the Elizabeth City and Jacksonville Armory Projects. The revised net appropriation for National Guard Armory and Facility Development Projects is \$5.0 million.

4 North Carolina National Guard Helipad Planning

Fund Code: 19600

\$69,000 NR

Provides funds to plan helipads at the Joint Forces Headquarters in Raleigh, NC. The total cost of the project, once constructed, is expected to be \$746,000. The revised net appropriations for helipad planning is \$69,000.

D. University of North Carolina

5 University of North Carolina - Asheville

Fund Code: 19600

\$2,000,000 NR

Provides funds for land acquisition near the University of North Carolina - Asheville (UNC-A). The revised net appropriation for land acquisition at UNC-A is \$2.0 million.

E. Repairs and Renovations

6 Repairs and Renovations

Fund Code: 19600

\$75,942,182 NR

Appropriates \$75.9 million to the repairs and renovations reserve. These funds are in addition to the \$41.6 million from the year-end fund balance. The revised net appropriation for repairs and renovations is \$117.5 million.

Total Legislative Changes

\$83,127,182 NR

Total Position Changes

Revised Budget

\$89,214,682

Receipt Supported Capital Improvements
Budget Code N/A

Capital Fund Budget

FY 2016-17

Enacted Budget

Requirements	\$5,440,000
Receipts	\$5,440,000
Net Appropriation	\$0

Legislative Changes

Requirements	\$2,057,000
--------------	-------------

Revised Budget

Requirements	\$7,497,000
Receipts	\$7,497,000
Net Appropriation	\$0

Capital Fund FTE

Enacted Budget	0.00
Legislative Changes	0.00
Revised Budget	0.00

**Summary of General Fund Appropriations
Fiscal Year 2016-17
2016 Legislative Session**

Department of Information Technology		Enacted Budget			Legislative Changes			Revised Budget		
Budget Code 14660										
Fund Code	Fund Name	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation	Requirements	Receipts	Net Appropriation
1990	Reserves & Transfers	-	-	-	43,002,697	-	43,002,697	43,002,697	-	43,002,697
Department-wide Items										
	State Retirement Contributions				28,656	N/A	28,656	28,656	N/A	28,656
Total		\$0	\$0	\$0	\$43,031,353	\$0	\$43,031,353	\$43,031,353	\$0	\$43,031,353

Summary of General Fund Total Requirement FTE
Fiscal Year 2016-17
2016 Legislative Session

Department of Information Technology					
Budget Code 14660		Enacted	Legislative Changes		Revised
Fund Code	Fund Name	Total Requirements	Net Appropriation	Receipts	Total Requirements
1900	Reserves & Transfers	-	92.75	-	92.75
Total FTE		-	92.75	-	92.75

Information Technology

GENERAL FUND

FY 2016-17

Total Budget Enacted 2015 Session

\$0

Legislative Changes

Reserve for Salaries and Benefits

1 State Retirement Contributions

\$28,656 R

Fund Code: N/A

Increases the State's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) to fund the actuarially determined contribution. For all net appropriation supported State-funded positions, across all sections of the Committee Report, the approximate revised net appropriation for members of TSERS is \$1.5 billion, an increase of \$31.6 million for FY 2016-17.

Reserves & Transfers

2 IT Fund Budget Transfer

\$21,681,854 R

Fund Code: 1990

Transfers the IT Fund net appropriation from the Statewide Reserves section of the budget to a reserve in budget code 14660, the Department of Information Technology's (DIT) General Fund budget code. A corresponding provision directs the Office of State Budget and Management to properly certify the IT Fund into 14660 by September 30, 2016. This transfer does not change total net appropriations to the IT Fund. The revised net appropriation for the IT fund is \$21,681,854.

95.75

3 IT Reserve Budget Transfer

\$21,320,843 R

Fund Code: 1990

Transfers the IT Reserve net appropriation from the Statewide Reserves section of the budget to a reserve in the Department of Information Technology's General Fund budget code. A corresponding provision directs the Office of State Budget and Management to properly certify the IT Reserve as a transfer to budget code 24667 in budget code 14660 by September 30, 2016. This transfer does not change total net appropriations to the IT Reserve. The revised net appropriation to the IT Reserve Fund is \$21,320,843.

Senate Committee on Appropriations/Base Budget

FY 2016-17

4 IT Fund: Vacant Positions

(\$352,261) R

Fund Code: 1990

Eliminates the following 3 positions within DIT's IT Fund. As of May 1, 2016, these positions have been vacant for more than 180 days.

-3.00

65022415 IT Planning Analyst (1 FTE)

65022416 IT Planning Analyst (1 FTE)

65020338 IT Business Systems Analyst (1 FTE)

This reduction eliminates the net appropriation for the salaries and benefits of these positions. The revised net appropriation for the IT Fund following this reduction is \$21,329,593.

5 IT Reserve: Vacant Positions

(\$178,387) R

Fund Code: 1990

Eliminates 1.5 positions within DIT's IT Reserve that, as of May 1, 2016, had been vacant for more than 180 days.

65022530 Information Technology Manager (0.5 FTE)

65000718 IT Project Manager I (1 FTE)

This reduction eliminates the net appropriation for the salaries and benefits of these positions. The position half-funded with Internal Service Fund receipts may be fully shifted to those receipt if funds are available within the Internal Services Fund. These positions are budgeted in the IT Reserve special fund and the reduction in positions is shown in special fund 24667. The revised net appropriation for the IT Reserve from this reduction is \$21,142,456.

6 IT Fund: SAS Memex Data Analysis Tool

\$500,000 R

Fund Code: 1990

Provides funds for State Bureau of Investigation's (SBI) fusion center licenses for the SAS Memex data analysis and case management tool.

The Memex case module provides a single way of operating multiple applications and accelerates the movement of appropriate data into SBI's fusion center. Access to Memex will improve State and local law enforcements ability to detect and predict crime trends, and to solve crimes. An additional \$100,000 in non-recurring funds required for the implementation of this tool are provided using the cash balance in DIT's IT FUND/ Reserve special fund. The revised net appropriation for the SAS Memex Data Analysis Tool is \$500,000; the revised net appropriation in the IT Fund for the Government Data Analytics Center (GDAC) is \$9,601,255.

IT/IT Reserve Fund

Budget Code: 24667

	FY 2016-17
Beginning Unreserved Fund Balance	\$32,128,653
Recommended Budget	
Requirements	\$43,002,697
Receipts	\$43,002,697
Positions	118.75

Legislative Changes

Requirements:

IT Fund Budget Transfer

(\$21,681,854) R

Eliminates the special fund budget for the IT Fund.
The IT Fund budget will be itemized in 14660, DIT's
General Fund budget code.

\$0 NR

-95.75

IT Reserve Budget Adjustment

(\$757,739) R

Adjusts the IT Reserve budget to reflect changes in
net appropriations made to the IT Reserve in budget
code 14660. The revised net appropriation for the IT
Reserve that will be transferred to the 24667 special
fund is \$20,063,104.

(\$500,000) NR

-1.50

Rate and Subscription Fee Credit

\$0 R

Uses \$7 million of the DIT's cash balance to provide
credits to certain State agencies associated with
increased charges resulting from telephone and
computer rate increases and subscription fee
increases in FY 2015-16. A corresponding special
provision provides additional information on the credit
and affected State agencies.

\$7,047,237 NR

0.00

SAS Memex Data Analysis Tool

\$0 R

Provides nonrecurring funds for the SBI's fusion
center access to SAS's Memex data analysis and
case management tool.

\$100,000 NR

0.00

Security Risk Management Tool

\$0 R

Provides \$400,000 from DIT's cash balance to fund
non-recurring needs associated with the
development of an enterprise security risk
management tool.

\$400,000 NR

0.00

FY 2016-17

**Enterprise Resource Planning (ERP) System
Planning and Design**

\$0 R

Authorizes DIT to use \$500,000 of existing cash balance to begin the planning of an ERP system. With these funds, DIT, in coordination with other State agencies, will begin a review of business processes to understand the State's ERP needs.

\$500,000 NR

0.00

Subtotal Legislative Changes

(\$22,439,593) R

\$7,547,237 NR

-97.25

Receipts:**IT Fund Budget Transfer**

(\$21,681,854) R

Eliminates the special fund budget for the IT Fund. The IT Fund budget will be itemized in 14660, DIT's General Fund budget code.

\$0 NR

IT Reserve Budget Adjustment

(\$757,739) R

Adjusts the IT Reserve budget to reflect changes in net appropriations made to the IT Reserve in budget code 14660. The revised net appropriation for the IT Reserve that will be transferred to the 24667 special fund is \$20,063,104.

(\$500,000) NR

Subtotal Legislative Changes

(\$22,439,593) R

(\$500,000) NR

Revised Total Requirements

\$28,110,341

Revised Total Receipts

\$20,063,104

Change in Fund Balance

(\$8,047,237)

Total Positions

21.50

Ending Unreserved Fund Balance

\$24,081,416



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 1030 (Fourth Edition)

SHORT TITLE: 2016 Appropriations Act.

SPONSOR(S): Representatives Dollar, L. Johnson, Lambeth, and McGrady

← House Budget

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Local Governmental Employees' Retirement System (LGERS), Separate Insurance Benefit Plan (SIBP).

BILL SUMMARY:

Section 36.21: Grants cost-of-living adjustments (COLAs) of one and six-tenths percent (1.6%), effective July 1, 2016, for retirees in the TSERS, CJRS, and LRS.

Section 36.22: Defines a probation/parole officer for retirement benefit purposes and changes the definition of law-enforcement officer in G.S. 135-1(11c) to include probation/parole officers with respect to service rendered on or after July 1, 2016. Changing the definition of law-enforcement officer has the following impacts in other areas of the General Statutes:

- G.S. 135-5(b19) says "A member who is a law enforcement officer" will be eligible for unreduced retirement at age 55 with 5 years of service as a law-enforcement officer or reduced retirement at age 50 with 15 years of service as a law-enforcement officer. Because G.S. 135-5 is in the same chapter as G.S. 135-1(11c), changing the definition of law-enforcement officer extends those retirement age provisions to probation/parole officers.
- G.S. 143-166.41(a) says that the separation allowance is available to "every sworn law-enforcement officer as defined by G.S. 135-1(11c)...". By changing the definition in G.S. 135-1(11c), this section causes probation/parole officers to start earning service toward the separation allowance. While only service on or after July 1, 2016 counts toward the requirement to have 5 years of law enforcement service immediately prior to retirement, probation/parole officer service prior to July 1, 2016 will count toward the requirement that half of an employee's career be as a law enforcement officer.
- G.S. 143-166.60 says that the SIBP is established for "all law enforcement officers, as defined in G.S. 135-1(11c)...". By changing the definition in G.S. 135-1(11c), the bill makes probation/parole officers eligible for the SIBP.

The bill does not change the definition of law enforcement officer in G.S. 143-166.30(a)(4). That is the definition that applies to the NC 401(k) Plan. Thus, the bill does not extend the law-enforcement 401(k) benefits to probation/parole officers.

Because the bill only changes the definition of law-enforcement officer with respect to service rendered on or after July 1, 2016, most probation/parole officers would have to work for at least five more years to be eligible to retire at a different age or receive the separation allowance.

Section 36.23: Amends G.S. 135-151(j) and G.S. 128-38.10(k) to extend eligibility for benefits under the Qualified Excess Benefits Arrangement (QEBA) to everyone who became a member of TSERS or LGERS prior to 2015. The QEBA provides benefits in excess of the limits in Section 415 of the Internal Revenue Code. Under current law, only those members retiring prior to August 2016 are eligible.

No other sections of the bill modify retirement benefits or statutes.

EFFECTIVE DATE: All of these sections are effective July 1, 2016

ESTIMATED IMPACT ON STATE:

Section 36.21

Buck Consultants, the actuary for the TSERS, CJRS, and LRS, estimates that the provisions of this bill will have an annual cost in FY 2016-17 and subsequent years as follows:

	TSERS	CJRS	LRS
Percent of Payroll	0.68%	1.19%	1.38%
General Fund	\$ 67,082,000	\$ 833,000	\$ 49,956
Highway Fund	\$ 2,060,400	\$ 0	\$ 0
Receipt Funds	\$ 30,301,541	\$ 0	\$ 0
Total Annual Cost	\$ 99,443,941	\$ 833,000	\$ 49,956

Buck Consultants estimates that this Section will increase the unfunded liability of TSERS by roughly \$667 million. The TSERS liability was 96% funded at the end of 2014. The additional unfunded liability is projected to be paid off over 12 years by the increased contributions shown above.

Hartman & Associates, the actuary for the General Assembly, estimates that the provisions of this bill will have an annual cost in FY 2016-17 and subsequent years as follows:

	TSERS	CJRS	LRS
Percent of Payroll	0.66%	1.17%	1.33%
General Fund	\$ 65,109,000	\$ 819,000	\$ 48,146
Highway Fund	\$ 1,999,800	\$ 0	\$ 0
Receipt Funds	\$ 29,410,319	\$ 0	\$ 0
Total Annual Cost	\$ 96,519,119	\$ 819,000	\$ 48,146



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1030

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

H1030-AMC-149 [v.1]

Page 1 of 1

Amends Title [NO]
H1030-CSMDxf-18 v.64

Date 2016

Senator Barefoot

- 1 moves to amend the bill on page 186, lines 12-13, by inserting between the lines the following
2 new language to read:
3 **"PROPERTY TAX EXCLUSION EXTENSION**
4 **SECTION 38.6.(a)** Section 2 of S.L. 2011-123 reads as rewritten:
5 **"SECTION 2.** This act is effective for taxes imposed for taxable years beginning on or after
6 July 1, 2011, and expires for taxes imposed for taxable years beginning on or after July 1,
7 ~~2016-2021.~~"
8 **SECTION 38.6.(b)** This section is effective when it becomes law."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____



* H 1 0 3 0 - A M C - 1 4 9 - V - 1 *

S. E. ...





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1030

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

H1030-AMC-150 [v.1]

Page 1 of 1

Amends Title [NO]
H1030-PCS40636-MCxf-18

Date _____, 2016

Senator Brown

- 1 moves to amend the bill on page on page 19, line 22, by inserting before "with" the word "duties";
2
3 and on page 19, line 18, by deleting the space before "Center".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____



* H 1 0 3 0 - A M C - 1 5 0 - V - 1 *

10:26





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1030

H1030-AML-85 [v.1]

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

Page 1 of 1

Amends Title [NO]
PCS

Date _____, 2016

Senator Brown

- 1 Moves to amend the bill on page 82, line 9, by deleting "(a)" and substituting "(b)".

SIGNED _____

Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____



* H 1 0 3 0 - A M L - 8 5 - V - 1 *

10:08





Senate Committee

On

Pension and Retirement and Aging

June 1, 2016

Room 1027 / 1128, LOB

4:00 PM

Senate Sergeant at Arms:

JIM HAMILTON

CHARLES MARSALIS



Senate Pages Attending

COMMITTEE: Pensions & Retirement ROOM: 1027
 DATE: 6-1 TIME: 4 pm

PLEASE PRINT LEGIBLY!!!!!!!!!!!!!!....or else!

	Page Name	Hometown	Sponsoring Senator
①	David Garrett	Greensboro	Trudy Wade Sen. Probst
②	Ellis Woodford	Raleigh	Sen Dan Blue Jr.
③	Anna Scott Wingfield	Nashville	Senator Berger
④	KrisAnna McLamb	Dunn	Sen. Brown
⑤	Hope Harrington	Garner	sen. Barefoot
⑥	Jorren Biggs	Durham	Sen Mchissick
7.			
8.			
9.			
10.			

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

Senate Pensions & Retirement & Aging
Name of Committee

June 1, 2016
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Chris Broughton	MWC
Colin Campbell	M42
Tonya Horton	TSS
Adam Pridemore	NCAAF
Ruan Menward	WM
GERRY COTEN	NM
Sue Ann Forrest	NCICU
Tom West	NCICU
Mark Lanier	UNCW
Jonathan Babaker	Babaker & Assoc.
Andy Wash	SA



VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging
Name of Committee

June 1, 2016
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
R Rogers	NLRGA
Flint Benson	SEANC
Solaris	DST
STARWES	DST
Scott Larson	SSGNC
THE MOST AWESOME	SSGNC
Sarah Mangum	SSGNC
Jeffrey Powell	SSGNC
H. Wm Jones	Gordon Fore



MINUTES

Pensions & Retirement and Aging

June 16, 2016

The Senate Pensions & Retirement and Aging committee met on Thursday June 16, 2016 at 10:00 a.m. The meeting was held in room 1027/1128 of the Legislative Building. Ten Senate members of the committee were present. Senator Tom Apodaca presided.

Senator Apodaca introduced the Pages and the Sergeant at Arms.

Senator Apodaca brought forth the items on the agenda:

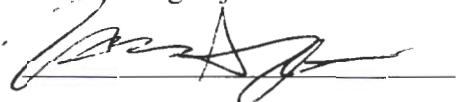
HB964- Commission Membership Winston-Salem Ret. Fund- Representative Conrad explained the bill. Senator Randleman moved for a favorable report. Motion carried.

HB1011- Retirement Technical Corrections Act of 2016- Senator Wells explained the bill. Senator Curtis moved for a favorable report. Motion carried.

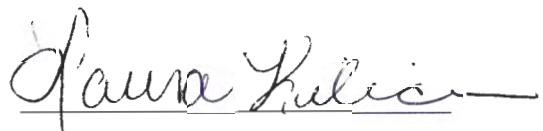
HB1137-Treasurer's 2016 Investment Admin Changes.-AB- Senator Wells explained the bill. Senator Rabin moved for a favorable report. Motion carried.

HB960- Retirement Creditable Service Charter Schools- Senator Smith moved to bring the PCS before the committee. Motion carried. Senator Wells explained the PCS. David Vanderweide with Fiscal Research, further explained the PCS. Senator Apodaca opened up the floor for questions. Senator Chaudhuri moved for a favorable report to the PCS, unfavorable to the original bill. Motion carried.

The meeting adjourned at 10:18 a.m.



