

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

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SENATE BILL 402  
Appropriations/Base Budget Committee Substitute Adopted 5/21/13  
Finance Committee Substitute Adopted 5/21/13  
Third Edition Engrossed 5/23/13  
House Committee Substitute Favorable 6/11/13  
Fifth Edition Engrossed 6/13/13

Short Title: Appropriations Act of 2013.

(Public)

Sponsors:

Referred to:

March 26, 2013

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

5 The General Assembly of North Carolina enacts:

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

8  
9 **TITLE**

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

12  
13 **INTRODUCTION**

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

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

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

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

27  
28 **Current Operations – General Fund** **2013-2014** **2014-2015**

29  
30 **EDUCATION**

31  
32 Community Colleges System Office \$ 1,012,637,467 \$ 1,009,089,167



1			
2	Department of Public Instruction	7,905,610,301	8,044,189,900
3			
4	University of North Carolina – Board of Governors		
5	Appalachian State University	127,908,903	127,908,903
6	East Carolina University		
7	Academic Affairs	220,012,450	220,615,626
8	Health Affairs	64,841,247	64,841,247
9	Elizabeth City State University	35,363,212	35,385,057
10	Fayetteville State University	49,336,186	49,336,186
11	North Carolina A & T State University	96,882,428	96,882,428
12	North Carolina Central University	84,084,488	84,084,488
13	North Carolina State University		
14	Academic Affairs	389,976,973	390,045,059
15	Agricultural Extension	39,859,682	39,859,682
16	Agricultural Research	54,911,053	54,911,053
17	University of North Carolina at Asheville	37,465,299	37,465,299
18	University of North Carolina at Chapel Hill		
19	Academic Affairs	274,632,544	274,515,010
20	Health Affairs	187,260,403	190,741,444
21	Area Health Education Centers	42,418,348	42,418,348
22	University of North Carolina at Charlotte	192,697,970	192,683,456
23	University of North Carolina at Greensboro	153,838,192	153,783,960
24	University of North Carolina at Pembroke	54,175,566	54,175,566
25	University of North Carolina School of the Arts	31,547,460	29,146,203
26	University of North Carolina at Wilmington	96,484,692	96,484,692
27	Western Carolina University	82,441,237	82,441,237
28	Winston-Salem State University	68,957,656	68,980,084
29	General Administration	34,752,475	34,752,475
30	University Institutional Programs	(74,467,788)	(48,026,500)
31	Related Educational Programs	109,160,148	107,918,501
32	Aid to Private Colleges	86,351,588	86,351,588
33	North Carolina School of Science and Mathematics	19,126,182	19,126,182
34	Total University of North Carolina –		
35	Board of Governors	\$ 2,560,018,594	\$ 2,586,827,274
36			

**HEALTH AND HUMAN SERVICES**

37			
38			
39	Department of Health and Human Services		
40	Division of Central Management and Support	\$ 76,814,729	\$ 66,454,794
41	Division of Aging and Adult Services	54,142,341	54,342,341
42	Divisions of Services to the Blind, Deaf, and		
43	Hard of Hearing	8,178,618	8,178,618
44	Division of Child Development and Early Education	255,163,458	255,039,269
45	Division of Health Service Regulation	16,461,992	16,461,992
46	Division of Medical Assistance	3,480,934,464	3,686,420,040
47	Division of Mental Health, Developmental Disabilities,		
48	and Substance Abuse Services	704,703,959	710,154,345
49	NC Health Choice	68,146,401	57,830,737
50	Division of Public Health	142,616,502	140,616,502
51	Division of Social Services	174,650,157	174,951,486

1	Division of Vocation Rehabilitation	38,773,169	38,773,169
2	Total Health and Human Services	\$ 5,020,585,790	\$ 5,209,223,293
3			
4	<b>NATURAL AND ECONOMIC RESOURCES</b>		
5			
6	Department of Agriculture and Consumer Services	\$ 114,348,472	\$ 112,547,672
7			
8	Department of Commerce		
9	Commerce	39,979,793	41,316,766
10	Commerce State-Aid	43,192,758	43,018,126
11			
12	Wildlife Resources Commission	14,476,588	16,476,588
13			
14	Department of Environment and Natural Resources	129,455,064	137,092,904
15			
16	Department of Labor	16,696,339	16,696,339
17			
18	<b>JUSTICE AND PUBLIC SAFETY</b>		
19			
20	Department of Public Safety	\$ 1,704,408,481	\$ 1,686,128,353
21			
22	Judicial Department	457,653,356	457,153,356
23			
24	Judicial Department – Indigent Defense	116,160,223	112,016,064
25			
26	Department of Justice	76,774,782	79,663,358
27			
28	<b>GENERAL GOVERNMENT</b>		
29			
30	Department of Administration	\$ 57,278,879	\$ 60,815,588
31			
32	Office of Administrative Hearings	4,522,469	4,457,894
33			
34	Department of State Auditor	10,964,547	10,964,547
35			
36	Office of State Controller	28,710,691	28,710,691
37			
38	Department of Cultural Resources		
39	Cultural Resources	63,309,602	62,859,605
40	Roanoke Island Commission	450,000	450,000
41			
42	State Board of Elections	3,308,273	6,521,644
43			
44	General Assembly	52,010,818	51,572,599
45			
46	Office of the Governor	5,170,050	5,172,132
47			
48	Office of State Budget and Management		
49	Office of State Budget and Management	8,397,899	8,480,410
50	OSBM – Reserve for Special Appropriations	3,049,000	1,549,000
51			

1	Housing Finance Agency	8,411,632	6,704,921
2			
3	Department of Insurance		
4	Insurance	37,994,004	38,003,624
5	Insurance – Volunteer Safety Workers' Compensation	0	0
6			
7	Office of Lieutenant Governor	681,089	675,089
8			
9	Department of Revenue	80,055,417	80,042,072
10			
11	Department of Secretary of State	11,575,183	11,575,183
12			
13	Department of State Treasurer		
14	State Treasurer	8,137,890	7,026,305
15	State Treasurer –		
16	Retirement for Fire and Rescue Squad Workers	23,179,042	23,179,042
17			
18	<b>RESERVES, ADJUSTMENTS AND DEBT SERVICE</b>		
19			
20	Statewide Compensation Study	\$ 1,000,000	\$ 0
21			
22	Severance Expenditure Reserve	7,500,000	0
23			
24	Salary Adjustment Fund	10,000,000	10,000,000
25			
26	Reserve for Teachers' and		
27	State Employees' Retirement Contribution	36,000,000	36,000,000
28			
29	Reserve for Judicial Retirement Contribution	1,000,000	1,000,000
30			
31	Firemen's and Rescue Squad Workers' Pension Fund	(820,000)	(820,000)
32			
33	Reserve for Future Benefit Needs	0	56,400,000
34			
35	Compensation Adjustment Reserve	0	160,000,000
36			
37	Reserve for State Health Plan	33,000,000	101,000,000
38			
39	Unemployment Insurance Reserve	23,800,000	13,600,000
40			
41	Reserve for Job Development Investment Grants (JDIG)	51,823,772	63,045,357
42			
43	NC Government Efficiency and Reform Project (NC GEAR)	2,000,000	2,000,000
44			
45	One North Carolina Fund	9,000,000	9,000,000
46			
47	Information Technology Fund	6,053,142	6,053,142
48			
49	Information Technology Reserve Fund	27,000,000	32,000,000
50			
51	Contingency and Emergency Fund	5,000,000	5,000,000

1			
2	Disaster Relief Reserve	10,000,000	0
3			
4	Eugenics Sterilization Compensation Fund	10,000,000	0
5			
6	Reserve for NC Back to Work Program	10,000,000	0
7			
8	Reserve for Pending Legislation	9,320,500	11,641,000
9			
10	Debt Service		
11	General Debt Service	672,130,634	688,431,555
12	Federal Reimbursement	1,616,380	1,616,380
13			
14	<b>TOTAL CURRENT OPERATIONS –</b>		
15	<b>GENERAL FUND</b>	<b>\$ 20,544,628,921</b>	<b>\$ 21,156,166,940</b>
16			