Senator Tom Apodaca, Presiding



Laura Kilian, Committee Assistant



Senate Committee on Pensions & Retirement and Aging
Thursday, June 16, 2016, 10:00 AM
1027/1128 Legislative Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 1011	Retirement Technical Corrections Act of 2016.	Representative Ross Representative McNeill Representative Hardister
HB 1137	Treasurer's 2016 Investment Admin. Changes.-AB.	Representative Ross Representative Lambeth Representative Adcock Representative Hamilton
HB 964	Commission Membership Winston-Salem Ret. Fund.	Representative Conrad Representative Hanes Representative Lambeth
HB 960	Retirement Creditable Service Charter Schools.	Representative Terry Representative R. Turner

Presentations

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

Senator Apodaca, Co-Chair

Senator Gunn, Co-Chair

Thursday, June 16, 2016

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

FAVORABLE

HB 964	Commission Membership Winston-Salem Ret. Fund.
	Draft Number: None
	Sequential Referral: None
	Recommended Referral: None
	Long Title Amended: No
HB 1011 (CS#1)	Retirement Technical Corrections Act of 2016.
	Draft Number: None
	Sequential Referral: None
	Recommended Referral: None
	Long Title Amended: No
HB 1137 (CS#1)	Treasurer's 2016 Investment Admin. Changes.-AB.
	Draft Number: None
	Sequential Referral: None
	Recommended Referral: None
	Long Title Amended: No

TOTAL REPORTED: 3

Senator Joyce Krawiec will handle HB 964
Senator Andy Wells will handle HB 1011
Senator Andy Wells will handle HB 1137



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**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

**Senator Apodaca, Co-Chair
Senator Gunn, Co-Chair**

Monday, June 20, 2016

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

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

HB 960

Retirement Creditable Service Charter Schools.

Draft Number:	H960-PCS10556-TV-39
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Senator Andy Wells will handle HB 960



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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 1011
Committee Substitute Favorable 5/24/16

Short Title: Retirement Technical Corrections Act of 2016.

(Public)

Sponsors:

Referred to:

May 2, 2016

A BILL TO BE ENTITLED

AN ACT TO ENACT THE RETIREMENT TECHNICAL CORRECTIONS ACT OF 2016.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-45 reads as rewritten:

"§ 58-86-45. Additional retroactive membership.

(a) Repealed by Session Laws 2013-284, s. 1(a), effective July 1, 2013.

(a1) Any firefighter or rescue squad worker who is 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina may purchase credit for any periods of service to any chartered fire department or rescue squad not otherwise creditable by making a lump sum payment to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, which payment shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on a retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the board of trustees. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable.

(b) An eligible firefighter or rescue squad worker who is not yet 35 years old may apply to the board of trustees for membership in the fund at any time. Upon becoming a member, the worker may make a lump sum payment of ten dollars (\$10.00) per month retroactively to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the board upon advice from actuary for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

(c) A member of the Pension Fund who is not yet 35 years old may receive credit for the prior service upon making a lump sum payment of ten dollars (\$10.00) for each month since the worker first became eligible, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable, for any firefighter or rescue squad worker who is not yet 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina."



1 **SECTION 2.** G.S. 128-25 is repealed.

2 **SECTION 3.** G.S. 128-26(a1) reads as rewritten:

3 "(a1) With respect to a member retiring on or after July 1, 1967, the governing board of a
4 participating unit may allow credit for any period of military service in the Armed Forces of the
5 United States if the person returned to the service of the person's employer within two years after
6 having been ~~honorably~~not dishonorably discharged, or becoming entitled to be discharged,
7 released, or separated from such the Armed Forces of the United States; provided that,
8 notwithstanding the above provisions, any member having credit for not less than 10 years of
9 otherwise creditable service may be allowed credit for such military services which are not
10 creditable in any other governmental retirement system; provided further, that a member will
11 receive credit for military service under the provisions of this paragraph only if the member
12 submits satisfactory evidence of the military service claimed and the participating unit of which
13 the member is an employee agrees to grant credit for such military service prior to January 1,
14 1972.

15 A member retiring on or after July 1, 1971, who is not granted credit for military service under
16 the provisions of the preceding paragraph will be allowed credit for any period of qualifying
17 service in the Armed Forces of the United States, as defined for purposes of reemployment rights
18 under federal law, provided that the member was an employee as defined in G.S. 128-21(10) at the
19 time the member entered military service, and either (i) the returning member is in service, with
20 the employer by whom the member was employed when the member entered military service, for
21 a period of not less than 10 years after the member is separated or released from that military
22 service under other than dishonorable conditions or (ii) the following conditions are met, in the
23 conjunctive:

- 24 (1) The member did not, prior to leaving for military service, provide clear written
25 notice of an intent not to return to work after military service.
26 (2) The member was discharged from uniformed service and returned from the
27 leave of absence for uniformed service to membership service in this system
28 within the time limit mandated by federal law for reporting back to work.
29 (3) The period of uniformed service, for which additional service credit is sought,
30 has been verified by suitable documentation and is not eligible for receipt of
31 benefits under any other retirement system or pension plan.
32 (4) All service credit forfeited by a refund pursuant to the provisions of
33 G.S. 128-27(f) has been purchased.

34 The uniformed service credit allowed under this subsection shall be limited to a maximum of
35 five years unless otherwise specifically exempted from that durational limitation by federal law.
36 The salary or compensation of such an employee during the period of qualifying military service
37 shall be deemed to be that salary or compensation the employee would have received but for the
38 period of service had the employee remained continuously employed, if the determination of that
39 salary or compensation is reasonably certain. If the determination of the salary or compensation is
40 not reasonably certain, then it shall be deemed to be that employee's average rate of compensation
41 during the 12-month period immediately preceding the period of service.

42 Pursuant to 38 U.S.C. § 4318(b)(1), when a member who has been on military leave returns to
43 work consistent with the provisions of this subsection concerning return to service within two
44 years after the member's earliest eligibility for separation or release from military service, then the
45 member's employer must remit to the System all the employer and employee contributions for the
46 full period of that member's military service."

47 **SECTION 4.(a)** G.S. 135-5(g) reads as rewritten:

48 "(g) Election of Optional Allowance. – With the provision that until the first payment on
49 account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been
50 cashed, any member may elect to receive his or her benefits in a retirement allowance payable
51 throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of such retirement

allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the options set forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or until the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or until ~~his~~the member's first retirement check has been cashed. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the member has cashed the first retirement check or after the 25th day of the month following the month in which the first check is mailed, whichever comes first.

...

Upon the death of a member after the effective date of a retirement for which the member has been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be payable as provided by the member's election of benefits under this subsection.

Upon the death of a member after the effective date of a retirement for which the member has been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one beneficiary is eligible to receive the return of accumulated contributions. If more than one beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has been designated, the administrator or executor of the member's estate will select an option and name the beneficiary or beneficiaries."

SECTION 4.(b) G.S. 128-27(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been cashed, any member may elect to receive his or her benefits in a retirement allowance payable throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the Options set forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or ~~his~~the member's first retirement check has been cashed. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first

1 payment becomes normally due or the first retirement check has been cashed, if the member
2 remarries he or she may request to nominate a new spouse to receive the retirement allowance
3 under the previously elected option, within 90 days of the remarriage, and may nominate a new
4 spouse to receive the retirement allowance under the previously elected option by written
5 designation duly acknowledged and filed with the Board of Trustees within 120 days of the
6 remarriage. The new nomination shall be effective on the first day of the month in which it is
7 made and shall provide for a retirement allowance computed to be the actuarial equivalent of the
8 retirement allowance in effect immediately prior to the effective date of the new nomination. Any
9 member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement
10 allowance upon the member's death may, after divorce from his or her spouse, revoke the
11 nomination and elect a new option, effective on the first day of the month in which the new option
12 is elected, providing for a retirement allowance computed to be the actuarial equivalent of the
13 retirement allowance in effect immediately prior to the effective date of the new option. Except as
14 provided in this section, the member may not change the member's retirement benefit option or the
15 member's designated beneficiary for survivor benefits, if any, after the member has cashed the first
16 retirement check or after the 25th day of the month following the month in which the first check is
17 mailed, whichever comes first.

18 ...

19 Upon the death of a member after the effective date of a retirement for which the member has
20 been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E
21 or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be
22 payable as provided by the member's election of benefits under this subsection.

23 Upon the death of a member after the effective date of a retirement for which the member has
24 been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form
25 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated
26 beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one
27 beneficiary is eligible to receive the return of accumulated contributions. If more than one
28 beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has
29 been designated, the administrator or executor of the member's estate will select an option and
30 name the beneficiary or beneficiaries."

31 **SECTION 5.(a)** G.S. 135-5(m2) reads as rewritten:

32 "(m2) Special Retirement Allowance. – At any time coincident with or following retirement,
33 a member may make a ~~one-time~~one-time, irrevocable election to transfer any portion of the
34 member's eligible accumulated contributions, not including any Roth after-tax contributions and
35 the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the
36 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and
37 receive, in addition to the member's basic service, early or disability retirement allowance, a
38 special retirement allowance which shall be based upon the member's transferred balance.

39 A member who became a member of the Supplemental Retirement Income Plan prior to
40 retirement and who remains a member of the Supplemental Retirement Income Plan may make a
41 ~~one-time~~one-time, irrevocable election to transfer eligible balances, not including any Roth
42 after-tax contributions and the earnings thereon, from any of the following plans to the
43 Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental
44 Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this
45 Retirement System: (i) a plan participating in the North Carolina Public School Teachers' and
46 Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal
47 Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is
48 maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or
49 political subdivision of a state; (iv) an individual retirement account or annuity described in
50 section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and

1 would otherwise be includible in gross income; or (v) a tax-qualified plan described in section
2 401(a) or section 403(a) of the Internal Revenue Code.

3 Notwithstanding anything to the contrary, a member may not transfer such amounts as will
4 cause the member's retirement allowance under the System to exceed the amount allowable under
5 G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be
6 transferred if a transfer is elected. The member may elect a special retirement allowance with no
7 postretirement increases or a special retirement allowance with annual postretirement increases
8 equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any
9 other allowance will not apply to the special retirement allowance. The Board of Trustees shall
10 provide educational materials to the members who apply for the transfer authorized by this
11 section. Those materials shall describe the special retirement allowance and shall explain the
12 relationship between the transferred balance and the monthly benefit and how the member's heirs
13 may be impacted by the election to make this transfer and any costs and fees involved.

14 For the purpose of determining the special retirement allowance, the Board of Trustees shall
15 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and
16 such other tables as may be necessary based upon actual experience. A single set of mortality and
17 such other tables will be used for all members, with factors differing only based on the age of the
18 member and the election of postretirement increases. The Board of Trustees shall modify the
19 mortality and such other tables every five years, as shall be deemed necessary, based upon the
20 five-year experience study as required by G.S. 135-6(n). Provided, however, a member who
21 transfers the member's eligible accumulated contributions from an eligible retirement plan
22 pursuant to this subsection to this Retirement System shall be taxed for North Carolina State
23 Income Tax purposes on the special retirement allowance the same as if that special retirement
24 allowance had been paid directly by the eligible plan or the plan through which the transfer was
25 made, whichever is most favorable to the member. The Teachers' and State Employees' Retirement
26 System shall be responsible to determine the taxable amount, if any, and report accordingly.

27 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a
28 one-time flat administrative fee not to exceed the actual cost of the administrative expenses
29 relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer
30 of accumulated contributions authorized under this subsection. This provision shall not prohibit
31 other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall
32 fully disclose to any member participating in a transfer under this subsection any surrender
33 charges or other fees, and such disclosure shall be made contemporaneous with the initiation of the
34 transfer by the member.

35 The special retirement allowance shall continue for the life of the member and the beneficiary
36 designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in
37 G.S. 135-5(g), if any. The Board of Trustees, however, shall establish two payment options that
38 guarantee payments as follows:

- 39 (1) A member may elect to receive the special retirement allowance for life but
40 with payments guaranteed for a number of months to be specified by the Board
41 of Trustees. Under this plan, if the member dies before the expiration of the
42 specified number of months, the special retirement allowance will continue to
43 be paid to the member's designated beneficiary for the life of the beneficiary, if
44 Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's
45 designated beneficiary will receive the benefit only for the remainder of the
46 specified number of months. If the member's designated beneficiary dies before
47 receiving payments for the specified number of months, any remaining
48 payments will be paid to the member's estate.
- 49 (2) A member may elect to receive the special retirement allowance for life but is
50 guaranteed that the sum of the special allowance payments will equal the total
51 of the transferred amount. Under this payment option, if the member dies

1 before receiving the total transferred amount, the special retirement allowance
2 will continue to be paid to the member's designated beneficiary for the life of
3 the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,
4 the member's designated beneficiary or the member's estate shall be paid any
5 remaining balance of the transferred amount.

6 The Board of Trustees shall report annually to the Joint Legislative Commission on
7 Governmental Operations on the number of persons who made an election in the previous calendar
8 year, with any recommendations it might make on amendment or repeal based on any identified
9 problems.

10 The General Assembly reserves the right to repeal or amend this subsection, but such repeal or
11 amendment shall not affect any person who has already made the one-time election provided in
12 this subsection."

13 **SECTION 5.(b)** G.S. 128-27(m2) reads as rewritten:

14 "(m2) Special Retirement Allowance. – At any time coincident with or following retirement,
15 a member may make a ~~one-time~~ one-time, irrevocable election to transfer any portion of the
16 member's eligible accumulated contributions, not including any Roth after-tax contributions and
17 the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the
18 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and
19 receive, in addition to the member's basic service, early or disability retirement allowance, a
20 special retirement allowance which shall be based upon the member's transferred balance.

21 A member who became a member of the Supplemental Retirement Income Plan prior to
22 retirement and who remains a member of the Supplemental Retirement Income Plan may make a
23 ~~one-time~~ one-time, irrevocable election to transfer eligible balances, not including any Roth
24 after-tax contributions and the earnings thereon, from any of the following plans to the
25 Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental
26 Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this
27 Retirement System (i) a plan participating in the North Carolina Public School Teachers' and
28 Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal
29 Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is
30 maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or
31 political subdivision of a state; (iv) an individual retirement account or annuity described in
32 section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and
33 would otherwise be includible in gross income; or (v) a tax-qualified plan described in section
34 401(a) or section 403(a) of the Internal Revenue Code.

35 Notwithstanding anything to the contrary, a member may not transfer such amounts as will
36 cause the member's retirement allowance under the System to exceed the amount allowable under
37 G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be
38 transferred if a transfer is elected. The member may elect a special retirement allowance with no
39 postretirement increases or a special retirement allowance with annual postretirement increases
40 equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any
41 other allowance will not apply to the special retirement allowance. The Board of Trustees shall
42 provide educational materials to the members who apply for the transfer authorized by this
43 section. Those materials shall describe the special retirement allowance and shall explain the
44 relationship between the transferred balance and the monthly benefit and how the member's heirs
45 may be impacted by the election to make this transfer and any costs and fees involved.

46 For the purpose of determining the special retirement allowance, the Board of Trustees shall
47 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and
48 such other tables as may be necessary based upon actual experience. A single set of mortality and
49 such other tables will be used for all members, with factors differing only based on the age of the
50 member and the election of postretirement increases. The Board of Trustees shall modify the
51 mortality and such other tables every five years, as shall be deemed necessary, based upon the

1 five-year experience study as required by G.S. 128-28(o). Provided, however, a member who
2 transfers the member's eligible accumulated contributions from an eligible retirement plan
3 pursuant to this subsection to this Retirement System shall be taxed for North Carolina State
4 Income Tax purposes on the special retirement allowance the same as if that special retirement
5 allowance had been paid directly by the eligible plan or the plan through which the transfer was
6 made, whichever is most favorable to the member. The Local Governmental Employees'
7 Retirement System shall be responsible to determine the taxable amount, if any, and report
8 accordingly.

9 The special retirement allowance shall continue for the life of the member and the beneficiary
10 designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in
11 G.S. 128-27(g), if any. The Board of Trustees, however, shall establish two payment options that
12 guarantee payments as follows:

13 (1) A member may elect to receive the special retirement allowance for life but
14 with payments guaranteed for a number of months to be specified by the Board
15 of Trustees. Under this plan, if the member dies before the expiration of the
16 specified number of months, the special retirement allowance will continue to
17 be paid to the member's designated beneficiary for the life of the beneficiary, if
18 Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's
19 designated beneficiary will receive the benefit only for the remainder of the
20 specified number of months. If the member's designated beneficiary dies before
21 receiving payments for the specified number of months, any remaining
22 payments will be paid to the member's estate.

23 (2) A member may elect to receive the special retirement allowance for life but is
24 guaranteed that the sum of the special allowance payments will equal the total
25 of the transferred amount. Under this payment option, if the member dies
26 before receiving the total transferred amount, the special retirement allowance
27 will continue to be paid to the member's designated beneficiary for the life of
28 the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,
29 the member's designated beneficiary or the member's estate shall be paid any
30 remaining balance of the transferred amount.

31 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a
32 one-time flat administrative fee not to exceed the actual cost of the administrative expenses
33 relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer
34 of accumulated contributions authorized under this subsection. This provision shall not prohibit
35 other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall
36 fully disclose to any member participating in a transfer under this subsection any surrender
37 charges or other fees, and that disclosure shall be made contemporaneous with the initiation of the
38 transfer by the member.

39 The Board of Trustees shall report annually to the Joint Legislative Commission on
40 Governmental Operations on the number of persons who made an election in the previous calendar
41 year, with any recommendations it might make on amendment or repeal based on any identified
42 problems.

43 The General Assembly reserves the right to repeal or amend this subsection, but such repeal or
44 amendment shall not affect any person who has already made the one-time election provided in
45 this subsection."

46 **SECTION 6.(a)** G.S. 135-8(b)(5) reads as rewritten:

47 "(5) The Board of Trustees may approve the purchase of creditable service by any
48 member for leaves of absence or for interrupted service to an employer only for
49 the ~~sole purposes~~purpose of acquiring knowledge, talents, or abilities and
50 ~~increasing to increase~~ the efficiency of service to the employer, subject to the
51 provisions of this subdivision. A leave of absence or interrupted service may be

approved for purchase under this subdivision for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service shall qualify for purchase under this subdivision only if (i) during the time of the leave or interrupted service the member is enrolled and participates in a full-time degree program at an accredited institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations. Approval by the Board under this subdivision shall be made prior to the purchase of the creditable service, is limited to a career total of six years for each member, and may be obtained in the following manner:

...."

SECTION 6.(b) G.S. 128-30(b)(4) reads as rewritten:

"(4) The Board of Trustees may approve the purchase of creditable service by any member for leaves of absence or for interrupted service to an employer ~~for the sole purpose only for the purpose~~ of acquiring knowledge, talents, or abilities and to increase the efficiency of service to the ~~employer. This approval~~ employer, subject to the provisions of this subdivision. A leave of absence or interrupted service may be approved for purchase under this subdivision for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service shall qualify for purchase under this subdivision only if (i) during the time of the leave or interrupted service the member is enrolled and participates in a full-time degree program at an accredited institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations. Approval by the Board under this subdivision shall be made prior to the purchase of the creditable service, is limited to a career total of four years for each member, and may be obtained in the following manner:

...."

SECTION 7.(a) G.S. 135-8(f) reads as rewritten:

"(f) Collection of Contributions. –

...