**GENERAL FUND AVAILABILITY STATEMENT**

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

	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>	
21	Unappropriated Balance Remaining from Previous Year	\$ 213,432,877	\$ 143,097,273
22	Anticipated Over Collections FY 2012-2013	405,700,000	0
23	Overcollections Due to MSA Disputed Payments	51,510,749	0
24	Anticipated Reversions FY 2012-2013	200,000,000	0
25	Net Supplemental Medicaid Appropriation (S.L. 2013-56)	(308,100,000)	0
26	Less Earmarkings of Year End Fund Balance		
27	Savings Reserve Account	(200,000,000)	0
28	Repairs and Renovations	(200,000,000)	0
29	<b>Beginning Unreserved Fund Balance</b>	<b>\$ 162,543,626</b>	<b>\$ 143,097,273</b>
30			
31	<b>Revenues Based on Existing Tax Structure</b>	<b>\$ 19,628,100,000</b>	<b>\$ 20,549,000,000</b>
32			
33	<b>Nontax Revenues</b>		
34	Investment Income	\$ 13,700,000	\$ 14,100,000
35	Judicial Fees	250,200,000	251,400,000
36	Disproportionate Share	110,000,000	109,000,000
37	Insurance	72,500,000	73,400,000
38	Other Nontax Revenues	173,000,000	175,000,000
39	Highway Trust Fund Transfer	0	0
40	Highway Fund Transfer	218,100,000	215,900,000
41	<b>Subtotal Nontax Revenues</b>	<b>837,500,000</b>	<b>838,800,000</b>
42			
43	<b>Total General Fund Availability</b>	<b>\$ 20,628,143,626</b>	<b>\$ 21,530,897,273</b>
44			
45	<b>Adjustments to Availability: 2013 Session</b>		
46	Reserve for Tax Credit for		
47	DOL Apprentice Hires (HB 341)	\$ (2,700,000)	\$ (6,000,000)
48	Reserve for Tax Simplification and		
49	Reduction Act (HB 998):		
50	Net Tax Code Changes	(38,500,000)	(381,100,000)
51	Repeal Corporate Income Tax Earmark		

1	(Public School Construction)	85,800,000	84,700,000
2	Reserve for Repeal Estate Tax (HB 101)	(52,000,000)	(57,000,000)
3	Reserve for Workers' Comp Fund/ 4 Safety Workers Allocation (HB 27)	(3,000,000)	(3,000,000)
5	Reserve for Repeal of Education 6 Expenses Credit (HB 269)	0	1,500,000
7	Sales Tax Refund Application 8 for Passenger Air Carriers	(3,186,000)	0
9	Tobacco Master Settlement Agreement (MSA) Funds	46,889,357	22,250,000
10	Diversion of Golden L.E.A.F.	68,750,000	68,750,000
11	Transfer from E-Commerce Reserve Fund Balance	1,111,585	0
12	Increase Lobbyist Fees	400,000	400,000
13	Adjust Transfer from Insurance Regulatory Fund	(560,589)	(560,589)
14	Adjust Transfer from Treasurer's Office	175,215	175,215
15	Extend Local Government Hold Harmless	(15,700,000)	0
16			
17	<b>Subtotal Adjustments to Availability: 2013 Session</b>	<b>\$ 87,479,568</b>	<b>\$ (269,885,374)</b>
18			
19	<b>Revised General Fund Availability</b>	<b>\$ 20,715,623,194</b>	<b>\$ 21,261,011,899</b>
20			
21	<b>Less: General Fund Appropriations</b>	<b>\$ (20,572,525,921)</b>	<b>\$ (21,166,589,940)</b>
22			
23	<b>Unappropriated Balance Remaining</b>	<b>\$ 143,097,273</b>	<b>\$ 94,421,959</b>
24			

25 **SECTION 2.2.(b)** In addition to funds transferred pursuant to G.S. 105-164.44D,  
26 the sum of one hundred ninety-six million five hundred eighty-two thousand nine hundred  
27 eighty-one dollars (\$196,582,981) for the 2013-2014 fiscal year and the sum of one hundred  
28 ninety-six million five hundred eighty-two thousand nine hundred eighty-one dollars  
29 (\$196,582,981) for the 2014-2015 fiscal year shall be transferred from the Highway Fund to the  
30 General Fund.

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

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

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

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

1 the DPS and are appropriated for the 2013-2014 fiscal year. The ERP system is subject to  
 2 approval of the State Chief Information Officer and shall be consistent with a statewide ERP  
 3 initiative.

4 **SECTION 2.2.(g)** Of the annual installment payments to the North Carolina State  
 5 Specific Account that would have been transferred to The Golden L.E.A.F. (Long-Term  
 6 Economic Advancement Foundation), Inc., pursuant to Section 2(b) of S.L. 1999-2 for the  
 7 2013-2014 and 2014-2015 fiscal years, the sum of sixty-eight million seven hundred fifty  
 8 thousand dollars (\$68,750,000) for the 2013-2014 fiscal year and the sum of sixty-eight million  
 9 seven hundred fifty thousand dollars (\$68,750,000) for the 2014-2015 fiscal year is transferred  
 10 to the General Fund. Annual installment payments to the North Carolina State Specific Account  
 11 in excess of the amounts specified in this section shall be transferred to the Settlement Reserve  
 12 Fund (G.S. 143C-9-2).

13 **SECTION 2.2.(h)** The Attorney General shall take all necessary actions to notify  
 14 the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98  
 15 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North  
 16 Carolina, and the administrators of the State Specific Account established under the Master  
 17 Settlement Agreement of this action by the General Assembly regarding redirection of  
 18 payments set forth in this subsection.

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

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

21 **SECTION 3.1.** Appropriations from the State Highway Fund for the maintenance  
 22 and operation of the Department of Transportation and for other purposes as enumerated are  
 23 made for the fiscal biennium ending June 30, 2015, according to the following schedule:  
 24

25	<b>Current Operations – Highway Fund</b>	<b>2013-2014</b>	<b>2014-2015</b>
26			
27	Department of Transportation		
28	Administration	\$ 91,798,787	\$ 96,765,187
29			
30	Division of Highways		
31	Administration	35,139,990	35,139,990
32	Construction	70,169,922	48,859,878
33	Maintenance	1,119,962,054	1,013,401,542
34	Planning and Research	4,055,402	4,055,402
35	OSHA Program	365,337	365,337
36			
37	Ferry Operations	38,435,538	37,285,538
38			
39	State Aid to Municipalities	142,293,840	136,874,010
40			
41	Intermodal Divisions		
42	Public Transportation	85,244,235	85,244,235
43	Aviation	22,244,510	22,244,510
44	Rail	43,074,586	27,624,586
45	Bicycle and Pedestrian	501,066	501,066
46			
47	Governor's Highway Safety	284,932	284,932
48	Division of Motor Vehicles	117,169,443	117,813,980
49			
50			
51			

1	Other State Agencies, Reserves, Transfers	261,772,657	269,792,607
2			
3	Capital Improvements	18,055,500	19,937,700
4			
5	<b>Total Highway Fund Appropriations</b>	<b>\$ 2,050,567,799</b>	<b>\$ 1,916,190,500</b>

**HIGHWAY FUND/AVAILABILITY STATEMENT**

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

11	<b>Highway Fund Availability Statement</b>	<b>2013-2014</b>	<b>2014-2015</b>
12	Unreserved Fund Balance	\$ 72,214,149	\$ 0
13	Estimated Revenue	1,937,200,000	1,892,400,000
14	Adjustment to Revenue Availability:		
15	Adjustment to Emission Inspection Fees	23,600,000	21,600,000
16	Adjustment to Technology Improvement Account Fees	634,000	634,000
17	Motor Fuel Tax		
18	(Shallow Draft Navigation Channel Dredging Fund)	(2,280,350)	(2,193,500)
19	North Carolina Railroad Company Dividend Payments	19,200,000	3,750,000
20	<b>Total Highway Fund Availability</b>	<b>\$ 2,050,567,799</b>	<b>\$ 1,916,190,500</b>
21			
22	Unappropriated Balance	\$ 0	\$ 0

**PART IV. HIGHWAY TRUST FUND APPROPRIATIONS****HIGHWAY TRUST FUND APPROPRIATIONS**

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

32	<b>Current Operations – Highway Trust Fund</b>	<b>2013-2014</b>	<b>2014-2015</b>
33	Program Administration	\$ 45,590,880	\$ 45,590,880
34	Aid to Municipalities	0	0
35	Intrastate	0	0
36	Secondary Roads	0	0
37	Urban Loops	0	0
38	Mobility Fund	0	0
39	Turnpike Authority	49,000,000	49,000,000
40	Transfer to General Fund	0	0
41	Transfer to Highway Fund	400,000	400,000
42	Debt Service	79,170,090	60,307,448
43	Strategic Prioritization Funding Plan		
44	for Transportation Investments	931,539,030	950,101,672
45	<b>Total Highway Trust Fund Appropriations</b>	<b>\$ 1,105,700,000</b>	<b>\$ 1,105,400,000</b>

**HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

48 **SECTION 4.2.** The Highway Trust Fund availability used in developing the  
49 2013-2015 fiscal biennial budget is shown below:

51	<b>Highway Trust Fund Availability</b>	<b>2013-2014</b>	<b>2014-2015</b>
----	--	------------------	------------------



1	Unreserved Fund Balance	\$	0	\$	0
2	Estimated Revenue		1,105,700,000		1,105,400,000
3	Adjustment to Revenue Availability		0		0
4	<b>Total Highway Trust Fund Availability</b>	<b>\$</b>	<b>1,105,700,000</b>	<b>\$</b>	<b>1,105,400,000</b>
5					
6	Unappropriated Balance	\$	0	\$	0

## 8 PART V. OTHER APPROPRIATIONS

### 10 APPROPRIATION OF OTHER FUNDS

11 **SECTION 5.1.(a)** Expenditures of cash balances, federal funds, departmental  
 12 receipts, grants, and gifts from the General Fund, Special Revenue Fund, Enterprise Fund,  
 13 Internal Service Fund, and Trust and Agency Fund are appropriated and authorized for the  
 14 2013-2015 fiscal biennium as follows:

15 (1) For all budget codes listed in "The State of North Carolina Recommended  
 16 Continuation Budget and Fund Purpose Statements, 2013-2015" and in the  
 17 Budget Support Document, cash balances and receipts are appropriated up to  
 18 the amounts specified, as adjusted by the General Assembly, for the  
 19 2013-2014 fiscal year and the 2014-2015 fiscal year. Funds may be  
 20 expended only for the programs, purposes, objects, and line items or as  
 21 otherwise authorized by the General Assembly. Expansion budget funds  
 22 listed in those documents are appropriated only as otherwise provided in this  
 23 act.

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

25 a. Any receipts that are required to be used to pay debt service  
 26 requirements for various outstanding bond issues and certificates of  
 27 participation are appropriated up to the actual amounts received for  
 28 the 2013-2014 fiscal year and the 2014-2015 fiscal year and shall be  
 29 used only to pay debt service requirements.

30 b. Other funds, cash balances, and receipts of funds that meet the  
 31 definition issued by the Governmental Accounting Standards Board  
 32 of a trust or agency fund are appropriated for and in the amounts  
 33 required to meet the legal requirements of the trust agreement for the  
 34 2013-2014 fiscal year and the 2014-2015 fiscal year.

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

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

45 **SECTION 5.1.(d)** The Office of State Budget and Management, the Office of the  
 46 State Controller, the Department of Revenue, and the Fiscal Research Division shall jointly  
 47 study the Reserve for Reimbursements to Local Governments and Shared Tax Revenues  
 48 (Budget Code 24705) within the Department of Revenue and shall determine the best manner  
 49 in which to budget the funds deposited into and expended from this fund. When conducting this  
 50 study, the Office of State Budget and Management, the Office of the State Controller, the  
 51 Department of Revenue, and the Fiscal Research Division shall jointly determine if any

1 statutory or other changes are needed in order to ensure that these funds are properly accounted  
 2 for and budgeted in a manner consistent with the North Carolina Constitution. No later than  
 3 May 1, 2014, the Office of State Budget and Management, the Office of the State Controller,  
 4 the Department of Revenue, and the Fiscal Research Division shall report the results of this  
 5 study, including their findings, recommendations, and any legislative proposals, to the Chairs  
 6 of the Senate Appropriations/Base Budget Committee and of the House Appropriations  
 7 Committee.

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

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

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

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

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

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

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

	<b>2013-2014</b>	<b>2014-2015</b>
35 Department of Public Instruction		
36     The New Venture Fund	\$75,000	\$0
37     Promoting Adolescent Health through		
38     School-Based HIV/STD Prevention	\$290,000	\$400,000

39 Neither the approval of the Director of the Budget nor consultation with the Joint Legislative  
 40 Commission on Governmental Operations is required prior to the expenditure of these funds.

## 41 **CIVIL PENALTY AND FORFEITURE FUND**

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

	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
44 School Technology Fund	\$ 18,000,000	\$ 18,000,000
45 State Public School Fund	\$146,313,464	\$120,362,790

1 Total Appropriation \$164,313,464 \$138,362,790

2 **SECTION 5.3.(b)** Excess receipts realized in the Civil Penalty and Forfeiture Fund  
3 in the 2012-2013 fiscal year are hereby appropriated to the State Public School Fund for the  
4 2013-2014 fiscal year.

5 **SECTION 5.3.(c)** Excess receipts realized in the Civil Penalty and Forfeiture Fund  
6 in the 2013-2014 fiscal year shall be allocated to the School Technology Fund for the  
7 2014-2015 fiscal year.

## 8 9 **INDIAN GAMING EDUCATION REVENUE FUND**

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

14 **SECTION 5.4.(b)** G.S. 143C-9-7 does not apply to the use of these funds for the  
15 2013-2015 fiscal biennium.

## 16 17 **EDUCATION LOTTERY**

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

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

21 ...

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

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

26 "**§ 115C-546.2. Allocations from the Fund; uses; expenditures; reversion to General**  
27 **Fund; matching requirements.**

28 ...

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

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

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

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

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

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

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

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

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

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

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

**SECTION 5.5.(e1)** Notwithstanding G.S. 18C-164(f) or any other provision of law, excess lottery receipts realized in the 2012-2013 fiscal year in the amount of eighteen million three hundred thousand dollars (\$18,300,000) shall be allocated for digital learning.

**SECTION 5.5.(e2)** Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund for the 2013-2014 fiscal year and 2014-2015 fiscal year are as follows:

	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
Classroom Teachers	\$ 220,643,188	\$ 220,643,188
Prekindergarten Program	\$ 87,935,709	\$ 87,935,709
Public School Building Capital Fund	\$ 100,000,000	\$ 100,000,000
Scholarships for Needy Students	\$ 30,450,000	\$ 30,450,000
UNC Need-Based Financial Aid	\$ 10,744,733	\$ 10,744,733
Digital Learning	\$ 26,144,985	\$ 17,068,441
Classroom Materials & Supplies	\$ 4,183,635	\$ 1,591,022
<b>TOTAL APPROPRIATION</b>	<b>\$ 480,102,250</b>	<b>\$ 468,433,093</b>

**SECTION 5.5.(f)** Notwithstanding G.S. 18C-164, the Office of State Budget and Management shall not transfer funds to the Education Lottery Reserve Fund for the 2013-2015 fiscal biennium.

**SECTION 5.5.(f1)** Funds appropriated for Digital Learning pursuant to subsection (e) of this section shall be used to support grants to local education agencies (LEAs) for (i) delivering educator professional development focused on using digital and other instructional technologies to provide high-quality, integrated digital teaching and learning to all students and (ii) acquiring quality digital content to enhance instruction.

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

**SECTION 5.5.(g)** Subsections (a) and (b) of this section become effective June 30, 2013.

**PART VI. GENERAL PROVISIONS**

**CONTINGENCY AND EMERGENCY FUND LIMITATION**

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

**ESTABLISHING OR INCREASING FEES UNDER THIS ACT**

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

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

**TOBACCO MASTER SETTLEMENT AGREEMENT/PAYMENTS**

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

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

- ~~(1) Of the funds credited to Budget Code 69430 in the Department of State Treasurer, the sum of eight million dollars (\$8,000,000) is transferred from Budget Code 69430 to the University Cancer Research Fund and appropriated for this purpose.~~
- ~~(2) The funds remitted to the University Cancer Research Fund by the Secretary of Revenue from the tax on tobacco products other than cigarettes pursuant to G.S. 105-113.40A is appropriated for this purpose.~~
- ~~(3) An amount equal to the difference between (i) fifty million dollars (\$50,000,000) and (ii) the amounts appropriated pursuant to subdivisions (1) and (2) of this subsection is appropriated from the General Fund for this purpose."~~

**GOVERNMENT EFFICIENCY AND REFORM**

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

- (1) The statutory authority, funding sources, and functions of each department, agency, institution, or program.

- 1 (2) The organizational structure and staffing patterns in place to perform these  
2 functions and whether they are appropriate based on comparative data and  
3 other reasonable staffing criteria.
- 4 (3) The measurement of each reviewed program's outcomes, overall  
5 performance, and success in accomplishing its mandated or stated mission  
6 and subsequent goals, considering the resources provided to the program.
- 7 (4) State and local responsibilities for providing government services and  
8 funding for those services, and whether these responsibilities should be  
9 reallocated.
- 10 (5) Personnel systems operations and management.
- 11 (6) State purchasing operations and management.
- 12 (7) Information technology and telecommunications systems policy,  
13 organization, and management.
- 14 (8) The identification of opportunities to reduce fragmentation, duplication, and  
15 related or overlapping services or activities through restructuring of  
16 departmental organizations and streamlining programs.