(2) The collection of employers' contributions shall be made as follows:

...

f. Each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under ~~G.S. 135-4(ji);~~ G.S. 135-4(ji) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the retirement system to restore the member's retirement allowance to the pre-cap amount. Employers are not required to make contributions on account of any retiree who became a member on or after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015.

Under such rules as the Board of Trustees shall adopt, the Retirement System shall report monthly to each employer a list of those

members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months, if applicable.

- (3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of ~~Trustees~~, Trustees and provided that a one-time exception has not been agreed upon in advance due to exigent circumstances, the Board shall assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer other than the State shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer from any funds of the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

...."

SECTION 7.(b) G.S. 128-30(g) reads as rewritten:

"(g) Collection of Contributions. –

...

- (2) The collections of employers' contributions shall be made as follows:
- a. Upon the basis of each actuarial valuation provided herein the Board of Trustees shall annually prepare and certify to each employer a statement of the total amount necessary for the ensuing fiscal year to the pension accumulation fund as provided under subsection (d) of this section. Such employer contributions shall be transmitted to the secretary-treasurer of the Board of Trustees together with the employee deductions as provided under sub-subdivision b. of subdivision (1) of this subsection.
 - b. Each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under ~~G.S. 128-26(y)~~, G.S. 128-26(y) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the retirement system to restore the member's retirement allowance to the pre-cap amount. Employers are not required to make contributions on account of any retiree who became a member on or after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015.

Under such rules as the Board of Trustees shall adopt, the Retirement System shall report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an

additional employer contribution should they elect to retire in the following 12 months, if applicable.

- (3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of ~~Trustees~~, Trustees and provided that a one-time exception has not been agreed upon in advance due to exigent circumstances, the Board shall assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer, or the municipality or county of which such employer is an integral part, from any funds of the State or any funds collected by the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the one percent (1%) payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement Systems Division and shall transmit that amount to the Retirement Systems Division.

...."

SECTION 8. G.S. 135-48.40(d)(13) reads as rewritten:

- "(13) The following persons, their eligible spouses, and eligible dependent children, provided that the person seeking coverage as a subscriber (i) is not eligible for another comprehensive group health benefit plan and (ii) has been without coverage under a comprehensive group health benefit plan for at least six consecutive months:

...

- c. Persons receiving a pension from the North Carolina ~~Firemen~~Firefighters' and Rescue Squad Workers' Pension Fund.

...."

SECTION 9.(a) G.S. 147-86.71(b)(3) reads as rewritten:

- "(3) Contributions to an account shall be made only in ~~cash~~U.S. Dollars."

SECTION 9.(b) G.S. 147-86.72(c)(3) reads as rewritten:

1 "(3) ~~Retain~~Notwithstanding the provisions of Article 3 of Chapter 143 of the
2 General Statutes, retain the services of auditors, attorneys, investment
3 counseling firms, custodians, or other persons or firms possessing specialized
4 skills or knowledge necessary for the proper administration of investment
5 programs that the Board administers pursuant to this Article."

6 **SECTION 9.(c)** G.S. 147-86.70(b)(4) is repealed.

7 **SECTION 9.(d)** G.S. 147-86.71(d)(4) is repealed.

8 **SECTION 10.** If any provision of this act or its application is held invalid, the
9 invalidity does not affect other provisions or applications of this act that can be given effect
10 without the invalid provisions or application, and to this end the provisions of this act are
11 severable.

12 **SECTION 11.** Sections 3 and 6 of this act become effective January 1, 2017. The
13 remainder of this act is effective when it becomes law.

4

1



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 1011 (First Edition)

SHORT TITLE: Retirement Technical Corrections Act of 2016.-AB

SPONSOR(S): Representatives Ross, McNeill, and Hardister

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds.

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), and the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF).

BILL SUMMARY:

Section 1: Clarifies wording of the service purchase provision for FRSWPF for those not yet 35 years of age, consistent with current administrative practice.

Section 2: Repeals G.S. 128-25, which affected how local governments paid for past service when they first joined LGERS. Due to statute changes in 2015, past service can no longer be granted so this section is no longer needed.

Section 3: Conforms a service purchase statute in LGERS to federal law related to the treatment of active duty military service and clarifies that the employer's required payment includes the employer and employee portions of the service purchase.

Section 4: Provides that if a member dies after having filed an application for retirement, but before selecting payment options and selecting a beneficiary, the administrator or executor of the member's estate may select an option and name the beneficiary or beneficiaries. This change clarifies how to handle a situation not explicitly named in the current statute and is consistent with similar statutes.

Section 5: Clarifies long time interpretation and practice that choosing the "transfer benefit" is an irrevocable option, just like selecting any other benefit payment option.

Section 6: Corrects a typo in a change made to educational leave for TSERS in Session Law 2015-241 and makes a conforming change for LGERS, in order to simplify communication and administration of the two systems.

Section 7: Clarifies that funds collected under the anti-pension spiking contribution-based benefit cap will be included in the Pension Accumulation Fund, which is consistent with other required employer payments. Additionally, clarifies that to receive a one-time exception to payment of the

penalty for late payment of retirement contributions an agency must make arrangements in advance with the Retirement System.

Section 8: Corrects spelling of name of the FRSWPF in the State Health Plan statute.

Section 9: Makes technical changes to statutes governing the Achieving a Better Life Experience (ABLE) Program Trust, which is not a retirement system or pension fund and therefore not addressed in this note.

EFFECTIVE DATE: Sections 3 and 6 become effective January 1, 2017. The remainder of the bill becomes effective when it becomes law.

ESTIMATED IMPACT ON STATE: Both Buck Consultants, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of any of the systems affected.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)			
	TSERS	LGERS	FRSWPF
Active Members			
Count	307,313	123,184	43,134
General Fund Compensation	\$9,865M		
Valuation Compensation (Total)	\$13,737M	\$5,652M	Not applicable
Average Age	45	44	40
Average Service	10.7	10.3	11.7
Inactive Members			
Count	134,871	55,298	153
Retired Members			
Count	194,607	60,408	12,730
Annual Benefits	\$4,058M	\$1,109M	\$26M
Average Age	70	68	68
New Retirees During 2015	11,400	4,100	600

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)			
	TSERS	LGERS	FRSWPF
Accrued Liability (AL)	\$67,715M	Not meaningful	\$419M
Actuarial Value of Assets (AVA)	\$64,734M	\$22,682M	\$381M

Market Value of Assets (MVA)	\$64,587M	\$22,745M	\$383M
Unfunded Accrued Liability (AL - AVA)	\$2,981M	Not meaningful	\$38M
Funded Status (AVA / AL)	96%	Not meaningful	91%
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.48% (new assumptions)	7.25% (non-LEO)	\$17.6M
Assumed Rate of Investment Return	7.25%	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%	3.50% - 6.71%	Not applicable
Cost Method	Entry Age Normal	Frozen Entry Age	Entry Age Normal
Amortization	12 year, closed, flat \$	Not applicable	12 year, closed, flat \$
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015			

Benefit Provisions			
	<u>TSERS</u>	<u>LGERS</u>	<u>FRSWPF</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	\$170 per month
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	55/20
Employee contribution (as % of pay)	6%	6%	\$10 per month

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Retirement Technical Corrections Act of 2016 – House Bill 1011", May 19, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 1011: An Act to Enact the Retirement Technical Corrections Act of 2016", May 4, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: May 23, 2016



Signed Copy Located in the NCGA Principal Clerk's Offices



HOUSE BILL 1137: Treasurer's 2016 Investment Admin. Changes..

2016-2017 General Assembly

Committee:	Senate Pensions & Retirement and Aging	Date:	June 15, 2016
Introduced by:	Reps. Ross, Lambeth, Adcock, Hamilton	Prepared by:	Tawanda N. Foster
Analysis of:	Second Edition		Committee Counsel

SUMMARY: *House Bill 1137 would enact the Treasurer's Investment and Administrative Changes Act. The bill modernizes and updates the statutes governing the Department of the State Treasurer's office hours and scope of authority for investment programs, codifies key departmental policies, and consolidates statutory reporting requirements.*

BILL ANALYSIS:

Section 1.1 excepts Saturdays and periods of travel from the State Treasurer's Office Hours, and makes technical changes.

Section 1.2 updates the list of federally-backed entities eligible for investment in the Treasurer's investment-grade fixed income portfolio. This section also clarifies the existing statute by adding references to the terminology of each rating service when discussing credit ratings.

Section 1.3 updates G.S. 147-69.2 to make technical corrections to the list of funds held by the State Treasurer. This section also standardizes the set of approved investment vehicle structures. The text added to subsection (b) specifies that the percentage "caps" on each asset class are calculated according to the primary investment type or strategy utilized and makes clear that no investment counts in more than one asset class.

Section 1.4(a) clarifies a third-party professional investment management firm, registered with the U.S. Securities and Exchange Commission must be selected to administer a special fund to invest the assets described in G.S. 147-69.2(b)(12(c)).

Section 1.4(b) changes the Escheat Fund from a valuation by an actuary to an assessment by a consultant.

Section 1.5 makes a technical correction to delete a reference to a facsimile signature machine.

Section 1.6 clarifies the State Treasurer must contractually establish the manner in which the master trust operates.

Section 2.1 clarifies the investment programs for assets held by the State Treasurer may be invested collectively or separately at the State Treasurer's discretion and consistent with their fiduciary duties.

This section requires when utilizing the State Treasurer's power to establish market-oriented compensation plans the authorization is limited and must be consistent with the State Treasurer's fiduciary duties. Also, this section makes technical and conforming changes.

Section 2.2 clarifies the State Treasurer's fiduciary duties extends to cover all special funds in the Treasurer's care, all funds managed by the Treasurer, and not only the Retirement Systems.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578

House Bill 1137

Page 2

This section also clarifies the State Treasurer does not have a duty to provide advice to other governmental agencies when agencies exercise discretionary control over the assets they deposit.

Section 3 adds new sections to Article 6, Chapter 147 to do the following:

- Require financial statements, audited by a commercial independent third-party firm, for the Retirement Systems investment program be prepared annually.
- Make a conforming change to expand the scope of oversight by the Investment Advisory Committee to be consistent with the clarification of the scope of the fiduciary duty of the State Treasurer extending to all funds managed by the Treasurer.
- Allow the Investment Advisory Committee to provide consultation on the Investment Policy Statement, covering investment objectives and strategy, asset classes and allocations, and evaluation criteria on a biennial basis. The State Treasurer would also be required to have an independent expert firm evaluation in making recommendations on governance, operation, and investment practices of the department at least once every four years.
- Require the State Treasurer to adopt a code of ethics in consultation with the Investment Advisory Committee to ensure ethical management of the investment programs.

Section 4.1(a) adds a new section governing reporting requirements by the Department of the State Treasurer to the General Assembly, Legislative Committees, the Governor, Council of State, and the State Auditor. This new section consolidates all the existing statutorily mandated reporting requirements of the department into one section of the General Statutes.

Section 4.1(b) G.S. 147-68(d) is recodified in the new reporting section.

Section 4.1(c) repeals G.S. 147-69.1(e) which is now included in the new section on reporting requirements.

Section 4.1(d) repeals G.S. 147-687 (d1) which is now included in the new section on reporting requirements.

Section 4.2 makes technical and conforming changes to annual report requirements on new investment authority.

Section 4.3 makes conforming changes to organization and reporting requirements.

Section 4.4 makes Sections 4.1, 4.2, 4.3, and 4.4 effective July 1, 2016 and applies to all reporting periods beginning on or after that date.

EFFECTIVE DATE: Section 5 would become effective when this bill becomes law. Except as otherwise provided, this bill would become effective January 31, 2017.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

2

HOUSE BILL 1137
Committee Substitute Favorable 5/31/16

Short Title: Treasurer's 2016 Investment Admin. Changes.-AB.

(Public)

Sponsors:

Referred to:

May 23, 2016

A BILL TO BE ENTITLED
AN ACT TO ENACT THE TREASURER'S 2016 INVESTMENT AND ADMINISTRATIVE
CHANGES ACT.

The General Assembly of North Carolina enacts:

PART I. UPDATE STATUTES FOR TODAY'S MARKET

SECTION 1.1. G.S. 147-66 reads as rewritten:

"§ 147-66. Office and office hours.

The Treasurer shall keep his or her office at the City of Raleigh, and shall attend there between the hours of 10 o'clock A.M. and three o'clock P.M., ~~Sundays~~Saturdays, Sundays, periods of travel, and legal holidays excepted. ~~He~~The Treasurer shall be allowed such office room as may be necessary."

SECTION 1.2. G.S. 147-69.1(c) reads as rewritten:

"(c) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (b) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:

- (1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- (2) Obligations of ~~the Federal Financing Bank~~, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, ~~the Federal Housing Administration, the Farmers Home Administration, the United States Postal Service, the Export Import Bank~~, the International Bank for Reconstruction and Development, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank, and the Student Loan Marketing Association Bank.

...

- (7) Prime quality commercial paper ~~bearing~~that, when acquired, bears the highest ~~rating~~rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and does not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation.
- (8) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that when bills or drafts are acquired, the accepting bank or its holding company is either (i) incorporated in the State of North Carolina



- 1 or (ii) has outstanding publicly held obligations ~~bearing~~that bear the highest
2 ~~rating~~rating, such as a minimum of "P1," "A1," or "F1," of at least one
3 nationally recognized rating service designated by the U.S. Securities and
4 Exchange Commission, and ~~do not bearing~~do not bear a rating below the highest by
5 any nationally recognized rating service which rates the particular obligations.
- 6 (9) Asset-backed securities (whether considered debt or equity) ~~provided they~~
7 provided, when acquired, the securities bear the highest rating, such as
8 "AAA" or "Aaa," of at least one nationally recognized rating service designated
9 by the U.S. Securities and Exchange Commission, and do not bear a rating
10 below the highest rating by any nationally recognized rating service which rates
11 the particular securities.
- 12 (10) Corporate bonds and notes ~~provided they~~provided, when acquired, bear the highest
13 ~~rating~~rating, such as "AAA" or "Aaa," of at least one nationally recognized
14 rating service designated by the U.S. Securities and Exchange Commission, and
15 do not bear a rating below the highest by any nationally recognized rating
16 service which rates the particular obligation."

17 **SECTION 1.3.** G.S. 147-69.2 reads as rewritten:

18 **"§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

19 (a) This section applies to funds held by the State Treasurer to the credit of each of the
20 following:

- 21 (1) The Teachers' and State Employees' Retirement ~~System~~System of North
22 Carolina.
- 23 (2) The Consolidated Judicial Retirement ~~System~~System of North Carolina.
- 24 (3) The State Health Plan for Teachers and State Employees.
- 25 (4) ~~The General Assembly Medical and Hospital Care Plan.~~
- 26 (5) The Disability Salary Continuation ~~Plan~~Income Plan of North Carolina.
- 27 (6) The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.
- 28 (7) The North Carolina Local Governmental Employees' Retirement System.
- 29 (8) The Legislative Retirement ~~System~~System of North Carolina.
- 30 (9) The Escheat Fund.
- 31 (10) The Legislative Retirement Fund.
- 32 (11) The State Education Assistance Authority.
- 33 (12) The State Property Fire Insurance Fund.
- 34 (13) ~~The Stock Workers' Compensation Fund.~~
- 35 (14) ~~The Mutual Workers' Compensation Fund.~~
- 36 (15) The Public School Insurance Fund.
- 37 (16) The Liability Insurance Trust Fund.
- 38 (16a) The University of North Carolina Hospitals at Chapel Hill funds, except
39 appropriated funds, deposited with the State Treasurer pursuant to
40 G.S. 116-37.2.
- 41 (17) Trust funds of The University of North Carolina and its constituent institutions
42 deposited with the State Treasurer pursuant to G.S. 116-36.1.
- 43 (17a) North Carolina Veterans Home Trust Fund.
- 44 (17b) North Carolina National Guard Pension Fund.
- 45 (17c) Retiree Health Benefit Fund.
- 46 (17d) The Election Fund.
- 47 (17e) The North Carolina State Lottery Fund.
- 48 (17f) Funds deposited with the State Treasurer by public hospitals pursuant to
49 G.S. 159-39(g).
- 50 (17g) Funds deposited with the State Treasurer by Local Government Other
51 Post-Employment Benefits Trusts pursuant to G.S. 159-30.1.

- 1 (17h) The Local Government Law Enforcement Special Separation Allowance Fund.
2 (17i) The North Carolina Conservation Easement Endowment Fund.
3 (17j) The Conservation Grant Fund.
4 (18) Any other special fund created by or pursuant to law for purposes other than
5 meeting appropriations made pursuant to the Executive Budget Act.
6 (19) The Swain County Settlement Trust Fund.
7 (20) Institutional funds of the colleges of the North Carolina Community College
8 System.

9 (b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in
10 subsection (a) of this section in excess of the amount required to meet the current needs and
11 demands on such funds. The State Treasurer may invest the funds as provided in this
12 ~~subsection~~ subsection in the manner authorized by subsection (e) of this section. If an investment
13 was authorized by this subsection at the time the investment was made or contractually committed
14 to be made, then that investment shall continue to be authorized by this subsection, and none of
15 the percentage or other limitation on investments set forth in this subsection shall be construed to
16 require the State Treasurer to subsequently dispose of the investment or fail to honor any
17 contractual commitments as a result of changes in market values, ratings, or other investment
18 qualifications. For purposes of computing market values on which percentage limitations on
19 investments in this subsection are based, all investments shall be valued as of the last date of the
20 most recent fiscal quarter. Notwithstanding anything in this section to the contrary, the State
21 Treasurer shall categorize investment management arrangements according to the primary
22 investment type or primary strategy utilized under the arrangement authorized under subsection (e)
23 of this section. No investment management arrangement may be categorized in more than one of
24 the subdivisions of this section.