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

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

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

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

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

#### 43 44 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

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

#### 47 48 **BUDGET CODE CONSOLIDATIONS**

49 **SECTION 6.7.** Notwithstanding G.S. 143C-6-4, the Office of State Budget and  
50 Management may, after reporting to the Fiscal Research Division, adjust the authorized budget  
51 by making transfers among purposes or programs for the purpose of consolidating budget and

1 fund codes or eliminating inactive budget and fund codes. The Office of State Budget and  
2 Management shall change the authorized budget to reflect these adjustments.  
3

#### 4 **NORTH CAROLINA EDUCATION LOTTERY**

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

6 "(a) Except as otherwise specifically provided in this subsection for contracts for the  
7 purchase of services, apparatus, supplies, materials, or equipment, Article 8 of Chapter 143 of  
8 the General Statutes, including the provisions relating to minority participation goals, shall  
9 apply to contracts entered into by the Commission. If this subsection and Article 8 of Chapter  
10 143 are in conflict, the provisions of this subsection shall control. In recognition of the  
11 particularly sensitive nature of the Lottery and the competence, quality of product, experience,  
12 and timeliness, fairness, and integrity in the operation and administration of the Lottery and  
13 maximization of the objective of raising revenues, a contract for the purchase of services,  
14 apparatus, supplies, materials, or equipment requiring an estimated aggregate expenditure of  
15 ~~ninety thousand dollars (\$90,000)~~three hundred thousand dollars (\$300,000) or more may be  
16 awarded by the Commission only after the following have occurred:

17 "...."  
18

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

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

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

29 ...

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

#### 36 **EXEMPTIONS FROM MANAGEMENT FLEXIBILITY REDUCTIONS**

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

#### 41 **STATE BUDGET ACT AMENDMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 34 35 SUBSTANTIVE CHANGES

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

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

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

44 ...."

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

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



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

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

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

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

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

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

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

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

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

- 36           (1) A Recommended State Budget setting forth goals for improving the State  
37 with recommended expenditure requirements, funding sources, and  
38 performance information for each State government program and for each  
39 proposed capital improvement. The Recommended State Budget may be  
40 presented in a format chosen by the Director, except that the Recommended  
41 State Budget shall clearly distinguish program continuation requirements,  
42 program reductions, program eliminations, program expansions, and new  
43 programs, and shall explain all proposed capital improvements in the context  
44 of the Six-Year Capital Improvements Plan and as required by  
45 G.S. 143C-8-6. ~~The Director shall include as continuation requirements the~~  
46 ~~amounts the Director proposes to fund for the enrollment increases in public~~  
47 ~~schools, community colleges, and the university system.~~
- 48           (1a) The Governor's Recommended State Budget shall include a continuation  
49 budget, which shall be presented in the budget support document pursuant to  
50 subdivision (2) of this subsection.

51           ...

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

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

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

23       ...."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43 ...

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

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

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

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

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

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

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

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

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

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

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

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

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

36 a. The overexpenditure is required to continue the purpose or programs  
37 due to complications or changes in circumstances that could not have  
38 been foreseen when the budget for the fiscal period was enacted, (ii)  
39 the enacted.

40 b. The scope of the purpose or program is not increased, (iii)  
41 the increased.

42 c. The overexpenditure is authorized on a nonrecurring basis, and (iv)  
43 under no circumstances shall the total requirements for a State  
44 department exceed the department's certified budget for the fiscal  
45 year by more than three percent (3%) without prior consultation with  
46 the Joint Legislative Commission on Governmental Operations  
47 one-time nonrecurring basis for one year only, unless the  
48 overexpenditure is the result of (i) salary adjustments authorized by  
49 law or (ii) the establishment of time-limited positions funded with  
50 agency receipts.

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

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

8       ...."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 5 STATE AGENCY LEGAL POSITIONS RESERVE

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

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

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

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

#### 24 NO STATE FUNDS FOR LOBBYING

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

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

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

#### 35 AVIATION FUEL TAX

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

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

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

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

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

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

## 49 EUGENICS COMPENSATION PROGRAM

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

51 by adding a new Part to read:

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

2 **"§ 143B-426.50. Definitions.**

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 30 31 **NC BACK-TO-WORK FUNDS**

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

48  
49 **SECTION 6.20.** Notwithstanding any other provision of law, the funds allocated  
50 for House Bill 998 for the 2013-2014 fiscal year shall be reduced by the sum of one hundred  
51 forty-five thousand dollars (\$145,000) if House Bill 392 becomes law. Of the funds

1 appropriated in this act for pending legislation for the 2013-2014 fiscal year, the sum of one  
2 hundred forty-five thousand dollars (\$145,000) is allocated for the purposes of House Bill 392.

## 3 4 **PART VII. INFORMATION TECHNOLOGY**

### 5 6 **INFORMATION TECHNOLOGY INTERNAL SERVICE FUND**

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

8 "**§ 147-33.88. Information technology budget development and reports.**

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

16 The Office of State Budget and Management shall ensure that State agencies have an  
17 opportunity to adjust their budgets based on any rate changes proposed by the Office of  
18 Information Technology Services and approved by the Office of State Budget and  
19 Management.

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

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

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

49 **SECTION 7.2.(d)** Agency Billing and Payments. – The State Chief Information  
50 Officer shall ensure that bills from the Office of Information Technology Services are easily  
51 understandable and fully transparent. If a State agency fails to pay its IT Internal Service Fund

1 bill within 30 days of receipt, the Office of State Budget and Management may transfer funds  
2 from the agency to fully or partially cover the cost of the bill from that agency to the IT Internal  
3 Service Fund, following notification of the affected agency.

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

## 11 12 **INFORMATION TECHNOLOGY OPERATIONS/FUNDING**

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

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

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

31 Any changes to the specified uses shall be reported in writing to the Chairs of the  
32 Joint Legislative Oversight Committee on Information Technology, the Chair and Cochair of  
33 the House Appropriations Subcommittee on Information Technology, and the Fiscal Research  
34 Division.

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

## 47 48 **STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT**

49 **SECTION 7.5.** Statewide information technology procurement shall be funded  
50 through fees charged to agencies using the services of the Statewide Information Technology  
51 Procurement Office. The Office of the State Chief Information Officer (CIO) shall provide to

1 the Office of State Budget and Management (OSBM) a fee schedule to allow cost recovery. If  
2 an agency fails to pay for services within 30 days of billing, OSBM shall transfer the unpaid  
3 amount to the State Information Technology Procurement Office, following notification of the  
4 affected agency.  
5

## 6 PUBLIC SCHOOL PROCUREMENT OF INFORMATION TECHNOLOGY

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

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

22 **SECTION 7.6.(c)** By October 1, 2013, and quarterly thereafter, the Office of the  
23 State CIO and DPI shall report on the establishment of public school cooperative purchasing  
24 agreements, savings resulting from the establishment of the agreements, and any issues  
25 impacting the establishment of the agreements. The reports shall be made to the Joint  
26 Legislative Oversight Committee on Information Technology, the Joint Legislative Education  
27 Oversight Committee, and the Fiscal Research Division.  
28

## 29 INFORMATION TECHNOLOGY CONTRACTS

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

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

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

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

- 49 (1) Ensure that sufficient funds are budgeted to support their agreed shares of  
50 enterprise contracts throughout the life of the contract.

- 1 (2) Transfer the required funding to the Information Technology Internal  
2 Service Fund in sufficient time for the Office of Information Technology  
3 Services to meet vendor contract requirements.

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

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

21 The Office of State Budget and Management shall ensure the savings from any authorized  
22 agreement shall be included in the IT Internal Service Fund rate calculations before approving  
23 annual proposed rates. Any savings resulting from the agreements shall be returned to agencies  
24 included in the contract in the form of reduced rates. Beginning October 1, 2013, ITS shall  
25 submit a quarterly written report of any authorizations granted under this section to the Joint  
26 Legislative Oversight Committee on Information Technology and the Fiscal Research Division.  
27

## 28 INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT 29 REQUIREMENTS

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

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

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

48 Beginning October 1, 2013, the Statewide Information Technology Procurement  
49 Office shall report to the Joint Legislative Oversight Committee on Information Technology  
50 and the Fiscal Research Division on its progress toward standardizing information technology  
51 personal services contracts. In addition, the report shall include detailed information on the

1 number of personal service contractors in each State agency, the cost for each, and the  
2 comparable cost (including benefits) of a State employee serving in that capacity rather than a  
3 contractor.  
4

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

6 **SECTION 7.9.(a)** The Office of the State Chief Information Officer (CIO) shall  
7 develop a plan and adopt measures to prevent the duplication of information technology  
8 capabilities and resources across State agencies. When multiple agencies require the same, or  
9 substantially similar, information technology capabilities, the State CIO shall designate one  
10 State agency as the lead to coordinate and manage the capability for all State agencies, with the  
11 State CIO maintaining oversight of the effort. By October 1, 2013, the State CIO shall provide  
12 this plan to the Joint Legislative Oversight Committee on Information Technology and the  
13 Fiscal Research Division.