- 25 (1) Investments authorized by G.S. 147-69.1(c)(1)-(7).
26 (2) General obligations of other states of the United States.
27 (3) General obligations of cities, counties and special districts in North Carolina.
28 (4) Obligations of any company, other organization or legal entity incorporated or
29 otherwise created or located within or outside the United States, including
30 obligations that are convertible into equity securities, ~~if, when acquired, the~~ if, when acquired, the
31 ~~obligations bear one of the four highest ratings of at least one nationally~~ obligations are within one of the four highest
32 ~~recognized rating service when acquired~~ recognized rating service regardless of gradations, such as ratings beginning with
33 "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally
34 recognized rating service designated by the U.S. Securities and Exchange
35 Commission.
36
37 (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.
38 (6) Asset-backed securities (whether considered debt or equity) ~~provided they bear~~ provided they bear
39 ~~ratings by equity~~ ratings by equity, if, when acquired, the obligations are within one of the four
40 highest ratings categories regardless of gradations, such as ratings beginning
41 with "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally
42 recognized rating service ~~as provided in G.S. 147-69.2(b)(4)~~ as provided in G.S. 147-69.2(b)(4).
43 service designated by the U.S. Securities and Exchange Commission.
44 (6a) In addition to the limitations and requirements with respect to the investments
45 of the Retirement Systems set forth in this subsection, the State Treasurer shall
46 select investments of the assets of the Retirement Systems such that
47 investments made pursuant to subdivisions (b)(1) through (6) of this section
48 shall at all times equal or exceed twenty percent (20%) of the market value of
49 all invested assets of the Retirement Systems.
50 ~~(6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may be~~
51 ~~made directly by the State Treasurer, through investment companies registered~~

under the Investment Company Act of 1940, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by subdivisions (1) through (6) of this subsection, or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by subdivisions (b)(1) through (6) of this section, provided for each indirect investment, the investment manager has assets under management of at least one hundred million dollars (\$100,000,000).

(6c) With respect to Retirement Systems' assets referred to in subdivision (b)(8), they may be ~~invested~~invested, within or outside the United States, in obligations, debt securities, and asset-backed ~~securities~~securities, whether considered debt or equity, including obligations and securities convertible into other securities, that do not meet the requirements of any of subdivisions (b)(1) through (6) of this section nor subdivision (b)(7) of this ~~section~~, ~~provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized~~section. The amount invested under this subdivision shall not exceed seven and one-half percent (7.5%) of the market value of all invested assets of the Retirement Systems.

(7) ~~With respect to Retirement Systems' assets referred to in subdivision (8) of this subsection, (i) insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies, (ii) group trusts, (iii) individual, common, or collective trust funds of banks and trust companies, (iv) real estate investment trusts, (v) investment companies registered under the Investment Company Act of 1940, (vi) limited partnerships, limited liability companies, or other limited liability investment vehicles, and (vii) contractual arrangements in which the investment manager has discretion and authority to invest assets specified in such arrangements in investments authorized by this subsection; provided the investment manager has assets under management of at least one hundred million dollars (\$100,000,000); provided such investment assets are~~subsection may be invested in strategies managed primarily for the purpose of investing in or owning real estate or related debt financing, excluding asset-backed financing, financing and timberlands, located within or outside the United States; and provided that the investments authorized byStates. The amount invested under this subdivision shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems.

(8) With respect to assets of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina

National Guard Pension Fund, the Registers of Deeds' Supplemental Pension Fund, and the Retiree Health Benefit Fund (hereinafter referred to collectively as the Retirement Systems), ~~and assets invested pursuant to subdivision (b2) of this section, they may be invested in a strategy composed primarily of equity securities traded on a public securities exchange or market organized and regulated pursuant to the laws of the jurisdiction of such exchange or market and issued by any company incorporated or otherwise created or located within or outside the United States; provided the investments meet the conditions of this subdivision. The investments authorized for the Retirement Systems under this subdivision cannot exceed sixty five percent (65%) of the market value of all invested assets of the Retirement Systems.~~

~~The assets authorized under this subdivision may be invested directly by the State Treasurer in any equity securities authorized by this subdivision for the primary purpose of approximating the movements of a nationally recognized and published market benchmark index. No more than one and one-half percent (1.5%) of the market value of the Retirement Systems' assets that may be invested directly under this subdivision can be invested in the stock of a single corporation, and the total number of shares in that single corporation cannot exceed eight percent (8%) of the issued and outstanding stock of that corporation.~~

~~So long as each investment manager has assets under management of at least one hundred million dollars (\$100,000,000), the assets authorized under this subdivision may also be invested through any of the following:~~ are subject to the following limitations:

a. ~~Investment companies registered under the Investment Company Act of 1940; individual, common, or collective trust funds of banks and trust companies; and group trusts that invest primarily in investments authorized by this subdivision.~~

a1. The aggregate amount of such investments cannot exceed sixty-five percent (65%) of the market value of all invested assets of the Retirement Systems.

b. ~~Limited partnerships, limited liability companies, or other limited liability investment vehicles that are not publicly traded and invest primarily in investments authorized by this subdivision. Investments under this sub-subdivision~~ The aggregate amount of the investment invested through investment companies described in sub-subdivision (e)(4)b. of this section shall not exceed eight and one-half percent (8.5%) of the market value of all invested assets of the Retirement Systems. Systems, except that the market value of group trusts and individual, common, or collective trust funds of banks and trust companies shall not be applied against this limit.

e. ~~Contractual arrangements in which investment managers have full and complete discretion and authority to invest assets specified in such contractual arrangements in investments authorized by this subdivision.~~

(9) ~~With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they may be invested in interests in limited partnerships, limited liability companies, or other limited liability investment vehicles that are not publicly traded if the primary purpose of the limited partnership, limited liability company, or other limited liability investment vehicle is (i) to invest in~~ (i) a strategy composed primarily of private equity, or corporate buyout transactions, within or outside the United States or (ii) an arrangement

1 authorized under subsection (e) of this section with the primary purpose to
2 engage in other strategies not expressly authorized by any other subdivision of
3 this subsection. The amount invested under this subdivision shall not exceed
4 eight and three-quarters percent (8.75%) of the market value of all invested
5 assets of the Retirement Systems.

6 (9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of
7 this subsection, they may be ~~invested in inflation-linked bonds, timberlands,~~
8 ~~commodities,~~ invested, within or outside the United States, in obligations, debt
9 securities, asset-backed securities, whether considered debt or equity, and other
10 investments that are acquired by the Treasurer for the primary purpose of
11 providing protection against risks associated with inflation, provided such
12 investments are made through investment companies registered under the
13 Investment Company Act of 1940, individual, common or collective trust funds
14 of banks and trust companies, group trusts and limited partnerships, limited
15 liability companies or other limited liability investment vehicles that invest
16 primarily in investments authorized by this subdivision and through contractual
17 arrangements in which the investment manager has full and complete discretion
18 and authority to invest assets specified in such arrangements in investments
19 authorized by this subdivision, provided the investment manager for each
20 investment pursuant to this subdivision has assets under management of at least
21 one hundred million dollars (\$100,000,000) and provided that the investments
22 authorized along with timberland, natural resources, commodities,
23 infrastructure, transportation, agriculture, and other tangible and intangible real
24 assets. The amount invested under this subdivision shall not exceed seven and
25 one-half percent (7.5%) of the market value of all invested assets of the
26 Retirement Systems. Notwithstanding anything in this subsection to the
27 contrary, the investments authorized by this subdivision shall not be included in
28 any subdivision other than this subdivision for purposes of the percentage
29 investment limitations therein or otherwise.

30 (10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s. 2.

31 (10a) With respect to Retirement Systems' assets, as defined in subdivision (8) of this
32 subsection, the market value of any of subdivision (6c) or (7), sub-subdivision
33 b. of subdivision (8), or subdivision (9) or (9a) of this subsection shall not
34 exceed ten percent (10%) of the market value of all invested assets of the
35 Retirement Systems; and the aggregate market value of all assets invested
36 pursuant to subdivisions (6c) and (7), sub-subdivision b. of subdivision (8), and
37 subdivisions (9) and (9a) of this subsection shall not exceed thirty-five percent
38 (35%) of the market value of all invested assets of the Retirement Systems. ~~The~~
39 ~~quarterly report provided by the Treasurer pursuant to G.S. 147-68(d1) shall~~
40 ~~include a specific listing of all direct and indirect placement fees, asset fees,~~
41 ~~performance fees, and any other money management fees incurred by the State~~
42 ~~in the management of subdivisions (6c) and (7), sub-subdivision b. of~~
43 ~~subdivision (8), and subdivisions (9) and (9a) of this subsection. In the event~~
44 ~~that the market value of any of subdivision (6c) or (7), sub-subdivision b. of~~
45 ~~subdivision (8), or subdivision (9) or (9a) of this subsection increases during a~~
46 ~~fiscal year by an amount greater than three percent (3%) of the market value of~~
47 ~~all invested assets of the Retirement Systems as of the prior fiscal year end,~~
48 ~~then the quarterly report provided by the Treasurer pursuant to G.S. 147-68(d1)~~
49 ~~shall describe how that increase complies with the duties described in G.S.~~
50 ~~147-69.7 and the consequent expected impact on the risk profile of the~~
51 ~~Retirement Systems' assets.~~

(11) Repealed by Session Laws 2013-360, s. 6.3(c), effective July 1, 2013.

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

a. With respect to assets of the Escheat Fund, in addition to those investments authorized by subdivisions (1) through (6) of this subsection, up to ten percent (10%) of such assets may be invested in the investments authorized under subdivisions (6c) through (9a) of this subsection, notwithstanding the percentage limitations imposed on the Retirement Systems' investments under those ~~subdivisions~~subdivisions, and provided that the State Treasurer may invest the assets as provided in subsection (e) of this section.

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

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

~~(b1) With respect to investments authorized by subdivisions (b)(7), (b)(8), and (b)(9) of this section, the~~ The State Treasurer shall appoint an Investment Advisory Committee, which shall consist of seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and four members selected from the general public. ~~The four public~~All appointed members must have experience in areas relevant to the administration of a large, diversified investment program, including, but not limited to, investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1.

(b2) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17f) of this section in any of the investments authorized under subdivisions (b)(1) through (6), subdivision (b)(6c), and subdivision (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess reasonable fees, not to exceed 15 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by a hospital shall remain the funds of that hospital,

1 and interest or other investment income earned thereon shall be prorated and credited to the
2 contributing hospital on the basis of the amounts thereof contributed, figured according to sound
3 accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of
4 administering investments pursuant to this ~~subsection~~subsection and expenditures authorized
5 under this section.

6 (b3) The State Treasurer may invest funds deposited pursuant to subdivision (a)(16a) of this
7 section in any of the investments authorized under subdivisions (1) through (6), subdivision (6c)
8 and subdivision (b)(8) of this section, notwithstanding the percentage limitations imposed on the
9 Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up
10 to one hundred thousand dollars (\$100,000), and may assess reasonable fees, not to exceed 15
11 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited
12 pursuant to this subsection by the University of North Carolina Hospitals at Chapel Hill shall
13 remain the funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other
14 investment income earned thereon shall be prorated and credited to the University of North
15 Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured
16 according to sound accounting principles. Fees assessed by the State Treasurer may be used to
17 defray the cost of administering investments pursuant to this ~~subsection~~subsection and
18 expenditures authorized under this section.

19 (b4) In addition to the investments authorized under subdivisions (b)(1) through (6) of this
20 section, the State Treasurer may invest funds deposited pursuant to subdivision (17g) of
21 subsection (a) of this section in any of the investments authorized under subdivisions (b)(6c) and
22 (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement
23 Systems' investments therein. Funds deposited pursuant to this subsection by a Local Government
24 Other Post-Employment Benefits Trust and interest or other investment income earned from those
25 funds shall be prorated and credited to the contributing trust on the basis of the amounts
26 contributed, figured according to sound accounting principles. For investments under subdivisions
27 (b)(6c) and (b)(8) of this section, the State Treasurer may require a minimum deposit of up to one
28 hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis points per
29 annum as a condition of participation pursuant to this subsection. Fees assessed by the State
30 Treasurer may be used to defray the costs of administering the ~~Fund~~Fund and expenditures
31 authorized under this section.

32 (b5) In addition to the investments authorized under subdivisions (b)(1) through (6) of this
33 section, the State Treasurer may invest funds deposited in the Local Government Law
34 Enforcement Special Separation Allowance Fund in any of the investments authorized under
35 subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the percentage limitations imposed
36 on the Retirement Systems' investments therein. For investments from that Fund made under
37 subdivisions (b)(6c) and (b)(8) of this section, the State Treasurer may require a minimum deposit
38 of up to one hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis
39 points per annum as a condition of making the investment. The fee may be used to defray the costs
40 of administering the ~~Fund~~Fund and expenditures authorized under this section.

41 (c) Repealed by Session Laws 1995, c. 501, s. 2.

42 (d) The State Treasurer may invest funds deposited pursuant to subdivisions (a)(17i) or
43 (a)(17j) of this section in any of the investments authorized under subdivisions (1) through (6) and
44 subdivision (8) of subsection (b) of this section. The State Treasurer may require a minimum
45 deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable fee, not to
46 exceed 15 basis points, as a condition of participation pursuant to this subsection. Fees assessed by
47 the State Treasurer may be used to defray the costs of administering the funds and expenditures
48 authorized under this section. Funds deposited pursuant to this subsection shall remain the funds
49 of the North Carolina Conservation Easement Endowment Fund or the Conservation Grant Fund,
50 as applicable, and interest or other investment income earned thereon shall be prorated and
51 credited to the North Carolina Conservation Easement Endowment Fund or the Conservation

Grant Fund on the basis of the amounts contributed to the respective Funds, figured according to sound accounting principles.

(e) Investments made pursuant to this section may be made as internally managed investments by the State Treasurer or may be made through third-party investment management arrangements, under the following conditions:

- (1) Internally managed portfolios shall be subject to industry standard portfolio guidelines developed with periodic consultation by the Investment Advisory Committee.
- (2) In assessing whether to invest directly or to utilize indirect third-party investment management arrangements, the State Treasurer shall consider all material factors he or she considers relevant to the decision consistent with the Treasurer's fiduciary duties under G.S. 147-69.7, including financial, operational, and investment expertise and resources, alignment of interests and investor protections, transparency and repeatability of investment process, risk controls, and cost-effectiveness.
- (3) For any third-party investment management arrangements, the investment manager must have total assets under management of at least one hundred million dollars (\$100,000,000) at the inception of the investment management arrangement with the State Treasurer.
- (4) Third-party investment management arrangements may be with persons and legal entities located within or outside the United States, including through any of the following:
 - a. Contractual arrangements in which the investment manager has delegated discretion and authority to invest assets.
 - b. Investment companies as defined under United States generally accepted accounting principles as promulgated by the Financial Accounting Standards Board, including without limitation entities registered under the Investment Company Act of 1940; individual, common, or collective trust funds of banks and trust companies; limited partnerships; limited liability companies or other limited liability investment vehicles; and insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies.

Any limited liability investment vehicles organized by the State Treasurer shall be deemed investment companies for the purposes of this subsection.
- (5) Investment companies shall provide annual audited financial statements to the State Treasurer, unless the State Treasurer waives the requirement after conducting a cost-benefit analysis.
- (6) In connection with any investment otherwise authorized under this section, the State Treasurer may enter into an indemnification agreement provided that, under any agreement, the liability of the State Treasurer will be limited to the amount of the State Treasurer's contractual investment."

SECTION 1.4.(a) G.S. 147-69.2A(a) reads as rewritten:

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

(a) Firm to Administer Special Fund. – Following a public procurement process, a designee of the Governor, a designee of the State Treasurer, a designee of the Speaker of the House of Representatives, and a designee of the President Pro Tempore of the Senate shall jointly and unanimously select a third-party professional investment management firm, registered with the U.S. Securities and Exchange Commission, to administer ~~the Fund~~ a special fund created to invest assets described in G.S. 147-69.2(b)(12)c. and select investment opportunities appropriate

for receiving allocations from the Fund on the basis of potential return on investment and the risks attendant thereto. The State Treasurer shall assign professional and clerical staff to assist in the oversight of the Fund. All costs for the third-party investment management firm and the professional and clerical staff shall be borne by the Fund pursuant to G.S. 147-69.3(f). The State Treasurer shall discharge his or her duties with respect to the Fund as a fiduciary consistent with the provisions of applicable law, including, without limitation, G.S. 36E-3. G.S. 147-69.7."

SECTION 1.4.(b) G.S. 147-69.2A(d) reads as rewritten:

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

SECTION 1.5. G.S. 147-75 reads as rewritten:

"§ 147-75. Deputy to act for Treasurer.

The Treasurer may authorize a deputy to perform any duties pertaining to the office. The Treasurer may authorize a deputy to affix the Treasurer's signature to any check, warrant or any other instrument the Treasurer is required to ~~sign by use of the facsimile signature machine or device during the Treasurer's absence or disability.~~ sign. The Treasurer shall be responsible for the conduct of his or her deputies."

SECTION 1.6. G.S. 147-78.1 reads as rewritten:

"§ 147-78.1. Good faith deposits; use of master trust.

Notwithstanding any other provision of law, the State Treasurer is authorized to select a bank or trust company as master trustee to hold cash or securities to be pledged to the State when deposited with ~~him~~ the State Treasurer pursuant to statute or at the request of another State agency. Securities may be held by the master trustee in any form that, in fact, perfects the security interest of the State in the securities. The State Treasurer shall ~~by rule or regulation~~ contractually establish the manner in which the master trust shall operate. The master trustee may charge reasonable fees for services rendered to each person who deposits the cash or securities with the State."

PART II. UPDATES TO THE STATE TREASURER'S INVESTMENT PROGRAMS

SECTION 2.1. G.S. 147-69.3 reads as rewritten:

"§ 147-69.3. Administration of State Treasurer's investment programs.

(a) The State Treasurer shall establish, maintain, administer, manage, and operate within the Department of State Treasurer one or more investment programs for the deposit and investment of assets pursuant to the provisions of G.S. 147-69.1 and G.S. 147-69.2. Different Retirement Systems and other funds held by the State Treasurer may be invested collectively or separately in the State Treasurer's discretion consistent with the fiduciary duties stated in G.S. 147-69.7.

(b) Any official, board, commission, other public authority, local government, school administrative unit, local ABC board, or community college of the State having custody of any funds not required by law to be deposited with and invested by the State Treasurer may deposit all or any portion of those funds with the State Treasurer for investment in one of the investment programs established pursuant to this section, subject to any provisions of law with respect to

1 eligible investments, provided that any occupational licensing board as defined in G.S. 93B-1 may
2 participate in one of the investment programs established pursuant to this section regardless of
3 whether or not the funds were required by law to be deposited with and invested by the State
4 Treasurer. In the absence of specific statutory provisions to the contrary, any of those funds may
5 be invested in accordance with the provisions of G.S. 147-69.2 and 147-69.3. Upon request from
6 any depositor eligible under this subsection, the State Treasurer may authorize moneys invested
7 pursuant to this subsection to be withdrawn by warrant on the State Treasurer.

8 (c) The State Treasurer's investment programs shall be so managed that in the judgment of
9 the State Treasurer funds may be readily converted into cash when needed.

10 (d) Except as provided by G.S. 147-69.1(d), the total return earned on investments shall
11 accrue pro rata to the fund whose assets are invested according to the formula prescribed by the
12 State Treasurer with the approval of the Governor and Council of State.

13 (e) The State Treasurer has full powers as a fiduciary to hold, purchase, sell, assign,
14 transfer, lend and dispose of any of the securities or investments in which any of the programs
15 created pursuant to this section have been invested, and may reinvest the proceeds from the sale of
16 those securities or investments and any other investable assets of the program.

17 (f) The cost of administration, management, and operation of investment programs
18 established pursuant to this section shall be apportioned equitably among the programs in such
19 manner as may be prescribed by the State Treasurer, such costs to be paid from each program, and
20 to the extent not otherwise chargeable directly to the income or assets of the specific investment
21 program or pooled investment vehicle, shall be deposited with the State Treasurer as a General
22 Fund nontax revenue. The cost of administration, management, and operation of investment
23 programs established pursuant to this section and not directly paid from the income or assets of
24 such program shall be covered by an appropriation to the State Treasurer for this purpose in the
25 Current Operations Appropriations Act.

26 (g) The State Treasurer is authorized to retain the services of independent appraisers,
27 auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or other
28 persons or firms possessing specialized skills or knowledge necessary for the proper
29 administration of investment programs created pursuant to this section.

30 ~~(h) The State Treasurer shall prepare, as of the end of each fiscal year, a report on the~~
31 ~~financial condition of each investment program created pursuant to this section. A copy of each~~
32 ~~report shall be submitted within 30 days following the end of the fiscal year to the official,~~
33 ~~institution, board, commission or other agency whose funds are invested, the State Auditor, and~~
34 ~~the chairs of the Finance Committees of the House of Representatives and the Senate.~~

35 ~~(i) The State Treasurer shall report at least twice a year to the General Assembly, through~~
36 ~~the Finance Committees of the House of Representatives and the Senate, on the investment~~
37 ~~programs created under this section. The Treasurer shall present the reports to a joint meeting of~~
38 ~~the Finance Committees. The chairs of the Finance Committees may receive the reports and call~~
39 ~~the meetings. The Finance Committees may meet during the interim as necessary to hear the~~
40 ~~reports from the State Treasurer. The State Treasurer's report and presentation to the Finance~~
41 ~~Committees shall include all of the following:~~

- 42 (1) ~~A full and complete statement of all moneys invested by virtue of the~~
43 ~~provisions of G.S. 147-69.1 and G.S. 147-69.2.~~
- 44 (2) ~~The nature and character of the investments.~~
- 45 (3) ~~The revenues derived from the investments.~~
- 46 (4) ~~The costs of administering, managing, and operating the investment programs,~~
47 ~~including the recapture of any investment commissions.~~
- 48 (5) ~~A statement of the investment policies for the revenues invested.~~
- 49 (6) ~~Any other information that may be helpful in understanding the State~~
50 ~~Treasurer's investment policies and investment results.~~
- 51 (7) ~~Any other information requested by the Finance Committees.~~

(i1) The State Treasurer shall report the incentive bonus paid to the Chief Investment Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each year.

(i2) In order to promote achievement of long-term investment objectives and to retain key public employees with investment functions, the State Treasurer is authorized to ~~establish~~ establish, consistent with the State Treasurer's fiduciary duties, market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment programs, who shall be exempt from the classification and compensation rules established by the Office of State Human Resources. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned directly from the investment program. The Treasurer shall report the salaries and bonuses paid to the Joint Legislative Oversight Committee on General Government annually.

(j) Subject to the provisions of G.S. 147-69.1(d), the State Treasurer shall adopt any rules necessary to carry out the provisions of this section."

SECTION 2.2. G.S. 147-69.7 reads as rewritten:

"§ 147-69.7. Discharge of duties to Retirement Systems funds.

(a) The State Treasurer shall discharge his or her duties with respect to ~~the Retirement Systems~~ each fund or investment program held by the State Treasurer, including each of the funds, enumerated in G.S. 147-69.2(b)(8) G.S. 147-69.2 as follows:

- (1) Solely in the interest of the ~~participants and beneficiaries~~ intended beneficiaries of the fund, if any.
- (2) For the exclusive purpose of carrying out the purpose of the fund, including providing benefits to participants and ~~beneficiaries~~ beneficiaries, and paying reasonable expenses of administering the Retirement Systems fund.
- (3) With the care, skill, and caution ~~under the~~ that a prudent investor would use after considering the purposes, distribution requirements, and other circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose prevailing.
- (4) Impartially, taking into account any differing interests of participants and beneficiaries.
- (5) Incurring only costs that are appropriate and reasonable.
- (6) In accordance with a good-faith interpretation of the provisions of G.S. 147-69.2 and any other applicable law governing the Retirement Systems fund.

(b) In investing and managing assets of the ~~Retirement Systems fund~~ Retirement Systems funds pursuant to subsection (a) of this section, the State Treasurer:

- (1) Shall consider the following circumstances:
 - a. General economic conditions.
 - b. The possible effect of inflation or deflation.
 - c. The role that each investment or course of action plays within the overall portfolio of the Retirement Systems fund.
 - d. The expected total return from income and the appreciation of capital.
 - e. Needs for liquidity, regularity of income, and preservation or appreciation of capital.
 - f. The With respect to the Retirement Systems defined in G.S. 147-69.2(d) and any other pension plans, the adequacy of funding for the Retirement Systems based on reasonable actuarial factors.
 - g. The purpose of the fund, if established.

- (2) Shall diversify the investments of the ~~Retirement Systems~~fund unless the State Treasurer reasonably determines that, because of special circumstances, including applicable investment restrictions, it is clearly prudent not to do so.
- (3) Shall make a reasonable effort to verify facts relevant to the investment and management of assets of the ~~Retirement Systems~~funds.
- (4) ~~May~~ Shall invest only in any kind of property or type of investment ~~those investments authorized by law~~ consistent with the provisions of Article 6 of Chapter 146 of the General Statutes.
- (5) May consider benefits created by an investment in addition to investment return only if the State Treasurer determines that the investment providing these collateral benefits would be prudent even without collateral benefits.
- (c) Compliance by the State Treasurer with this section must be determined in light of the facts and circumstances existing at the time of the Treasurer's decision or action and not by hindsight.
- (d) The State Treasurer's investment and management decisions must be evaluated not in isolation but in the context of the portfolio of the ~~Retirement Systems~~fund as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the ~~Retirement Systems~~fund.
- (e) Notwithstanding any of the foregoing, the State Treasurer shall have no duty to assist or advise any official, board, commission, local government, other public authority, school administrative unit, local ABC board, community college of the State, or other person, trust, agency, institution, or entity in connection with any of the following decisions and directions with respect to any funds to be deposited with and invested by the State Treasurer:
- (1) The voluntary decision to deposit or withdraw funds in accordance with applicable law in one or more of the State Treasurer's investment programs.
 - (2) The voluntary direction as to the allocation of deposited funds in accordance with applicable law among the State Treasurer's investment programs.
 - (3) Any other decision or direction by which the depositor exercises control over assets deposited or to be deposited with the State Treasurer in accordance with applicable law."

PART III. CODIFY KEY DEPARTMENT OF STATE TREASURER POLICIES

SECTION 3. Article 6 of Chapter 147 of the General Statutes is amended by adding new sections to read:

"§ 147-69.9. Third-party audit of State Treasurer's investments,

(a) In addition to all other audits and reports required by the law, the State Treasurer shall prepare and issue, at the end of each fiscal year beginning with the 2015-2016 fiscal year, a set of consolidated stand-alone financial statements regarding investments authorized in G.S. 147-69.1 and G.S. 147-69.2. These financial statements shall be audited by a commercial independent third-party audit firm selected and engaged by the State Treasurer. The audit firm's report and the financial statement shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representative Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within six months after the closing of the reporting period.

(b) The management discussion and analysis section of the report accompanying the financial statements shall include a discussion of the investment programs' risk and returns compared to benchmarks, total management fees and incentives paid, and comparison to peer cost benchmarks.

"§ 147-69.10. Investment policies and performance reviews of Retirement Systems investment programs.

(a) On at least a biennial basis, the State Treasurer shall present an investment policy statement to the Investment Advisory Committee for the Committee's consultation. The investment policy statement must include descriptions of investment objectives and strategy, roles and responsibilities, permissible asset classes, asset allocation targets and ranges, risk management and compliance guidelines, and evaluation criteria necessary to measure investment performance.

(b) At least once every four years, the State Treasurer shall engage a commercial independent expert firm, pursuant to G.S. 147-69.3(g), to evaluate the governance, operations, and investment practices of the State Treasurer in order to develop recommendations for improvement. The State Treasurer must consult with the Investment Advisory Committee to develop the scope of the evaluation. The report of the independent expert firm shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within 30 days of receipt.

"§ 147-69.11. Ethics policies.

(a) To ensure that the State Treasurer's investment programs operate under a strong governance framework with rigorous internal controls and a high degree of operational transparency and are managed with the highest ethical and professional standards and in the most efficient and effective manner possible, the State Treasurer, after consultation with the Investment Advisory Committee, is authorized and required to adopt policies and procedures on the following topics:

- (1) Requiring that the Department of State Treasurer's Investment Management Division adopt a code of ethics.
- (2) Requiring all employees of the Department who have responsibility for matters related to investments to be provided with training with respect to the discharge of their duties and responsibilities to the funds.
- (3) Governing gifts to employees of the Department who have responsibility for matters related to investments.
- (4) Imposing limitations on external investment managers' use of placement agents and other persons that appear before the Department to ensure that these persons play only a proper role in investment opportunities.
- (5) As a component of the investment due diligence, negotiations, and contracting process, requiring an independent assessment of whether circumstances exist that create a material risk that professional judgement or actions regarding a potential investment arrangement's recommendation, approval, or execution have been or will be unduly influenced by a direct or indirect personal interest."

PART IV. REQUIRE DETAILED FEE AND PERFORMANCE REPORTING BY STATE TREASURER; CONSOLIDATE STATUTORY REPORTING REQUIREMENTS

SECTION 4.1.(a) Article 6 of Chapter 147 of the General Statutes is amended by adding a new section to read:

"§ 147-69.12. Reporting on the State Treasurer's investment programs.

(a) No later than the tenth day of February, May, August, and November of each year, the State Treasurer shall report on all investments for which the State Treasurer is in any way responsible. The State Treasurer's quarterly report shall include each of the following:

- (1) A specific listing of all direct and indirect placement fees, asset fees, performance fees, and any other money management fees incurred by the State in the management of the Retirement Systems defined in G.S. 147-69.2(b)(8). In the event that the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of G.S. 147-69.2 increases during a fiscal year by an amount greater than three percent (3%) of the market value of all invested assets of the Retirement

- 1 Systems as of the prior fiscal year end, then the quarterly report provided shall
2 describe how that increase complies with the duties described in G.S. 147-69.7
3 and the consequent expected impact on the risk profile of the Retirement
4 Systems' assets.
- 5 (2) A specific listing of all investments made with certified green managers and
6 companies and funds that support sustainable practices, including the names of
7 the companies, managers, and funds, the amount invested, and the State's return
8 on investment.
- 9 (3) For bank balances:
- 10 a. The State's total bank balance with the State Treasurer, including the
11 amount of cash on hand and money on deposit.
- 12 b. For each bank or other qualified depository utilized by the State
13 Treasurer to hold cash balances, (i) the name of each depository and (ii)
14 current quarter-end cash balances.
- 15 (4) For the State Treasurer's cash management programs:
- 16 a. Total assets.
- 17 b. Duration of investments.
- 18 c. Rate of return, including a comparison to an appropriate benchmark, if
19 available.
- 20 (5) For the Retirement Systems, as defined in G.S. 147-69.2(b)(8), reported
21 separately for each asset class authorized by G.S. 147-69.2(b):
- 22 a. Total assets.
- 23 b. Rate of return, including a comparison to an appropriate benchmark, if
24 available.
- 25 c. Percentage of the total assets that are invested in the asset class and the
26 limitation, if any, on the percentage under G.S. 147-69.2(b).
- 27 (6) For each investment program created under G.S. 147-69.3:
- 28 a. The financial condition of each investment program.
- 29 b. A full and complete statement of all moneys invested by virtue of the
30 provisions of G.S. 147-69.1 and G.S. 147-69.2.
- 31 c. The nature and character of the investments.
- 32 d. The revenues derived from the investments, net of fees and expenses.
- 33 e. The costs of administering, managing, and operating the investment
34 programs, including the recapture of any investment commissions.
- 35 f. The location on the State Treasurer's Web site where the public may
36 find a statement of the investment policies for the revenues invested.
- 37 g. Any other information that may be helpful in understanding the State
38 Treasurer's investment policies, investment practices, and investment
39 results.
- 40 h. Any other information requested by the House of Representatives and
41 Senate Finance Committees.
- 42 i. The location on the State Treasurer's Web site where the public may
43 find a list of new commitments to external investment managers.
- 44 j. The location on the State Treasurer's Web site where the public may
45 find information on the use of placement agents by investment
46 managers.
- 47 (7) For all other investments with or on behalf of the State or any of its agencies or
48 institutions:
- 49 a. The particular agency or institution, fund, rate of return, and duration of
50 the investment.
- 51 b. The amount of deposit on all noninterest bearing accounts.

(b) No later than the date set by G.S. 147-69.9 for the submission of consolidated stand-alone financial statements, the State Treasurer shall report annually on the fees and performance of all externally and internally managed investments for the Retirement Systems defined in G.S. 147-69.2(b)(8). Externally managed investments shall be reported on the basis of each investment vehicle or investment manager, as applicable. Internally managed investments shall be reported on a portfolio-by-portfolio basis. The State Treasurer's annual report shall include all of the following, as applicable, reported separately for each investment:

- (1) The name, commitment amount, statutory classification, and inception year.
- (2) Either a statement that the investment is managed internally by the staff of the State Treasurer or the names of the external investment manager and the investment vehicle for that investment.
- (3) Value of the investment.
- (4) Dollar amount of the management fees and incentive fees.
- (5) For investment-grade fixed income or public equity investments, the periodic net annualized time-weighted rate of return for that fiscal year and since inception, reported net of fees.
- (6) For all investments other than investment-grade fixed income or public equity investments, all of the following:
 - a. The net annualized internal rate of return and investment multiple since inception, reported net of fees.
 - b. The total cash contributions or other investments made by the State Treasurer.
 - c. The total distribution received by the State Treasurer with respect to that investment since inception, reported net of fees.
- (7) For any fund of funds investment vehicles, the aggregate management fees and incentive fees for the underlying investment managers or investment vehicles used by the external investment manager.
- (8) If any placement agent fees relating to the investment were directly or indirectly borne by the State Treasurer or Retirement Systems, a list of the amount and type of those fees.

(c) Reserved.

(d) The reports required by this section shall be delivered to the Joint Legislative Commission on Government Operations, chairs of the House of Representatives and Senate Appropriations Committees, chairs of the House of Representative and Senate Finance Committees, Fiscal Research Division, Governor, Council of State, and State Auditor. The reports shall also be made available for public review, including by posting on the State Treasurer's Web site.

A copy of a report on any State Treasurer investment program shall be sent to the official, institution, board, commission, or other agency investing in that program.

(e) On or before December 31, 2016, the State Treasurer shall adopt rules to implement the provisions of this section, including rules to define the terms used in this section."

SECTION 4.1.(b) G.S. 147-68(d) is recodified as G.S. 147-69.12(c).

SECTION 4.1.(c) G.S. 147-69.1(e) is repealed.

SECTION 4.1.(d) G.S. 147-68(d1) is repealed.

SECTION 4.2. G.S. 147-69.8 reads as rewritten:

"§ 147-69.8. Annual report on new investment authority.

Whenever the General Assembly broadens the investment authority of the State Treasurer as to the General Fund, the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, or any idle funds, the State Treasurer shall annually report

1 in detail to the General Assembly the investments made under such new authority, including the
2 returns on those investments, earnings, changes to value, and gains and losses in disposition of
3 such investments. The report shall be made ~~during~~ no later than the first six months of each
4 calendar year, covering performance in the prior ~~calendar~~ fiscal year. As to each type of new
5 investment authority, the report shall be made for at least four years. To the extent the information
6 required by this section is also required in the reports under G.S. 147-69.12, the State Treasurer
7 may combine reports or make cross-reference to those reports."

8 **SECTION 4.3.** G.S. 147-69.2A(b) reads as rewritten:

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

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

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

21 By October 1, 2015, and at least semiannually thereafter, the State Treasurer shall submit a
22 report to the Governor, the Office of State Budget and Management, the Joint Legislative
23 Commission on Governmental Operations, and the Fiscal Research Division on investments made
24 from the Fund and any return on investment. This report shall be made for the Fund in lieu of the
25 reports required by ~~G.S. 147-69.1(e), 147-69.2(b)(10a), 147-69.3(h), 147-69.3(i), and~~
26 ~~147-69.8.~~ G.S. 147-69.8 and G.S. 147-69.12(b)."

27 **SECTION 4.4.** Sections 4.1, 4.2, 4.3, and 4.4 of this act become effective July 1,
28 2016, and apply to all reporting periods beginning on or after that date.

30 PART V. EFFECTIVE DATE

31 **SECTION 5.** Section 5 of this act is effective when it becomes law. Except as
32 otherwise provided, the remainder of this act becomes effective January 31, 2017.

4

9



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 964*

Short Title: Commission Membership Winston-Salem Ret. Fund. (Local)

Sponsors: Representatives Conrad, Hanes, Lambeth, and Terry (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Local Government, if favorable, Pensions and Retirement

April 27, 2016

1 A BILL TO BE ENTITLED
2 AN ACT TO ENHANCE THE PARTICIPATION OF RETIREE MEMBERS ON THE
3 RETIREMENT COMMISSION OF THE WINSTON-SALEM EMPLOYEES RETIREMENT
4 FUND.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** Section 4 of Chapter 296 of the Public-Local Laws of 1939, as
7 amended, reads as rewritten:

8 "Sec. 4. That the contributions required to cover the cost of benefits based on prior service
9 shall be sufficient to fund the liability for sure prior service in not more than forty years from the
10 date of the establishment of such fund. The ordinance shall provide that the required contributions
11 by such members as hereinbefore mentioned shall be collected by deducting the amounts so
12 required from the salary or wages due such members. The ordinance may provide for the
13 appointment or election of a retirement board or board of trustees, and for the delegation to such
14 board of such powers and duties as may be deemed necessary to carry out the intent and purpose
15 for which said fund is established. If such retirement board or board of trustees is provided for by
16 ordinance, the said board shall consist of a member or members of the governing body of the City
17 of Winston-Salem, an employee or employees entitled to participate in said fund, a retiree or
18 retirees participating in said fund, and one or more citizens of the State of North Carolina not
19 officially connected with the governing body of any municipality or entitled to participate in the
20 benefits of said fund."