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

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

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

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

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



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

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

#### 13 14 **STATE INFORMATION TECHNOLOGY DATA ARCHIVING**

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

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

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

#### 28 29 **INFORMATION TECHNOLOGY/PRIVACY PROTECTION OF CITIZEN DATA**

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

#### 37 38 **STATE INFORMATION TECHNOLOGY INNOVATION CENTER**

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

**ENTERPRISE GRANTS MANAGEMENT**

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

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

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

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

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

**ENTERPRISE ELECTRONIC FORMS AND DIGITAL SIGNATURES**

**SECTION 7.15.(a)** The State's enterprise electronic forms and digital signatures project shall be transferred from the Office of the State Controller to the Office of the State Chief Information Officer (CIO) as a Type I transfer, as defined in G.S. 143A-6. The State CIO shall continue the planning, development, and implementation of a coordinated enterprise

1 electronic forms and digital signatures capability, as well as the use of digital certificates. As  
2 part of the process, the Office of the State CIO shall include the capability to allow one-time  
3 data entry for multiple applications.

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

## 13 **VEHICLE MANAGEMENT**

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

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

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

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

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

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

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

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

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

## 34 35 **TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE** 36 **PARTNERSHIP AUTHORIZED**

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

- 43           (1) The funding of the project under the arrangement comes from revenue  
44 generated by or cost savings resulting from the project.
- 45           (2) The funding of the project is dependent on increased-revenue or cost-savings  
46 streams that are different from the existing benefits stream for the  
47 implementation of TIMS.
- 48           (3) The project involves additional identified initiatives that will be integrated  
49 into the TIMS solution.

50           **SECTION 7.17.(b)** Contracts. – Work under an additional public-private  
51 arrangement that is authorized by this section may be contracted by requests for proposals,

1 modifications to the existing contracts, purchases using existing contracts, or other related  
2 contract vehicles.

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

- 10 (1) Calculation of a revenue baseline against which the increased revenue  
11 attributable to the project is measured and a cost-basis baseline against  
12 which the cost savings resulting from the project are measured.
- 13 (2) Periodic evaluation to determine whether the baselines need to be modified  
14 based on significant measurable changes in the economic environment.
- 15 (3) Monthly calculation of increased revenue and cost savings attributable to  
16 contracts executed under this section.

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

25 **SECTION 7.17.(e)** Internal Costs. – For the 2013-2015 fiscal biennium the  
26 Department of Revenue may retain an additional sum of eight million eight hundred  
27 seventy-four thousand three hundred nineteen dollars (\$8,874,319) from benefits generated for  
28 the General Fund since the beginning of the public-private partnership described under Section  
29 6A.5(a) of S.L. 2011-145. These funds shall be used as payment of internal costs for the fiscal  
30 biennium, and such funds are hereby appropriated for this purpose.

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

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

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

- 46 (1) Details of each public-private contract.
- 47 (2) The benefits from each contract.
- 48 (3) A comprehensive forecast of the benefits of using public-private agreements  
49 to implement TIMS, the additional PDP components, and additional  
50 components authorized by this section, including cost savings and the  
51 acceleration of the project time line.

1 (4) Any issues associated with the operation of the public-private partnership.

2 **SECTION 7.17.(i)** Information Technology Project Oversight. – In addition to the  
3 oversight provided by the Oversight Committee established in Section 6A.5(c) of S.L.  
4 2011-145, the additional public-private arrangement authorized by this section shall be subject  
5 to existing State information technology project oversight laws and statutes, and the project  
6 management shall comply with all statutory requirements and other criteria established by the  
7 State Chief Information Officer and the Office of State Budget and Management for  
8 information technology projects. The State Chief Information Officer and the Office of State  
9 Budget and Management shall immediately report any failure to do so to the Joint Legislative  
10 Oversight Committee on Information Technology, the Chairs of the House of Representatives  
11 and Senate Committees on Appropriations, and the Fiscal Research Division.

12 **SECTION 7.17.(j)** Section 6A.5(c) of S.L. 2011-145, as amended by Section  
13 6A.3(j) of S.L. 2012-142 reads as rewritten:

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

27 The members of the Committee shall include the following:

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

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

45 The Department shall provide copies of the minutes of each meeting and all associated  
46 information to the Joint Legislative Oversight Committee on Information Technology, the  
47 Chairs of the House of Representatives Appropriations Committee, the Chairs of the Senate  
48 Committee on Appropriations/Base Budget, and the Fiscal Research Division."  
49

## 50 USE OF MOBILE COMMUNICATIONS DEVICES

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

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

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

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

21           **SECTION 7.18.(d)** The Office of the State CIO shall develop a policy for  
22 implementing a "bring your own device" plan for State employees. By September 1, 2013, the  
23 State CIO shall report to the Joint Legislative Oversight Committee on Information Technology  
24 and the Fiscal Research Division on how the plan is to be implemented, as well as on potential  
25 issues and costs. Following consultation with the Joint Legislative Oversight Committee on  
26 Information Technology, the State CIO may implement the "bring your own device" plan.  
27

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

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

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

50           **SECTION 7.19.(b)** In the event of any changes in the NGSDLS project status  
51 occurring after submission of the report required by subsection (a) of this section, the Chief

1 Information Officer of the Department of Transportation shall ensure that the Joint Legislative  
2 Oversight Committee on Information Technology, the Joint Legislative Transportation  
3 Oversight Committee, and the Fiscal Research Division are notified immediately of the  
4 changes.

5  
6 **STATE TITLING AND REGISTRATION SYSTEM/STATE AUTOMATED DRIVER**  
7 **LICENSE SYSTEM/LIABILITY INSURANCE TRACKING AND ENFORCEMENT**  
8 **SYSTEM**

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

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

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

29  
30 **STATE PORTAL**

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

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



1 The SCIO shall report the plan to the House Appropriations Subcommittee on  
2 Information Technology, to the Senate Appropriations Committee on General Government and  
3 Information Technology, and to the Joint Legislative Oversight Committee on Information  
4 Technology prior to implementation. Participation by State agencies is voluntary, and the  
5 project shall meet all requirements for project management established by the Office of the  
6 State Chief Information Officer as well as other applicable State law and policies. No fees to  
7 support the operation of the portal may be charged by a vendor to a State agency without the  
8 express approval of the head of the agency.

## 9 10 **PART VIII. PUBLIC SCHOOLS**

### 11 12 **FUNDS FOR CHILDREN WITH DISABILITIES**

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

### 21 22 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

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

### 32 33 **USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

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

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

- 45 (1) "Anticipated county property tax revenue availability" means the  
46 county-adjusted property tax base multiplied by the effective State average  
47 tax rate.
- 48 (2) "Anticipated total county revenue availability" means the sum of the  
49 following:  
50 a. Anticipated county property tax revenue availability.

- 1           b.       Local sales and use taxes received by the county that are levied under  
2                   Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of  
3                   Chapter 105 of the General Statutes.
- 4           c.       Sales tax hold harmless reimbursement received by the county under  
5                   G.S. 105-521.
- 6           d.       Fines and forfeitures deposited in the county school fund for the most  
7                   recent year for which data are available.
- 8       (3)       "Anticipated total county revenue availability per student" means the  
9                   anticipated total county revenue availability for the county divided by the  
10                  average daily membership of the county.
- 11       (4)       "Anticipated State average revenue availability per student" means the sum  
12                  of all anticipated total county revenue availability divided by the average  
13                  daily membership for the State.
- 14       (5)       "Average daily membership" means average daily membership as defined in  
15                  the North Carolina Public Schools Allotment Policy Manual, adopted by the  
16                  State Board of Education. If a county contains only part of a local school  
17                  administrative unit, the average daily membership of that county includes all  
18                  students who reside within the county and attend that local school  
19                  administrative unit.
- 20       (6)       "County-adjusted property tax base" shall be computed as follows:
- 21           a.       Subtract the present-use value of agricultural land, horticultural land,  
22                   and forestland in the county, as defined in G.S. 105-277.2, from the  
23                   total assessed real property valuation of the county.
- 24           b.       Adjust the resulting amount by multiplying by a weighted average of  
25                   the three most recent annual sales assessment ratio studies.
- 26           c.       Add to the resulting amount the following:
- 27                  1.       Present-use value of agricultural land, horticultural land, and  
28                          forestland, as defined in G.S. 105-277.2.
- 29                  2.       Value of property of public service companies, determined in  
30                          accordance with Article 23 of Chapter 105 of the General  
31                          Statutes.
- 32                  3.       Personal property value for the county.
- 33       (7)       "County-adjusted property tax base per square mile" means the  
34                  county-adjusted property tax base divided by the number of square miles of  
35                  land area in the county.
- 36       (8)       "County wealth as a percentage of State average wealth" shall be computed  
37                  as follows:
- 38           a.       Compute the percentage that the county per capita income is of the  
39                   State per capita income and weight the resulting percentage by a  
40                   factor of five-tenths.
- 41           b.       Compute the percentage that the anticipated total county revenue  
42                   availability per student is of the anticipated State average revenue  
43                   availability per student and weight the resulting percentage by a  
44                   factor of four-tenths.
- 45           c.       Compute the percentage that the county-adjusted property tax base  
46                   per square mile is of the State-adjusted property tax base per square  
47                   mile and weight the resulting percentage by a factor of one-tenth.
- 48           d.       Add the three weighted percentages to derive the county wealth as a  
49                   percentage of the State average wealth.