21 **SECTION 2.** This act is effective when it becomes law.





GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 960 (First Edition)

SHORT TITLE: Retirement Creditable Service Charter Schools.

SPONSOR(S): Representative R. Turner

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS).

BILL SUMMARY: The bill amends G.S. 135-4(cc) to modify the provisions for a member of TSERS to purchase credit for service in a charter school. Currently a member may purchase credit for employment in a charter school upon completion of five years of service in TSERS after the charter school employment. The member must make a lump-sum payment equal to the full liability for the service purchased. The bill would remove the requirement that the five years of service in TSERS be completed after the charter school employment and would limit the amount of service to be purchased to five years.

The bill also repeals G.S. 135-8(b)(5)d. which allows a member to receive credit for service in a charter school by making monthly contributions during a leave of absence equal to the employee and employer contribution rates.

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

ESTIMATED IMPACT ON STATE: Both Buck Consultants, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of TSERS.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)	
Active Members	
Count	307,313
General Fund Compensation	\$9,865M
Valuation Compensation (Total)	\$13,737M
Average Age	45
Average Service	10.7

Inactive Members	
Count	134,871
Retired Members	
Count	194,607
Annual Benefits	\$4,058M
Average Age	70
New Retirees During 2015	11,400

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)	
Accrued Liability (AL)	\$67,715M
Actuarial Value of Assets (AVA)	\$64,734M
Market Value of Assets (MVA)	\$64,587M
Unfunded Accrued Liability (AL - AVA)	\$2,981M
Funded Status (AVA / AL)	96%
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.48% (new assumptions)
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%
Cost Method	Entry Age Normal
Amortization	12 year, closed, flat \$
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
Formula	1.82% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Retirement Creditable Service Charter Schools – House Bill 960", May 11, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 960: An Act to Modify the Ability of a Member of the TSERS to Purchase Credit for Employment in a Charter School", May 3, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

Impact of Sections 1 and 2 of HB 960 at Risk Free Rate

<u>Assumption</u>	<u>Valuation</u>	<u>Service Purchase</u>	<u>Risk Free</u>
Interest (Discount) Rate	7.25%	7.25%	2.75%
Cost-of-Living Adjustment (COLA)	0.00%	4.00%	1.20% (for example)
Inflation Component of Salary Increases	3.00%	3.00%	1.00% (for example)

For someone buying service that affects the retirement age, the difference between the economic value on the “Risk Free” basis and the price calculated on the “Service Purchase” basis could be zero or negative. However, for someone purchasing service that only increases the benefit, the economic value could be much higher than the purchase price. For example, a 55 year old with 20 years of service purchasing 5 additional years would pay around \$61,000 for the purchase but the value on the “Risk Free” basis is around \$85,000, a difference of \$24,000.

Only 2 or 3 people purchase charter school service in most years. The number is most likely low because: many charter schools already participate in TSERS, some employees will not earn 5 years of service before or after, and many do not have the savings needed to make the purchase (e.g. \$61,000). As a conservative estimate, assume the requirement to earn 5 years of service after working in a charter school is a large barrier and 10 more will purchase service without this requirement. Further, assume the new 5 year cap on the years of service purchased does not limit any purchases and that all 10 new purchases are of the type that would have an economic cost to the State of roughly \$24,000.

Estimated annual cost = 10 x \$24,000 = \$240,000

The General Assembly has traditionally set contribution rates for TSERS in increments no smaller than 0.01% (1 basis point) of compensation. Total TSERS compensation is estimated to be \$13.7 billion, so 0.01% is \$1.4 million. Since \$240,000 is well less than 0.01% of compensation, **the cost of HB 960 would still be deemed “negligible”, “immaterial”, or “less than 0.01% of compensation” under these assumptions and methods.**

The illustration above has been provided by the Fiscal Research Division. The assumptions and methods used by Buck Consultants, the actuary for TSERS, and Hartman & Associates, the actuary for the General Assembly, could differ.





HOUSE BILL 960: Retirement Creditable Service Charter Schools.

2016-2017 General Assembly

Committee: Senate Pensions & Retirement and Aging
Introduced by: Rep. R. Turner
Analysis of: PCS to First Edition
H960-CSTV-39

Date: June 15, 2016
Prepared by: Tawanda N. Foster
Committee Counsel

SUMMARY: *The PCS to House Bill 960 would allow a member of the Teachers' and State Employees' Retirement System (TSERS) to purchase up to five years of creditable service for employment in a charter school operated by a private nonprofit corporation and require cost estimates for statutory changes to service purchase provisions. The PCS adds Section 3.*

CURRENT LAW:

Section 1

G.S. 135-4 provides the standards for the calculation of creditable service for use by the Teachers' and State Employees' Retirement System. In particular, G.S. 135-4(cc) allows members of the retirement system to purchase creditable service for employment in a charter school operated by a private nonprofit corporation whose board of directors did not elect to participate in the retirement system under G.S. 135-5.3.¹ Currently, G.S. 135-4(cc) requires a member may purchase credit after five years of membership service after charter school employment and by paying a lump-sum to the Annuity Savings Fund. There is no limit to the amount of creditable service that may be purchased under this subsection.

Section 2

G.S. 135-8(b) defines the annuity savings fund as a fund in which members' contributions from compensation are held to provide for their retirement annuities. Sub-subdivision 135-8(b)(5)d outlines situations when members employed in charter schools may make monthly contributions to the annuity savings fund.

Section 3

G.S. 120-114 provides the requirements for requesting actuarial notes and retirement system cost estimates, as well as the timeline for the submission of such notes and estimates. It also provides the penalty for signing an actuarial note containing false information to be a fine of not more than \$500.00 or imprisonment for not more than six months, or both.

BILL ANALYSIS:

Section 1

This section of the PCS allows members of TSERS to purchase up to five years of creditable service for employment in a charter school operated by a private nonprofit corporation. Such a purchase may be

¹ G.S. 135-5.3 permits the board of directors of a charter school operated by a private nonprofit corporation to elect to become a participating employer in the Teachers' and State Employees' Retirement System.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578

House PCS 960

Page 2

made by a member after five years of membership service and payment of a lump-sum in the Annuity Savings Fund.

Section 2

The PCS repeals G.S. 135-8(b)(5)d which allows members whose TSERS membership is interrupted by an approved leave of absence for employment in a charter school to purchase service for that time by paying all employee and employer contributions based on compensation earned immediately prior to the service interruption.

Section 3

This section of the PCS adds a requirement that if any bill or resolution adds or modifies service purchase provisions the Fiscal Research Division must obtain a cost estimate using the 30 year United States Treasury constant maturity and cost of living adjustment and salary increase assumptions consistent with that rate as of December of the year of the most recent actuarial valuation in addition to the cost of the provision using the valuation assumptions.

EFFECTIVE DATE: The PCS would be effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 960
PROPOSED SENATE COMMITTEE SUBSTITUTE H960-CSTV-39 [v.2]

06/15/2016 04:19:10 PM

Short Title: Retirement Creditable Service Charter Schools.

(Public)

Sponsors:

Referred to:

April 26, 2016

A BILL TO BE ENTITLED
AN ACT TO MODIFY THE ABILITY OF A MEMBER OF THE TEACHERS' AND STATE
EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE CREDIT FOR EMPLOYMENT
IN A CHARTER SCHOOL OPERATED BY A PRIVATE NONPROFIT CORPORATION
AND TO REQUIRE COST ESTIMATES FOR STATUTORY CHANGES TO SERVICE
PURCHASE PROVISIONS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4(cc) reads as rewritten:

"(cc) Credit for Employment in Charter School Operated by a Private Nonprofit Corporation. – Any member may purchase creditable service for any employment as an employee of a charter school operated by a private nonprofit corporation whose board of directors did not elect to participate in the Retirement System under G.S. 135-5.3 upon completion of five years of membership service ~~after that charter school employment~~ by making a lump-sum payment into the Annuity Savings Fund. The payment by the member shall be equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the Retirement System's liabilities, taking into account the additional retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire with an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the actuary plus an administrative expense fee to be determined by the Board of Trustees. Creditable service purchased under this subsection shall not exceed a total of five years. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

SECTION 2. G.S. 135-8(b)(5)d. is repealed.

SECTION 3. G.S. 120-114 is amended by adding a new subsection to read:

"(g) In addition to the other requirements of this section, if a bill or resolution adds or modifies service purchase provisions, the Fiscal Research Division shall obtain an estimate of the cost impact of those provisions using the 30-year United States Treasury constant maturity and cost-of-living adjustment and salary increase assumptions consistent with that rate as of December of the year of the most recent actuarial valuation in addition to the cost of the provision using the valuation assumptions."

SECTION 4. This act is effective when it becomes law.



* H 9 6 0 - C S T V - 3 9 *



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 960

Short Title: Retirement Creditable Service Charter Schools.

(Public)

Sponsors: Representative R. Turner.

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement

April 26, 2016

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE ABILITY OF A MEMBER OF THE TEACHERS' AND STATE
EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE CREDIT FOR EMPLOYMENT
IN A CHARTER SCHOOL OPERATED BY A PRIVATE NONPROFIT CORPORATION.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4(cc) reads as rewritten:

"(cc) Credit for Employment in Charter School Operated by a Private Nonprofit Corporation. – Any member may purchase creditable service for any employment as an employee of a charter school operated by a private nonprofit corporation whose board of directors did not elect to participate in the Retirement System under G.S. 135-5.3 upon completion of five years of membership service ~~after that charter school employment~~ by making a lump-sum payment into the Annuity Savings Fund. The payment by the member shall be equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the Retirement System's liabilities, taking into account the additional retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire with an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the actuary plus an administrative expense fee to be determined by the Board of Trustees. Creditable service purchased under this subsection shall not exceed a total of five years. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

SECTION 2. G.S. 135-8(b)(5)d. is repealed.

SECTION 3. This act is effective when it becomes law.



* H 9 6 0 - V - 1 *



Senate Pages Attending

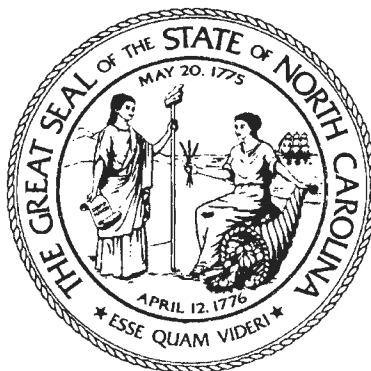
COMMITTEE: Pensions & Retirement ROOM: 1027
 DATE: 6-16 TIME: 10 AM

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Page Name	Hometown	Sponsoring Senator
1. Jordyn Scheitler	Belmont	Hamington
2. Kelly Anne Faulk	Sanford	Rabin
3. Amy Clemmons	Raleigh	Alexander
4. Seth Norwood	Greensboro	Berger
5. William Gilchrist	Raleigh Raleigh	Apodaca
6. John Nicholson III	Raleigh	Apodaca
7. ^{dis bro} Hagew Disbrow	Southport	Rabin
8. Greep Webb	Raleigh	Alexander

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





**SENATE COMMITTEE
ON
PENSIONS, RETIREMENT AND AGING
June 16, 2016
10:00 AM**

Senate Sergeant-at-Arms

Becky Myrick

Frances Patterson

Hal Roach





Senate Committee on Pensions/Retirement and Aging

June 16, 2016 – Room 1027/1128 – 10:00 AM

PLEASE SIGN IN BELOW

NAME	FIRM OR AGENCY
BLAKE THOMAS	DEPT. STATE TREASURER
Chris Morris	Dept. State Treasurer
Jeff Smith	Dept. of State Treasurer
Meryl Murtagh	Dept of State Treasurer
R Rogers	NCRGA
Pam Deardon	NCRSP
MAN GRADUATE	STATE HOUSE PLAN
Pam	SOG
Sarah Collins	NCLM
Daniel Jordan	NCHFA
Will PAPRY HILL	NCHFA
Nathaniel Brown	DST
Sarah Wellish	DST
Kara Weishaar	SP
Montgomery Fletcher	SHR
Robb Jansen	State Bd. of Ed.
GERY WHEAT	NM
SAM WATKINS	DST



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MINUTES

Pensions & Retirement and Aging

June 24, 2016

The Senate Pensions & Retirement and Aging committee met on Friday June 24, 2016 at 12:15 p.m. The meeting was held in room 1027/1128 of the Legislative Building. Seven Senate members of the committee were present. Senator Tom Apodaca presided.

Senator Apodaca introduced the Pages and the Sergeant at Arms.

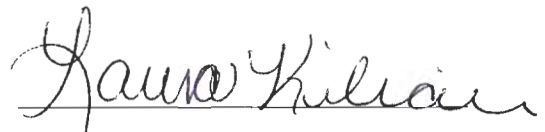
Senator Apodaca brought forth the items on the agenda:

SB886- Retirement Technical Corrections Act of 2016-A.B- Senator Randleman moved to bring the PCS before the committee. Motion carried. Senator Wells explained the PCS and asked staff to further explain the PCS. David Vanderweide, Fiscal Research Division, explained the PCS further. Senator Smith moved for a favorable report to the PCS, unfavorable to the original bill. Motion carried.

The meeting adjourned at 12:25 p.m.



Senator Tom Apodaca, Presiding



Laura Kilian, Committee Assistant



Principal Clerk
Reading Clerk

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Pensions & Retirement and Aging** will meet at the following time:

DAY	DATE	TIME	ROOM
Friday	June 24, 2016	12:15 PM	1027/1128 LB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 886	Retirement Technical Corrections Act of 2016.-AB	Senator Wells Senator Apodaca

Senator Tom Apodaca, Co-Chair
Senator Rick Gunn, Co-Chair



Senate Committee on Pensions & Retirement and Aging
Friday, June 24, 2016, 12:15 PM
1027/1128 Legislative Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
SB 886	Retirement Technical Corrections Act of 2016.-AB	Senator Wells Senator Apodaca

Presentations

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT

**Senator Apodaca, Co-Chair
Senator Gunn, Co-Chair**

Friday, June 24, 2016

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

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

SB 886

Retirement Technical Corrections Act of 2016.-AB

Draft Number: S886-PCS35376-SH-77

Sequential Referral: None

Recommended Referral: None

Long Title Amended: Yes

TOTAL REPORTED: 1

Senator Andy Wells will handle SB 886



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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 886

Short Title: Retirement Technical Corrections Act of 2016.-AB

(Public)

Sponsors: Senators Wells, Apodaca (Primary Sponsors); and Rabin.

Referred to: Pensions & Retirement and Aging

May 23, 2016

A BILL TO BE ENTITLED

AN ACT TO ENACT THE RETIREMENT TECHNICAL CORRECTIONS ACT OF 2016.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-45 reads as rewritten:

"§ 58-86-45. Additional retroactive membership.

(a) Repealed by Session Laws 2013-284, s. 1(a), effective July 1, 2013.

(a1) Any firefighter or rescue squad worker who is 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina may purchase credit for any periods of service to any chartered fire department or rescue squad not otherwise creditable by making a lump sum payment to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, which payment shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on a retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the board of trustees. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable.

(b) An eligible firefighter or rescue squad worker who is not yet 35 years old may apply to the board of trustees for membership in the fund at any time. Upon becoming a member, the worker may make a lump sum payment of ten dollars (\$10.00) per month retroactively to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the board upon advice from actuary for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

(c) A member of the Pension Fund who is not yet 35 years old may receive credit for the prior service upon making a lump sum payment of ten dollars (\$10.00) for each month since the worker first became eligible, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable, for any firefighter or rescue squad worker who is not yet 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina.



* S 8 8 6 - V - 1 *

1 **SECTION 2.** G.S. 128-25 is repealed.

2 **SECTION 3.** G.S. 128-26(a1) reads as rewritten:

3 "(a1) With respect to a member retiring on or after July 1, 1967, the governing board of a
4 participating unit may allow credit for any period of military service in the Armed Forces of the
5 United States if the person returned to the service of the person's employer within two years after
6 having been ~~honorably~~not dishonorably discharged, or becoming entitled to be discharged,
7 released, or separated from such the Armed Forces of the United States; provided that,
8 notwithstanding the above provisions, any member having credit for not less than 10 years of
9 otherwise creditable service may be allowed credit for such military services which are not
10 creditable in any other governmental retirement system; provided further, that a member will
11 receive credit for military service under the provisions of this paragraph only if the member
12 submits satisfactory evidence of the military service claimed and the participating unit of which
13 the member is an employee agrees to grant credit for such military service prior to January 1,
14 1972.

15 A member retiring on or after July 1, 1971, who is not granted credit for military service under
16 the provisions of the preceding paragraph will be allowed credit for any period of qualifying
17 service in the Armed Forces of the United States, as defined for purposes of reemployment rights
18 under federal law, provided that the member was an employee as defined in G.S. 128-21(10) at the
19 time the member entered military service, and either (i) the returning member is in service, with
20 the employer by whom the member was employed when the member entered military service, for
21 a period of not less than 10 years after the member is separated or released from that military
22 service under other than dishonorable conditions or (ii) the following conditions are met, in the
23 conjunctive:

- 24 (1) The member did not, prior to leaving for military service, provide clear written
25 notice of an intent not to return to work after military service.
26 (2) The member was discharged from uniformed service and returned from the
27 leave of absence for uniformed service to membership service in this system
28 within the time limit mandated by federal law for reporting back to work.
29 (3) The period of uniformed service, for which additional service credit is sought,
30 has been verified by suitable documentation and is not eligible for receipt of
31 benefits under any other retirement system or pension plan.
32 (4) All service credit forfeited by a refund pursuant to the provisions of
33 G.S. 128-27(f) has been purchased.

34 The uniformed service credit allowed under this subsection shall be limited to a maximum of
35 five years unless otherwise specifically exempted from that durational limitation by federal law.
36 The salary or compensation of such an employee during the period of qualifying military service
37 shall be deemed to be that salary or compensation the employee would have received but for the
38 period of service had the employee remained continuously employed, if the determination of that
39 salary or compensation is reasonably certain. If the determination of the salary or compensation is
40 not reasonably certain, then it shall be deemed to be that employee's average rate of compensation
41 during the 12-month period immediately preceding the period of service.

42 Pursuant to 38 U.S.C. § 4318(b)(1), when a member who has been on military leave returns to
43 work consistent with the provisions of this subsection concerning return to service within two
44 years after the member's earliest eligibility for separation or release from military service, then the
45 member's employer must remit to the System all the employer and employee contributions for the
46 full period of that member's military service."

47 **SECTION 4.(a)** G.S. 135-5(g) reads as rewritten:

48 "(g) Election of Optional Allowance. – With the provision that until the first payment on
49 account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been
50 cashed, any member may elect to receive his or her benefits in a retirement allowance payable
51 throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of such retirement

allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the options set forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or until the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or until ~~his~~the member's first retirement check has been cashed. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the member has cashed the first retirement check or after the 25th day of the month following the month in which the first check is mailed, whichever comes first.

...

Upon the death of a member after the effective date of a retirement for which the member has been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be payable as provided by the member's election of benefits under this subsection.

Upon the death of a member after the effective date of a retirement for which the member has been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one beneficiary is eligible to receive the return of accumulated contributions. If more than one beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has been designated, the administrator or executor of the member's estate will select an option and name the beneficiary or beneficiaries."

SECTION 4.(b) G.S. 128-27(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been cashed, any member may elect to receive his or her benefits in a retirement allowance payable throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the Options set forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or ~~his~~the member's first retirement check has been cashed. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first

1 payment becomes normally due or the first retirement check has been cashed, if the member
2 remarries he or she may request to nominate a new spouse to receive the retirement allowance
3 under the previously elected option, within 90 days of the remarriage, and may nominate a new
4 spouse to receive the retirement allowance under the previously elected option by written
5 designation duly acknowledged and filed with the Board of Trustees within 120 days of the
6 remarriage. The new nomination shall be effective on the first day of the month in which it is
7 made and shall provide for a retirement allowance computed to be the actuarial equivalent of the
8 retirement allowance in effect immediately prior to the effective date of the new nomination. Any
9 member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement
10 allowance upon the member's death may, after divorce from his or her spouse, revoke the
11 nomination and elect a new option, effective on the first day of the month in which the new option
12 is elected, providing for a retirement allowance computed to be the actuarial equivalent of the
13 retirement allowance in effect immediately prior to the effective date of the new option. Except as
14 provided in this section, the member may not change the member's retirement benefit option or the
15 member's designated beneficiary for survivor benefits, if any, after the member has cashed the first
16 retirement check or after the 25th day of the month following the month in which the first check is
17 mailed, whichever comes first.

18 ...
19 Upon the death of a member after the effective date of a retirement for which the member has
20 been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E
21 or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be
22 payable as provided by the member's election of benefits under this subsection.

23 Upon the death of a member after the effective date of a retirement for which the member has
24 been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form
25 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated
26 beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one
27 beneficiary is eligible to receive the return of accumulated contributions. If more than one
28 beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has
29 been designated, the administrator or executor of the member's estate will select an option and
30 name the beneficiary or beneficiaries."

31 **SECTION 5.(a)** G.S. 135-5(m2) reads as rewritten:

32 "(m2) Special Retirement Allowance. – At any time coincident with or following retirement,
33 a member may make a ~~one-time~~one-time, irrevocable election to transfer any portion of the
34 member's eligible accumulated contributions, not including any Roth after-tax contributions and
35 the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the
36 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and
37 receive, in addition to the member's basic service, early or disability retirement allowance, a
38 special retirement allowance which shall be based upon the member's transferred balance.

39 A member who became a member of the Supplemental Retirement Income Plan prior to
40 retirement and who remains a member of the Supplemental Retirement Income Plan may make a
41 ~~one-time~~one-time, irrevocable election to transfer eligible balances, not including any Roth
42 after-tax contributions and the earnings thereon, from any of the following plans to the
43 Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental
44 Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this
45 Retirement System: (i) a plan participating in the North Carolina Public School Teachers' and
46 Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal
47 Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is
48 maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or
49 political subdivision of a state; (iv) an individual retirement account or annuity described in
50 section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and

1 would otherwise be includible in gross income; or (v) a tax-qualified plan described in section
2 401(a) or section 403(a) of the Internal Revenue Code.

3 Notwithstanding anything to the contrary, a member may not transfer such amounts as will
4 cause the member's retirement allowance under the System to exceed the amount allowable under
5 G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be
6 transferred if a transfer is elected. The member may elect a special retirement allowance with no
7 postretirement increases or a special retirement allowance with annual postretirement increases
8 equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any
9 other allowance will not apply to the special retirement allowance. The Board of Trustees shall
10 provide educational materials to the members who apply for the transfer authorized by this
11 section. Those materials shall describe the special retirement allowance and shall explain the
12 relationship between the transferred balance and the monthly benefit and how the member's heirs
13 may be impacted by the election to make this transfer and any costs and fees involved.

14 For the purpose of determining the special retirement allowance, the Board of Trustees shall
15 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and
16 such other tables as may be necessary based upon actual experience. A single set of mortality and
17 such other tables will be used for all members, with factors differing only based on the age of the
18 member and the election of postretirement increases. The Board of Trustees shall modify the
19 mortality and such other tables every five years, as shall be deemed necessary, based upon the
20 five-year experience study as required by G.S. 135-6(n). Provided, however, a member who
21 transfers the member's eligible accumulated contributions from an eligible retirement plan
22 pursuant to this subsection to this Retirement System shall be taxed for North Carolina State
23 Income Tax purposes on the special retirement allowance the same as if that special retirement
24 allowance had been paid directly by the eligible plan or the plan through which the transfer was
25 made, whichever is most favorable to the member. The Teachers' and State Employees' Retirement
26 System shall be responsible to determine the taxable amount, if any, and report accordingly.

27 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a
28 one-time flat administrative fee not to exceed the actual cost of the administrative expenses
29 relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer
30 of accumulated contributions authorized under this subsection. This provision shall not prohibit
31 other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall
32 fully disclose to any member participating in a transfer under this subsection any surrender
33 charges or other fees, and such disclosure shall be made contemporaneous with the initiation of the
34 transfer by the member.

35 The special retirement allowance shall continue for the life of the member and the beneficiary
36 designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in
37 G.S. 135-5(g), if any. The Board of Trustees, however, shall establish two payment options that
38 guarantee payments as follows:

- 39 (1) A member may elect to receive the special retirement allowance for life but
40 with payments guaranteed for a number of months to be specified by the Board
41 of Trustees. Under this plan, if the member dies before the expiration of the
42 specified number of months, the special retirement allowance will continue to
43 be paid to the member's designated beneficiary for the life of the beneficiary, if
44 Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's
45 designated beneficiary will receive the benefit only for the remainder of the
46 specified number of months. If the member's designated beneficiary dies before
47 receiving payments for the specified number of months, any remaining
48 payments will be paid to the member's estate.
- 49 (2) A member may elect to receive the special retirement allowance for life but is
50 guaranteed that the sum of the special allowance payments will equal the total
51 of the transferred amount. Under this payment option, if the member dies

before receiving the total transferred amount, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

The Board of Trustees shall report annually to the Joint Legislative Commission on Governmental Operations on the number of persons who made an election in the previous calendar year, with any recommendations it might make on amendment or repeal based on any identified problems.

The General Assembly reserves the right to repeal or amend this subsection, but such repeal or amendment shall not affect any person who has already made the one-time election provided in this subsection."

SECTION 5.(b) G.S. 128-27(m2) reads as rewritten:

"(m2) Special Retirement Allowance. – At any time coincident with or following retirement, a member may make a ~~one-time~~ one-time, irrevocable election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive, in addition to the member's basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon the member's transferred balance.

A member who became a member of the Supplemental Retirement Income Plan prior to retirement and who remains a member of the Supplemental Retirement Income Plan may make a ~~one-time~~ one-time, irrevocable election to transfer eligible balances, not including any Roth after-tax contributions and the earnings thereon, from any of the following plans to the Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement System (i) a plan participating in the North Carolina Public School Teachers' and Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; (iv) an individual retirement account or annuity described in section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income; or (v) a tax-qualified plan described in section 401(a) or section 403(a) of the Internal Revenue Code.

Notwithstanding anything to the contrary, a member may not transfer such amounts as will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be transferred if a transfer is elected. The member may elect a special retirement allowance with no postretirement increases or a special retirement allowance with annual postretirement increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance will not apply to the special retirement allowance. The Board of Trustees shall provide educational materials to the members who apply for the transfer authorized by this section. Those materials shall describe the special retirement allowance and shall explain the relationship between the transferred balance and the monthly benefit and how the member's heirs may be impacted by the election to make this transfer and any costs and fees involved.

For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and such other tables as may be necessary based upon actual experience. A single set of mortality and such other tables will be used for all members, with factors differing only based on the age of the member and the election of postretirement increases. The Board of Trustees shall modify the mortality and such other tables every five years, as shall be deemed necessary, based upon the

1 five-year experience study as required by G.S. 128-28(o). Provided, however, a member who
2 transfers the member's eligible accumulated contributions from an eligible retirement plan
3 pursuant to this subsection to this Retirement System shall be taxed for North Carolina State
4 Income Tax purposes on the special retirement allowance the same as if that special retirement
5 allowance had been paid directly by the eligible plan or the plan through which the transfer was
6 made, whichever is most favorable to the member. The Local Governmental Employees'
7 Retirement System shall be responsible to determine the taxable amount, if any, and report
8 accordingly.

9 The special retirement allowance shall continue for the life of the member and the beneficiary
10 designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in
11 G.S. 128-27(g), if any. The Board of Trustees, however, shall establish two payment options that
12 guarantee payments as follows:

- 13 (1) A member may elect to receive the special retirement allowance for life but
14 with payments guaranteed for a number of months to be specified by the Board
15 of Trustees. Under this plan, if the member dies before the expiration of the
16 specified number of months, the special retirement allowance will continue to
17 be paid to the member's designated beneficiary for the life of the beneficiary, if
18 Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's
19 designated beneficiary will receive the benefit only for the remainder of the
20 specified number of months. If the member's designated beneficiary dies before
21 receiving payments for the specified number of months, any remaining
22 payments will be paid to the member's estate.
- 23 (2) A member may elect to receive the special retirement allowance for life but is
24 guaranteed that the sum of the special allowance payments will equal the total
25 of the transferred amount. Under this payment option, if the member dies
26 before receiving the total transferred amount, the special retirement allowance
27 will continue to be paid to the member's designated beneficiary for the life of
28 the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,
29 the member's designated beneficiary or the member's estate shall be paid any
30 remaining balance of the transferred amount.

31 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a
32 one-time flat administrative fee not to exceed the actual cost of the administrative expenses
33 relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer
34 of accumulated contributions authorized under this subsection. This provision shall not prohibit
35 other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall
36 fully disclose to any member participating in a transfer under this subsection any surrender
37 charges or other fees, and that disclosure shall be made contemporaneous with the initiation of the
38 transfer by the member.

39 The Board of Trustees shall report annually to the Joint Legislative Commission on
40 Governmental Operations on the number of persons who made an election in the previous calendar
41 year, with any recommendations it might make on amendment or repeal based on any identified
42 problems.

43 The General Assembly reserves the right to repeal or amend this subsection, but such repeal or
44 amendment shall not affect any person who has already made the one-time election provided in
45 this subsection."

46 **SECTION 6.(a)** G.S. 135-8(b)(5) reads as rewritten:

- 47 "(5) The Board of Trustees may approve the purchase of creditable service by any
48 member for leaves of absence or for interrupted service to an employer only for
49 the ~~sole~~ purpose of acquiring knowledge, talents, or abilities and to increase the
50 efficiency of service to the employer, subject to the provisions of this
51 subdivision. A leave of absence or interrupted service may be approved for

purchase under this subdivision for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service shall qualify for purchase under this subdivision only if (i) during the time of the leave or interrupted service the member is enrolled and participates in a full-time degree program at an accredited institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations. Approval by the Board under this subdivision shall be made prior to the purchase of the creditable service, is limited to a career total of six years for each member, and may be obtained in the following manner:

...."

SECTION 6.(b) G.S. 128-30(b)(4) reads as rewritten:

"(4) The Board of Trustees may approve the purchase of creditable service by any member for leaves of absence or for interrupted service to an employer ~~for the sole purpose~~ only for the purpose of acquiring knowledge, talents, or abilities and to increase the efficiency of service to the ~~employer. This approval~~ employer, subject to the provisions of this subdivision. A leave of absence or interrupted service may be approved for purchase under this subdivision for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service shall qualify for purchase under this subdivision only if (i) during the time of the leave or interrupted service the member is enrolled and participates in a full-time degree program at an accredited institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations. Approval by the Board under this subdivision shall be made prior to the purchase of the creditable service, is limited to a career total of four years for each member, and may be obtained in the following manner:

...."

SECTION 7.(a) G.S. 135-8(f) reads as rewritten:

"(f) Collection of Contributions. –

...

(2) The collection of employers' contributions shall be made as follows:

...

f. Each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under ~~G.S. 135-4(jj)~~ G.S. 135-4(jj) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the retirement system to restore the member's retirement allowance to the pre-cap amount. Employers are not required to make contributions on account of any retiree who became a member on or after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015.

Under such rules as the Board of Trustees shall adopt, the Retirement System shall report monthly to each employer a list of those

members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months, if applicable.

- (3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of Trustees, the Board shall assess the employer with a penalty, in lieu of interest, and a one-time exception has not been agreed upon in advance due to exigent circumstances, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer other than the State shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer from any funds of the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

...."

SECTION 7.(b) G.S. 128-30(g) reads as rewritten:

"(g) Collection of Contributions. –

...

- (2) The collections of employers' contributions shall be made as follows:
- a. Upon the basis of each actuarial valuation provided herein the Board of Trustees shall annually prepare and certify to each employer a statement of the total amount necessary for the ensuing fiscal year to the pension accumulation fund as provided under subsection (d) of this section. Such employer contributions shall be transmitted to the secretary-treasurer of the Board of Trustees together with the employee deductions as provided under sub-subdivision b. of subdivision (1) of this subsection.
 - b. Each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under G.S. 128-26(y), G.S. 128-26(y) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the retirement system to restore the member's retirement allowance to the pre-cap amount. Employers are not required to make contributions on account of any retiree who became a member on or after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015.

Under such rules as the Board of Trustees shall adopt, the Retirement System shall report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an

additional employer contribution should they elect to retire in the following 12 months, if applicable.

- (3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of Trustees, the Board shall assess the employer with a penalty, in lieu of interest, and a one-time exception has not been agreed upon in advance due to exigent circumstances, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer, or the municipality or county of which such employer is an integral part, from any funds of the State or any funds collected by the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the one percent (1%) payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement Systems Division and shall transmit that amount to the Retirement Systems Division.

...."

SECTION 8. G.S. 135-48.40(d)(13) reads as rewritten:

- "(13) The following persons, their eligible spouses, and eligible dependent children, provided that the person seeking coverage as a subscriber (i) is not eligible for another comprehensive group health benefit plan and (ii) has been without coverage under a comprehensive group health benefit plan for at least six consecutive months:

...

- c. Persons receiving a pension from the North Carolina ~~Firemen~~Firefighters' and Rescue Squad Workers' Pension Fund.

...."

SECTION 9.(a) G.S. 147-86.71(b)(3) reads as rewritten:

- "(3) Contributions to an account shall be made only in ~~cash~~U.S. Dollars."

SECTION 9.(b) G.S. 147-86.72(c)(3) reads as rewritten:

- "(3) ~~Retain~~Notwithstanding the provisions of Article 3 of Chapter 143 of the General Statutes, retain the services of auditors, attorneys, investment

counseling firms, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs that the Board administers pursuant to this Article."

SECTION 9.(c) G.S. 147-86.70(b)(4) is repealed.

SECTION 9.(d) G.S. 147-86.71(d)(4) is repealed.

SECTION 10. 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 11. Sections 3 and 6 of this act become effective January 1, 2017. The remainder of this act is effective when it becomes law.





SENATE BILL 886: Retirement Amendments.

2016-2017 General Assembly

Committee:	Senate Pensions & Retirement and Aging	Date:	June 23, 2016
Introduced by:	Sens. Wells, Apodaca	Prepared by:	Theresa Matula
Analysis of:	PCS to First Edition S886-CSSH-77		Committee Staff

SUMMARY: *The PCS for Senate Bill 886 does the following: adds language providing survivorship benefits for a member killed in the line of duty for the NC Firefighters' and Rescue Squad Workers' Pension Fund; clarifies the retirement information that is subject to the Public Records Law; allows certain forms to be transmitted electronically to Teachers' and State Employees' Retirement System (TSERS) members and Local Governmental Employees' Retirement System (LGERS) members; allows letters of credit issued by a Federal Home Loan Bank to be used to collateralize deposits; and requires the LGERS Board of Trustees to develop a State Contribution Rate Stabilization Policy for the NC Firefighters' and Rescue Squad Workers' Pension Fund.*

BILL ANALYSIS:

Section 1 amends the NC Firefighters' and Rescue Squad Workers' Pension Fund. Section 1(a) provides that, "killed in the line of duty" has the same meaning as in the Law-Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act. Section 1(b) adds G.S. 58-86-55 to outline the manner in which benefits are paid when a member is killed in the line of duty. Section 1(c) amends the law pertaining to order of payments when a firefighter or rescue squad worker dies, but is not killed in the line of duty. Section 1(d) provides that Section 1 becomes effective July 1, 2018, and applies to benefits paid when a member is killed in the line of duty on or after that date.

Section 2 clarifies the retirement information is subject to the Public Records Law. Section 2(a) provides information on an Attorney General's Advisory Opinion of February 5, 2008, that concluded information about retirement benefits was intended to be a record maintained for public inspection and that Department of the State Treasurer should make the information available for public inspection. The remainder of Section 2 creates and consolidates the laws pertaining to public records for the TSERS and LGERS. Section 2(b) adds a new section, G.S. 135-6.1, to Article 1 of Chapter 135 for the TSERS pertaining to confidentiality of member information. Various elements of the newly created G.S. 135-6.1 are as follows: Subsection (a) defines employment-related information, personal information, retirement file and retirement-related information. Subsection (b) provides that member retirement files are not subject to public inspection and examination, except to notify members and beneficiaries of their rights and accruals of benefits and as stated in subsections (c), (d), and (e) below. Subsection (c) provides that following member information is public: name; age; the dates of membership in the retirement system, the dates of first service, enrollment and employment, and the date of retirement; the terms of any contract by which a member was employed; job title; compensation; changes in employment; current assignment; record of benefits paid; and purchases of educational leave. Subsection (d) requires custodians of retirement file information to permit inspection and examination of that information by the public during regular business hours. Any person denied access to retirement file information may seek appropriate relief in a court of competent jurisdiction. Subsection (e) allows

Karen Cochrane-Brown
Director



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the Retirement Systems Division to disclose the names and mailing addresses of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees. Subsection (f) states any retirement file information not specified in subsection (c) is confidential and not open for inspection except by the member, the member's authorized agent, a member of the General Assembly under authority of G.S. 120-19, and an individual with a proper court order authorizing inspection. Subsection (g) makes it a Class 3 misdemeanor, punishable by a fine no greater than \$500, for a public official or employee to knowingly and willfully permit an unauthorized person to have access, custody, or possession of confidential information in a retirement file. Subsection (h) makes it a Class 3 misdemeanor, punishable by a fine no greater than \$500, for any person not authorized to have access to confidential retirement file information to knowingly and willfully examine, remove, or copy any portion of a confidential retirement file.