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

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

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

1 administrative unit shall receive a pro rata share of the funds appropriated for supplemental  
2 funding.

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

9 **SECTION 8.3.(f)** Minimum Effort Required. – A county that (i) maintains an  
10 effective county tax rate that is at least one hundred percent (100%) of the effective State  
11 average tax rate in the most recent year for which data are available or (ii) maintains a county  
12 appropriation per student to the school local current expense fund of at least one hundred  
13 percent (100%) of the current expense appropriations per student to the school local current  
14 expense fund that the county could provide given the county's wealth and an average effort to  
15 fund public schools shall receive full funding under this section. A county that maintains a  
16 county appropriation per student to the school local current expense fund of less than one  
17 hundred percent (100%) of the current expense appropriations per student to the school local  
18 current expense fund that the county could provide given the county's wealth and an average  
19 effort to fund public schools shall receive funding under this section at the same percentage that  
20 the county's appropriation per student to the school local current expense fund is of the current  
21 expense appropriations per student to the school local current expense fund that the county  
22 could provide given the county's wealth and an average effort to fund public schools.

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

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

37 The State Board of Education shall adopt rules to implement the requirements of  
38 this subsection.

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

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

46 **SECTION 8.3.(j)** Department of Revenue Reports. – The Department of Revenue  
47 shall provide to the Department of Public Instruction a preliminary report for the current fiscal  
48 year of the assessed value of the property tax base for each county prior to March 1 of each  
49 year and a final report prior to May 1 of each year. The reports shall include for each county the  
50 annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of  
51 total real property represented by the present-use value of agricultural land, horticultural land,

1 and forestland, as defined in G.S. 105-277.2, (iii) property of public service companies  
2 determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv)  
3 personal property.  
4

#### 5 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING – 2013-2014**

6 **SECTION 8.3A.(a)** Funds for Small School Systems. – Except as provided in  
7 subsection (b) of this section, the State Board of Education shall allocate funds appropriated for  
8 small school system supplemental funding for the 2013-2014 fiscal year (i) to each county  
9 school administrative unit with an average daily membership of fewer than 3,175 students and  
10 (ii) to each county school administrative unit with an average daily membership from 3,175 to  
11 4,000 students if the county in which the local school administrative unit is located has a  
12 county-adjusted property tax base per student that is below the State-adjusted property tax base  
13 per student and if the total average daily membership of all local school administrative units  
14 located within the county is from 3,239 to 4,080 students. The allocation formula shall do all of  
15 the following:

- 16 (1) Round all fractions of positions to the next whole position.
- 17 (2) Provide five and one-half additional regular classroom teachers in counties  
18 in which the average daily membership per square mile is greater than four  
19 and provide seven additional regular classroom teachers in counties in which  
20 the average daily membership per square mile is four or fewer.
- 21 (3) Provide additional program enhancement teachers adequate to offer the  
22 standard course of study.
- 23 (4) Change the duty-free period allocation to one teacher assistant per 400  
24 average daily membership.
- 25 (5) Provide a base for the consolidated funds allotment of at least six hundred  
26 ninety-three thousand nine hundred fifty-four dollars (\$693,954), excluding  
27 textbooks, for the 2013-2014 fiscal year.
- 28 (6) Allot vocational education funds for grade six as well as for grades seven  
29 through 12. If funds appropriated for each fiscal year for small school  
30 system supplemental funding are not adequate to fully fund the program, the  
31 State Board of Education shall reduce the amount allocated to each county  
32 school administrative unit on a pro rata basis. This formula is solely a basis  
33 for distribution of supplemental funding for certain county school  
34 administrative units and is not intended to reflect any measure of the  
35 adequacy of the educational program or funding for public schools. The  
36 formula also is not intended to reflect any commitment by the General  
37 Assembly to appropriate any additional supplemental funds for such county  
38 administrative units.

39 **SECTION 8.3A.(b)** Nonsupplant Requirement. – A county in which a local school  
40 administrative unit receives funds under this section shall use the funds to supplement local  
41 current expense funds and shall not supplant local current expense funds. For the 2013-2014  
42 fiscal year, the State Board of Education shall not allocate funds under this section to a county  
43 found to have used these funds to supplant local per student current expense funds. The State  
44 Board of Education shall make a finding that a county has used these funds to supplant local  
45 current expense funds in the prior year, or the year for which the most recent data are available,  
46 if all of the following criteria apply:

- 47 (1) The current expense appropriation per student of the county for the current  
48 year is less than ninety-five percent (95%) of the average of the local  
49 expenditures per student for the three prior fiscal years.

- 1 (2) The county cannot show (i) that it has remedied the deficiency in funding or  
2 (ii) that extraordinary circumstances caused the county to supplant local  
3 current expense funds with funds allocated under this section.

4 The State Board of Education shall adopt rules to implement the requirements of  
5 this subsection.

6 **SECTION 8.3A.(c) Phase-Out Provisions.** – If a local school administrative unit  
7 becomes ineligible for funding under this formula because of (i) an increase in the population  
8 of the county in which the local school administrative unit is located or (ii) an increase in the  
9 county-adjusted property tax base per student of the county in which the local school  
10 administrative unit is located, funding for that unit shall be continued for three years after the  
11 unit becomes ineligible.

12 **SECTION 8.3A.(d) Definitions.** – As used in this section, the following definitions  
13 apply:

- 14 (1) "Average daily membership" means within two percent (2%) of the average  
15 daily membership as defined in the North Carolina Public Schools Allotment  
16 Policy Manual adopted by the State Board of Education.
- 17 (2) "County-adjusted property tax base per student" means the total assessed  
18 property valuation for each county, adjusted using a weighted average of the  
19 three most recent annual sales assessment ratio studies, divided by the total  
20 number of students in average daily membership who reside within the  
21 county.
- 22 (3) "Local current expense funds" means the most recent county current expense  
23 appropriations to public schools, as reported by local boards of education in  
24 the audit report filed with the Secretary of the Local Government  
25 Commission pursuant to G.S. 115C-447.
- 26 (4) "Sales assessment ratio studies" means sales assessment ratio studies  
27 performed by the Department of Revenue under G.S. 105-289(h).
- 28 (5) "State-adjusted property tax base per student" means the sum of all  
29 county-adjusted property tax bases divided by the total number of students in  
30 average daily membership who reside within the State.
- 31 (6) "Supplant" means to decrease local per student current expense  
32 appropriations from one fiscal year to the next fiscal year.
- 33 (7) "Weighted average of the three most recent annual sales assessment ratio  
34 studies" means the weighted average of the three most recent annual sales  
35 assessment ratio studies in the most recent years for which county current  
36 expense appropriations and adjusted property tax valuations are available. If  
37 real property in a county has been revalued one year prior to the most recent  
38 sales assessment ratio study, a weighted average of the two most recent sales  
39 assessment ratios shall be used. If property has been revalued during the year  
40 of the most recent sales assessment ratio study, the sales assessment ratio for  
41 the year of revaluation shall be used.

42 **SECTION 8.3A.(e) Reports.** – For the 2013-2014 fiscal year, the State Board of  
43 Education shall report to the Fiscal Research Division prior to May 1, 2014, if it determines  
44 that counties have supplanted funds.

45 **SECTION 8.3A.(f) Use of Funds.** – Local boards of education are encouraged to  
46 use at least twenty percent (20%) of the funds they receive pursuant to this section to improve  
47 the academic performance of children who are performing at Level I or II on either reading or  
48 mathematics end-of-grade tests in grades three through six.

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

**SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING – 2014-2015**

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

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

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

For the 2013-2014 and 2014-2015 fiscal years, the maximum small school system dollars per student shall be two thousand ninety-four dollars (\$2,094).