Section 2(c) adds a new section to Article 3 of Chapter 128 of the General Statutes pertaining to LGERS. The content is similar to that contained in Section 2(b) for TSERS.

Section 2(d) makes a conforming change to G.S. 126-22 which pertains to personnel files not subject to inspection under the public records law (G.S. 132-6).

Sections 2(e)-(h) repeal statutes authorizing disclosure of the names and mailing addresses of former public school employees, former community college employees, and former state and local government employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees because similar provisions are found in Sections 2(b) and 2(c) of the bill.

Sections 3(a) and (b) amend G.S. 135-10.1 and 128-32.1 to require members in TSERS and LGERS, respectively, to respond within 120 days of transmission of Form 6-E or Form 7-E to them. Under current law, the Forms must be mailed to members. The change allows electronic transmission.

Section 4 amends G.S. 147-79 to allow letters of credit issued by a Federal Home Loan Bank to be used to collateralize deposits.

Section 5 requires the LGERS Board of Trustees to develop a State Contribution Rate Stabilization Policy for the NC Firefighters' and Rescue Squad Workers' Pension Fund and to report to the Office of State Budget and Management and the Fiscal Research Division on or before March 1, 2017.

Section 6 contains a severability clause.

EFFECTIVE DATE: Except as otherwise specified, the act is effective when it becomes law.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 886
PROPOSED COMMITTEE SUBSTITUTE S886-CSSH-77 [v.3]
06/23/2016 06:04:08 PM

Short Title: Retirement Amendments.

(Public)

Sponsors:

Referred to:

May 23, 2016

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE PENSION AND RETIREMENT AMENDMENTS.
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.(a)** G.S. 58-86-2 is amended by adding a new subdivision to read:

5 "(9a) "Killed in the line of duty" has the same meaning as in G.S. 143-166.2(c)."

6 **SECTION 1.(b)** G.S. 58-86-55 is amended by adding a new subsection to read:

7 "(d1) Benefits shall be paid in the following manner when a member is killed in the line of
8 duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

9 (1) If the member had been receiving a monthly pension fund benefit prior to being
10 killed in the line of duty, there shall be paid to the member's principal
11 beneficiary, if only one principal beneficiary is eligible, an amount of one
12 hundred seventy dollars (\$170.00) per month beginning the month following
13 the member's month of death, payable until the beneficiary's death.

14 (2) If the member had been receiving a monthly pension fund benefit prior to being
15 killed in the line of duty and the beneficiary is not payable as described in
16 subdivision (1) of this subsection, a lump sum payment equal to the difference
17 between the amount paid into the member's separate account by or on behalf of
18 the member and the amount received by the member as a pensioner will be paid
19 to the eligible beneficiaries, or if there are no eligible beneficiaries, shall be
20 paid to the member's estate.

21 (3) If the member had not yet begun receiving a monthly benefit prior to being
22 killed in the line of duty, there shall be paid to the member's principal
23 beneficiary, if only one principal beneficiary is eligible, an amount of one
24 hundred seventy dollars (\$170.00) per month beginning the month following
25 the month the member would have attained age 55, or if the member had
26 already attained age 55, beginning the month following the member's month of
27 death, payable until the beneficiary's death.

28 (4) If the member had not begun receiving a monthly benefit prior to being killed
29 in the line of duty and the beneficiary is not payable as described in subdivision
30 (3) of this section, a lump sum payment equal to the member's contributions
31 will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries,
32 a return of the contributions shall be paid to the member's estate.

33 A beneficiary under this subsection shall not be required to make the monthly payment of ten
34 dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed
35 in the line of duty."

36 **SECTION 1.(c)** G.S. 58-86-60 reads as rewritten:



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"§ 58-86-60. Payments in lump sums.

The board shall direct payment in lump sums from the fund in the following cases:

- (1) To any firefighter or rescue squad worker upon the attaining of the age of 55 years, who, for any reason, is not qualified to receive the monthly retirement pension and who was enrolled as a member of the fund, an amount equal to the amount paid into the fund by him. This provision shall not be construed to preclude any active firefighter or rescue squad worker from completing the requisite number of years of active service after attaining the age of 55 years necessary to entitle the firefighter or rescue squad worker to the pension.
- (2) If any firefighter or rescue squad worker ~~dies~~dies, ~~except if the individual is killed in the line of duty~~, before attaining the age at which a pension is payable to the firefighter or rescue squad worker under the provisions of this Article, there shall be paid ~~to his or her surviving spouse, or if there be no surviving spouse, to the person responsible for his or her child or children, or if there be no surviving spouse or children, then to his or her heirs at law as may be determined by the board or to his or her estate, if it is administered and there are no heirs,~~ to the person or persons designated by the member, or if the member has not designated a beneficiary, to the surviving spouse of the deceased member, or if not survived by a designated beneficiary or spouse, to the deceased member's legal representative, an amount equal to the amount paid into the member's separate account by or on behalf of the said firefighter or rescue squad worker.
- (3) If any firefighter or rescue squad worker ~~dies~~dies, ~~except if the individual is killed in the line of duty~~, after beginning to receive the pension payable to the firefighter or rescue squad worker by this Article, and before receiving an amount equal to the amount paid into the fund by him or her, there shall be paid ~~to his or her surviving spouse, or if there be no surviving spouse, then to the person responsible for his or her child or children, or if there be no surviving spouse or children, then to his or her heirs at law as may be determined by the board or to his or her estate, if it is administered and there are no heirs,~~ to the person or persons designated by the member, or if the member has not designated a beneficiary, to the surviving spouse of the deceased retired member, or if not survived by a designated beneficiary or spouse, to the deceased retired member's legal representative, an amount equal to the difference between the amount paid into the member's separate account by or on behalf of the said firefighter or rescue squad worker and the amount received by him or her as a pensioner.
- (4) Any member who withdraws from the fund shall, upon proper application, be paid all moneys without accumulated earnings on the payments after the time they were made. A member may not purchase time under G.S. 58-86-45 for which he or she has received a refund."

SECTION 1.(d) This section becomes effective July 1, 2018, and applies to benefits paid when a member is killed in the line of duty on or after that date.

SECTION 2.(a) The February 5, 2008, Attorney General's advisory opinion entitled "Advisory Opinion: Confidentiality of Retirement Benefit Information; Session Law 2007-508" concluded that information about retirement benefits was intended to be included among those records required to be maintained for public inspection by each department, agency, institution, commission, and bureau of the State and that as a result the Retirement Systems Division of the Department of the State Treasurer makes that information available for public inspection and examination. The General Assembly finds that the interests of clarity require statutory language providing guidance to the Retirement Systems Division in determining and maintaining



consistency as to what information should be made available about the retirement accounts of State and local employees.

SECTION 2.(b) Article 1 of Chapter 135 of the General Statutes is amended by adding a new section to read:

"§ 135-6.1. Member retirement record files held by the Retirement System.

(a) The following definitions apply in this section:

(1) Employment-related information. – As defined in G.S. 126-22(b)(3).

(2) Personal information. – As defined in G.S. 126-22(b)(3).

(3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.

(4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

(b) Member retirement files are not subject to inspection and examination as authorized by G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e) of this section.

(c) The following information regarding members and individuals in receipt of a recurring monthly benefit, if held by the Retirement System, is public and subject to subsection (d) of this section:

(1) Name.

(2) Age.

(3) Date of membership in the applicable retirement system, first service earned date, date of first enrollment, date of first employment, and date of retirement.

(4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.

(5) Current or most recently held position or title.

(6) Compensation and other relevant remuneration history and benefits paid.

(7) Date, general description, and type of each change and the corresponding employing agency.

(8) The office or station to which the member is currently assigned, if any.

(9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.

(10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.



(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

(1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.

(2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.

(3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

(g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 2.(c) Article 3 of Chapter 128 of the General Statutes is amended by adding a new section to read:

"§ 128-33.1. Public records held by the Retirement System.

(a) The following definitions apply in this section:

(1) Employment-related information. – As defined in G.S. 126-22(b)(3).

(2) Personal information. – As defined in G.S. 126-22(b)(3).

(3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.

(4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

(b) Member retirement files are not subject to inspection and examination as authorized by G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e) of this section.

(c) The following information regarding members and individuals in receipt of a recurring monthly benefit, if held by the Retirement System, is public subject to subsection (d) of this section:

(1) Name.

(2) Age.

(3) Date of membership in the applicable retirement system, first service earned date, date of first enrollment, date of first employment, and date of retirement.

(4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.

(5) Current or most recently held position or title.

(6) Compensation and other relevant remuneration history and benefits paid.



- (7) Date, general description, and type of each change and the corresponding employing agency.
- (8) The office or station to which the member is currently assigned, if any.
- (9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.
- (10) Purchases of educational leave.
- (d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.
- (e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.
- (f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:
- (1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.
- (2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.
- (3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.
- (g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).
- (h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."
- SECTION 2.(d)** G.S. 126-22 reads as rewritten:
- "§ 126-22. Personnel files not subject to inspection under § 132-6.**
- (a) Except as provided in G.S. 126-23 and G.S. 126-24, personnel files of State employees shall not be subject to inspection and examination as authorized by G.S. 132-6.
- (b) For purposes of this Article the following definitions apply:
- (1) "Employee" means any current State employee, former State employee, or applicant for State employment.
- (2) "Employer" means any State department, university, division, bureau, commission, council, or other agency subject to Article 7 of this Chapter.



(3) "Personnel file" means any employment-related or personal information gathered by an ~~employer, the Retirement Systems Division of the Department of State Treasurer,~~ employer or by the Office of State Human Resources. Employment-related information contained in a personnel file includes information related to an individual's application, selection, promotion, demotion, transfer, leave, salary, contract for employment, benefits, suspension, performance evaluation, disciplinary actions, and termination. Personal information contained in a personnel file includes an individual's home address, social security number, medical history, personal financial data, marital status, dependents, and beneficiaries.

(4) "Record" means the personnel information that each employer is required to maintain in accordance with G.S. 126-23.

(c) Personnel files of former State employees who have been separated from State employment for 10 or more years may be open to inspection and examination except for papers and documents relating to demotions and to disciplinary actions resulting in the dismissal of the ~~employee and personnel files maintained by the Retirement Systems Division of the Department of State Treasurer.~~ employee. Retirement files maintained by the Retirement Systems Division of the Department of State Treasurer shall be made public pursuant to G.S. 128-33.1 and G.S. 135-6.1.

~~(d) Notwithstanding any provision of this section to the contrary, the Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees."~~

SECTION 2.(e) G.S. 115C-321(b1) is repealed.

SECTION 2.(f) G.S. 115D-29(c) is repealed.

SECTION 2.(g) G.S. 153A-98(c3) is repealed.

SECTION 2.(h) G.S. 160A-168(c3) is repealed.

SECTION 3.(a) G.S. 135-10.1 reads as rewritten:

"§ 135-10.1. Failure to respond.

If a member fails to respond within 120 days after preliminary option figures and the Form 6-E or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in which case the application shall be processed accordingly, using the same effective date as would have been used had the application for disability retirement been approved. The Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the 120-day limitation provided for in this section when a member has suffered incapacitation such that a reasonable person would not have expected the member to be able to complete the required paperwork within the regular deadline, or when an omission by the Retirement Systems Division prevents the member from having sufficient time to meet the regular deadline."

SECTION 3.(b) G.S. 128-32.1 reads as rewritten:

"§ 128-32.1. Failure to respond.

If a member fails to respond within 120 days after preliminary option figures and the Form 6-E or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided



1 application, and a new application must be filed establishing a subsequent effective date of
2 retirement. If an applicant for disability retirement fails to furnish requested additional medical
3 information within 90 days following such request, the application shall be declared null and void
4 under the same conditions outlined above, unless the applicant is eligible for early or service
5 retirement in which case the application shall be processed accordingly, using the same effective
6 date as would have been used had the application for disability retirement been approved. The
7 Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may
8 extend the 120-day limitation provided for in this section when a member has suffered
9 incapacitation such that a reasonable person would not have expected the member to be able to
10 complete the required paperwork within the regular deadline, or when an omission by the
11 Retirement Systems Division prevents the member from having sufficient time to meet the regular
12 deadline."

13 **SECTION 4.** G.S. 147-79(a) reads as rewritten:

14 "(a) The amount of funds deposited by the State Treasurer in an official depository shall be
15 adequately secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home
16 Loan Bank, or investment securities of such nature, in such amounts, and in such manner, as may
17 be prescribed by rule or regulation of the State Treasurer with the approval of the Governor and
18 Council of State. No security is required for the protection of funds remitted to and received by a
19 bank or trust company designated by the State Treasurer under G.S. 142-1 and acting as paying
20 agent for the payment of the principal of or interest on bonds or notes of the State."

21 **SECTION 5.** The Board of Trustees of the Local Governmental Employees'
22 Retirement System shall develop a "State Contribution Rate Stabilization Policy" for the North
23 Carolina Firefighters' and Rescue Squad Workers' Pension Fund and report it to the Office of State
24 Budget and Management and the Fiscal Research Division on or before March 1, 2017.

25 **SECTION 6.** If any provision of this act or its application is held invalid, the
26 invalidity does not affect other provisions or applications of this act that can be given effect
27 without the invalid provisions or application, and to this end the provisions of this act are
28 severable.

29 **SECTION 7.** Except as otherwise provided, this act is effective when it becomes law.



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: Proposed Committee Substitute to Senate Bill 886
(S886-CSSH-77 [v.3])

SHORT TITLE: Retirement Amendments

SPONSOR(S): Senators Wells and Apodaca

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), and the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF).

BILL SUMMARY:

Section 1: Extends the monthly benefit in the FRSWPF to the named beneficiary of a member killed in the line-of-duty (as defined in G.S. 143-166.2(c) for the \$50,000 death benefit). The benefit is payable until the beneficiary's death. Also allows all members to name a beneficiary for the return of contributions, which goes to the spouse, children, or estate, in that order, under current law.

Section 2: Separates statutes governing what is public within membership records held by the Retirement Systems Division from statutes governing what is public record within employment files held by employing agencies.

Section 3: Clarifies that certain documents can be transmitted by means other than physical mail.

Section 4: Affects Department of State Treasurer operations unrelated to the Retirement Systems, so is not addressed in this note.

Section 5: Directs the LGERS Board of Trustees to develop a contribution stabilization policy for the FRSWPF. Such policies were recently adopted for TSERS and LGERS.

EFFECTIVE DATE: Section 1 becomes effective July 1, 2018. All other sections become effective when they become law.

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the Retirement Systems, estimates that the line-of-duty death provision of Section 1 will increase the actuarially determined contribution for the FRSWPF by \$103,000 per year.

Hartman & Associates, the actuary for the General Assembly, estimates that the line-of-duty death provision of Section 1 will increase the actuarially determined contribution for the FRSWPF by approximately \$50,000 per year.

Both the House budget (HB 1030, Fourth Edition) and the Senate budget (HB 1030, Sixth Edition) contain a revised net appropriation to the FRSWPF of \$17.6 million. Based on a June 10, 2016 letter from Buck Consultants revising the actuarially determined contribution for FY 2016-17, this amount is sufficient to cover the contribution increase due to Section 1 and adopt a contribution stabilization policy as directed by Section 5.

Both actuaries estimate that the other sections of the proposed legislation will have no material impact on the contribution rates or liabilities of any of the systems affected. However, Buck Consultants further notes with regard to Section 3 that this measure could possibly result in more contributions or lower administrative costs for the Retirement System, which would be a positive outcome for the Retirement System. That being said, within the actuarial framework, they are unable to quantify the actuarial impact based on the information provided.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>LGERS</u>	<u>FRSWPF</u>
Active Members			
Count	307,313	123,184	43,134
General Fund Compensation	\$9,865M		
Valuation Compensation (Total)	\$13,737M	\$5,652M	Not applicable
Average Age	45	44	40
Average Service	10.7	10.3	11.7
Inactive Members			
Count	134,871	55,298	153
Retired Members			
Count	194,607	60,408	12,730
Annual Benefits	\$4,058M	\$1,109M	\$26M
Average Age	70	68	68
New Retirees During 2015	11,400	4,100	600

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)			
	TSERS	LGERS	FRSWPF
Accrued Liability (AL)	\$67,715M	Not meaningful	\$419M
Actuarial Value of Assets (AVA)	\$64,734M	\$22,682M	\$381M
Market Value of Assets (MVA)	\$64,587M	\$22,745M	\$383M
Unfunded Accrued Liability (AL - AVA)	\$2,981M	Not meaningful	\$38M
Funded Status (AVA / AL)	96%	Not meaningful	91%
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.50% (new assumptions)	7.25% (non-LEO)	\$17.6M (prior to new lapse assumption)
Assumed Rate of Investment Return	7.25%	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%	3.50% - 6.71%	Not applicable
Cost Method	Entry Age Normal	Frozen Entry Age	Entry Age Normal
Amortization	12 year, closed, flat \$	Not applicable	12 year, closed, flat \$
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015			

Benefit Provisions			
	TSERS	LGERS	FRSWPF
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	\$170 per month
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	55/20
Employee contribution (as % of pay)	6%	6%	\$10 per month

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Administrative Changes Retirement System/Treasurer – House Bill 1134 (Committee Substitute Favorable 5/31/16)", June 15, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 1134 Committee Substitute 5/31/16: An Act to Make Administrative Changes to the Retirement System and to Make Other Changes Affecting the State

Treasurer", June 2, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Buck Consultants. "Adjusted Actuarially Determined Contribution for the FRSWPF for FYE 2017", June 10, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide



APPROVED BY:



Mark Trogdon, Director Fiscal Research Division

DATE: June 24, 2016

Senate Pages Attending

COMMITTEE: Pensions... ROOM: 1027

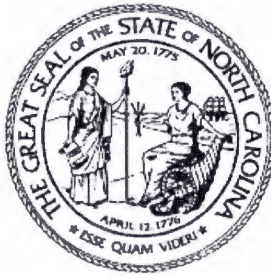
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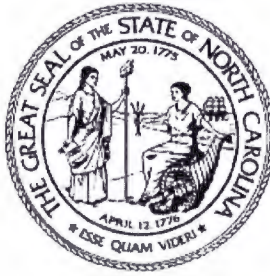
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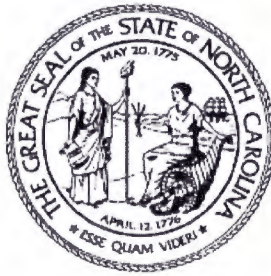
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