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

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

**SECTION 8.4.(d)** Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2014-2015 fiscal year, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

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

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

**SECTION 8.4.(e)** Reports. – For the 2013-2014 fiscal year, the State Board of Education shall report to the Fiscal Research Division prior to May 1, 2015, if it determines that counties have supplanted funds.

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

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

#### 4 5 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)**

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

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

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

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

- 26 (1) For counties with wealth greater than ninety percent (90%) of the statewide  
27 average, a ratio of 1:19.9.
- 28 (2) For counties with wealth not less than eighty percent (80%) and not greater  
29 than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
- 30 (3) For counties with wealth less than eighty percent (80%) of the statewide  
31 average, a ratio of 1:19.1.
- 32 (4) For local school administrative units receiving DSSF funds in fiscal year  
33 2005-2006, a ratio of 1:16. These local school administrative units shall  
34 receive no less than the DSSF amount allotted in fiscal year 2006-2007.

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

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

#### 41 42 **BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION**

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

#### 50 51 **LITIGATION RESERVE FUNDS**



1           **SECTION 8.7.** The State Board of Education may expend up to five hundred  
2 thousand dollars (\$500,000) each year for the 2013-2014 and 2014-2015 fiscal years from  
3 unexpended funds for licensed employees' salaries to pay expenses related to litigation.  
4

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

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

10           **SECTION 8.8.(b)** This section becomes effective June 30, 2013.  
11

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

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

14           **SECTION 8.9.(b)** In implementing the allotment formula for the North Carolina  
15 Virtual Public Schools (NCVPS) program, the State Board of Education shall calculate, no later  
16 than February 28 of each year, the actual instructional cost for each local school administrative  
17 unit and charter school based upon actual NCVPS enrollment as of that date.  
18

#### 19 **SCHOOL BUS REPLACEMENT**

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

21 **"§ 115C-249. Purchase and maintenance of school buses, materials and supplies.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 45 **SCHOOL PERFORMANCE GRADES/EVAAS**

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

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

49 "Part 1B. School Performance.

50 "§ 115C-83.11. School performance scores and grades.

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

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

7           (1)     Percent of students who score at or above proficient on annual assessments  
8 for reading in grades three through eight.

9           (2)     Percent of students who score at or above proficient on annual assessments  
10 for mathematics in grades three through eight.

11          (3)     Percent of students who score at or above proficient on annual assessments  
12 for science in grades five and eight.

13          (4)     Percent of proficient scores in Algebra I/Integrated I, English II, and Biology  
14 end-of-course tests.

15       (c)     For schools serving students in any combination of grades nine through 12, the  
16 school performance score shall be the average of the following five indicators:

17           (1)     Percent of proficient scores in Algebra I/Integrated I, English II, and Biology  
18 end-of-course tests.

19           (2)     Percent of students who complete a higher level mathematics class with a  
20 passing grade.

21           (3)     Percent of college readiness benchmarks met on a nationally normed test of  
22 college readiness.

23           (4)     Percent of students who graduate within four years of entering high school.

24           (5)     Percent of students who demonstrate workplace readiness on a nationally  
25 normed test of workplace readiness.

26       (d)     The State Board of Education shall calculate school performance scores using the  
27 State mean to set the criteria for each indicator. Each indicator will be translated to a common  
28 scale and averaged for the reporting of one school performance letter grade for each school.

29       (e)     For schools that meet or exceed growth as determined by the Education  
30 Value-Added Assessment System (EVAAS), the final letter grade shall be increased by one  
31 grade.

32       (f)     For schools serving students in third through eighth grade, their final letter grade  
33 shall be increased by one letter grade if the performance composite, comprising of the percent  
34 of proficient scores for reading, mathematics, and science, is at or above eighty percent (80%)  
35 for the current year and the two prior school years.

36       (g)     For schools serving students in ninth through 12th grade, their final letter grade shall  
37 be increased by one letter grade if the performance composite, comprising of the percent of  
38 proficient scores for Algebra I/Integrated I, English II, and Biology end-of-course tests, is at or  
39 above eighty percent (80%) for the current year and the two prior school years.

40       (h)     In calculating the overall school performance score earned by schools, the State  
41 Board of Education shall proportionally adjust the scale to account for the absence of a school  
42 performance element for award of scores to a school that does not have a measure of one of the  
43 school performance elements annually assessed for the grades taught at that school.

44       (i)     The State Board of Education shall report to the Joint Legislative Education  
45 Oversight Committee annually by January 15 on any adjustments to the calculation and the  
46 distribution of the school performance grades."

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

48           "1. To issue an annual "report card" for the State and for each local  
49 school administrative unit, assessing each unit's efforts to improve  
50 student performance based on the growth in performance of the  
51 students in each school and taking into account progress over the

1 previous years' level of performance and the State's performance in  
2 comparison with other states. This assessment shall take into account  
3 factors that have been shown to affect student performance and that  
4 the State Board considers relevant to assess the State's efforts to  
5 improve student performance. As a part of the annual "report card"  
6 for each local school administrative unit, the State Board shall  
7 ~~award~~ award, in accordance with G.S. 115C-83.11, an overall  
8 numerical school performance score ~~on a scale of zero to 100~~ and a  
9 corresponding letter grade of A, B, C, D, or F earned by each school  
10 within the local school administrative unit. The school performance  
11 score and grade shall reflect student performance on annual  
12 subject-specific assessments, college and workplace readiness  
13 measures, and graduation rates. For schools serving students in any  
14 grade from kindergarten to eighth grade, separate performance scores  
15 and grades shall also be awarded based on the school performance in  
16 reading and mathematics respectively. The annual "report card" for  
17 schools serving students in third grade also shall include the number  
18 and percentage of third grade students who (i) take and pass the  
19 alternative assessment of reading comprehension; (ii) were retained  
20 in third grade for not demonstrating reading proficiency as indicated  
21 in G.S. 115C-83.7(a); and (iii) were exempt from mandatory third  
22 grade retention by category of exemption as listed in  
23 G.S. 115C-83.7(b)."

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

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

37 **SECTION 8.13.(e)** G.S. 115C-238.29F(1) reads as rewritten:

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

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

47 "(11) North Carolina School Report Cards. – A regional school shall ensure that  
48 the report card issued for it by the State Board of Education receives wide  
49 distribution to the local press or is otherwise provided to the public. A  
50 regional school shall ensure that the overall school performance score and  
51 grade calculated in accordance with G.S. 115C-83.11 and earned by the

1 regional school for the current and previous four school years is prominently  
2 displayed on the school Web site. If a regional school is awarded a grade of  
3 D or F, the regional school shall provide notice of the grade in writing to the  
4 parent or guardian of all students enrolled in that school."

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

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

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

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

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

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

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

48 **SECTION 8.13.(j)** This section applies beginning with the 2013-2014 school year.  
49

## 50 LEA BUDGETARY FLEXIBILITY

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

1 **"§ 115C-105.25. Budget flexibility.**

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

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

7 (1) ~~In accordance with a school improvement plan accepted under  
8 G.S. 115C-105.27, State funds allocated for teacher assistants may be  
9 transferred only for personnel (i) to serve students only in kindergarten  
10 through third grade, or (ii) to serve students primarily in kindergarten  
11 through third grade when the personnel are assigned to an elementary school  
12 to serve the whole school. Funds allocated for teacher assistants may be  
13 transferred to reduce class size or to reduce the student teacher ratio in  
14 kindergarten through third grade so long as the affected teacher assistant  
15 positions are not filled when the plan is amended or approved by the  
16 building level staff entitled to vote on the plan or the affected teacher  
17 assistant positions are not expected to be filled on the date the plan is to be  
18 implemented. Any State funds appropriated for teacher assistants that were  
19 converted to certificated teachers before July 1, 1995, in accordance with  
20 Section 1 of Chapter 986 of the 1991 Session Laws, as rewritten by Chapter  
21 103 of the 1993 Session Laws, may continue to be used for certificated  
22 teachers.~~

23 (1a) Funds for children with disabilities, career and technical education, and other  
24 purposes may be transferred only as permitted by federal law and the  
25 conditions of federal grants or as provided through any rules that the State  
26 Board of Education adopts to ensure compliance with federal regulations.

27 (2) ~~In accordance with a school improvement plan accepted under  
28 G.S. 115C-105.27, (i) State funds allocated for classroom  
29 materials/instructional supplies/equipment may be transferred only for the  
30 purchase of textbooks; (ii) State funds allocated for textbooks may be  
31 transferred only for the purchase of instructional supplies, instructional  
32 equipment, or other classroom materials; and (iii) State funds allocated for  
33 noninstructional support personnel may be transferred only for teacher  
34 positions.~~

35 (2a) ~~Up to three percent (3%) of State funds allocated for noninstructional  
36 support personnel may be transferred for staff development.~~

37 (3) ~~No funds shall be transferred into the central office administration allotment  
38 category.~~

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

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

45 (5a) Positions allocated for classroom teachers may be converted to dollar  
46 equivalents to contract for visiting international exchange teachers. These  
47 positions shall be converted at the statewide average salary for classroom  
48 teachers, including benefits. The converted funds shall be used only to cover  
49 the costs associated with bringing visiting international exchange teachers to  
50 the local school administrative unit through a State-approved visiting

1 international exchange teacher program and supporting the visiting exchange  
2 teachers.

3 (5b) Except as provided in subdivision (5a) of this subsection, positions allocated  
4 for classroom teachers and instructional support personnel may be converted  
5 to dollar equivalents for any purpose authorized by the policies of the State  
6 Board of Education. These positions shall be converted at the salary on the  
7 first step of the "A" Teachers Salary Schedule. Certified position allotments  
8 shall not be transferred to dollars to hire the same type of position.

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

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

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

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

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

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

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

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

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

## 44 45 RESIDENTIAL SCHOOLS

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

49 **SECTION 8.15.(b)** Notwithstanding G.S. 146-30 or any other provision of law, the  
50 Department of Public Instruction shall retain all proceeds generated from the rental of building  
51 space on the residential school campuses. The Department of Public Instruction shall use all

1 receipts generated from these leases to staff and operate the North Carolina School for the  
2 Deaf, the Eastern North Carolina School for the Deaf, and the Governor Morehead School.  
3 These receipts shall not be used to support administrative functions within the Department.  
4

#### 5 **EXCELLENT PUBLIC SCHOOLS ACT/SUMMER READING CAMPS**

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

#### 10 **PARTICIPATION IN COMMUNITIES IN SCHOOLS LEARNING INITIATIVE**

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

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

22 **SECTION 8.17.(c)** Subsection (a) of this section expires at the end of the  
23 2014-2015 school year.  
24

#### 25 **INSTRUCTIONAL IMPROVEMENT SYSTEM**

26 **SECTION 8.18.(a)** It is the intent of the General Assembly that the optional  
27 portions of the Home Base Instructional Improvement System (System) shall be  
28 receipt-supported. The State Board of Education shall establish a cost not to exceed four dollars  
29 (\$4.00) per average daily membership for local school administrative units and charter schools  
30 that elect to participate in the optional portions of the System. A local school administrative  
31 unit or charter school may identify budget reductions to State Public School Fund allotments to  
32 cover the required payment.

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

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

40 **SECTION 8.18.(d)** This section becomes effective July 1, 2014.  
41

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

43 **SECTION 8.22.** Notwithstanding Section 35.11 of this act, no teachers or  
44 instructional support personnel, except for certified school nurses and instructional support  
45 personnel in positions for which a master's degree is required for licensure, shall be paid on the  
46 "M" salary schedule or receive a salary supplement for academic preparation at the six-year  
47 degree level or at the doctoral degree level for the 2014-2015 school year, unless they were  
48 paid on that salary schedule or received that salary supplement prior to the 2014-2015 school  
49 year.  
50

#### 51 **COMPETITIVE GRANTS TO IMPROVE AFTER SCHOOL SERVICES**



1           **SECTION 8.24.(a)** Of the funds appropriated for the At-Risk Student Services  
2 Alternative School Allotment, the State Board of Education shall use up to five million dollars  
3 (\$5,000,000) for the 2014-2015 fiscal year for a three-year After School Quality Improvement  
4 Grant Program administered by the North Carolina Department of Public Instruction. Of these  
5 funds, the Department of Public Instruction may use up to two hundred thousand dollars  
6 (\$200,000) to administer the program. The purpose of the program is to pilot after school  
7 learning programs for at-risk students that raise standards for student academic outcomes and  
8 that:

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

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

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

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

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

#### 40 **INVESTING IN INNOVATION GRANT**

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

42           **SECTION 8.25.(b)** The federal Investing in Innovation Fund Grant: Validating  
43 Early College Strategies for Traditional Comprehensive High Schools awarded to the North  
44 Carolina New Schools Project for 2012-2017 requires students to enroll in a community college  
45 course in the tenth grade. Notwithstanding any other provision of law, specified local school  
46 administrative units may offer one community college course to participating sophomore (tenth  
47 grade) students. Participating local school administrative units are Alleghany, Beaufort,  
48 Hertford, Jones, Madison, Richmond, Rutherford, Surry, Warren, Wilkes, and Yancey County  
49 Schools.  
50

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

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

## 11 12 **LOCAL SCHOOL ADMINISTRATIVE UNIT BUDGET ADJUSTMENT**

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

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

## 21 22 **BROADEN SUCCESSFUL PARTICIPATION IN ADVANCED COURSES**

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

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

1 and Advanced Placement and International Baccalaureate  
2 examination participation and performance."

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

5 **"§ 115C-83.4A. Advanced courses.**

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

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

16 (2) Bonuses shall be awarded to teachers of Advanced Placement courses for  
17 students who earn scores of three or higher on Advanced Placement  
18 examinations and to teachers of International Baccalaureate Diploma  
19 Programme courses for students who score four or higher on International  
20 Baccalaureate examinations.

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

25 (c) The results of student diagnostic tests administered pursuant to G.S. 115C-174.18  
26 and G.S. 115C-174.22, such as the Preliminary SAT/National Merit Scholarship Qualifying  
27 Test (PSAT/NMSQT) and ACT, shall be used to identify students who are prepared or who  
28 need additional work to be prepared to enroll and be successful in advanced courses. Students  
29 may also be identified for potential enrollment in advanced courses based on other criteria  
30 established by schools to increase access to those courses for their students.

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

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

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

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

47 (1) Provide professional development in the form of support and training to  
48 enable teachers of Advanced Placement courses to have the necessary  
49 content knowledge, instructional skills, and materials to prepare students for  
50 success in Advanced Placement courses and examinations and mastery of  
51 postsecondary course content.

- 1           (2) Provide administrators, including principals and counselors, with  
 2           professional development that will enable them to create strong and effective  
 3           Advanced Placement courses in their schools.  
 4           (3) Provide teachers of students in grades seven through 12 with preadvanced  
 5           course professional development and materials that prepare students for  
 6           success in Advanced Placement courses.  
 7           (4) Provide consulting expertise and technical assistance to support  
 8           implementation.  
 9           (5) Prioritize assistance to schools designated as low-performing by the State  
 10           Board of Education and provide for frequent visits to the schools targeted by  
 11           the Partnership.

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

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

- 17           (1) The North Carolina Advanced Placement Partnership's report to the  
 18           Department of Public Instruction as required by subsection (g) of this section  
 19           and the State Board's assessment of that report.  
 20           (2) Number of students enrolled in advanced courses and participating in  
 21           advanced course examinations, including demographic information by  
 22           gender, race, and free and reduced-price lunch status.  
 23           (3) Student performance on advanced course examinations, including  
 24           information by course, local school administrative unit, and school.  
 25           (4) Number of students participating in 10th grade PSAT/NMSQT testing.  
 26           (5) Number of teachers attending summer institutes offered by the North  
 27           Carolina Advanced Placement Partnership.  
 28           (6) Number and distribution of teachers awarded bonuses for student advanced  
 29           course examination performance.  
 30           (7) Distribution of funding appropriated for advanced course testing fees,  
 31           bonuses, and professional development by local school administrative unit  
 32           and school.  
 33           (8) Status and efforts of the North Carolina Advanced Placement Partnership.  
 34           (9) Other trends in advanced courses and examinations."

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

36           "**§ 115C-174.18. Opportunity to take ~~Preliminary Scholastic Aptitude Test.~~Preliminary**  
 37           **SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT).**

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

44           **SECTION 8.27.(d)** Of the funds appropriated to the Department of Public  
 45           Instruction to implement the requirements of this section, ten million eight hundred thirty-one  
 46           thousand one hundred eighty-four dollars (\$10,831,184) for the 2014-2015 fiscal year shall be  
 47           used to fund fees for testing in advanced courses and three million four hundred seventy-one  
 48           thousand six hundred sixteen dollars (\$3,471,616) for the 2014-2015 fiscal year shall be used  
 49           for teacher bonuses, and one million five hundred thousand dollars (\$1,500,000) for each fiscal  
 50           year shall be used by the North Carolina Advanced Placement Partnership to carry out its  
 51           responsibilities as set forth in this section. Funding appropriated for professional development

1 may be used by the State Board of Education to contract with an independent evaluator to  
2 assess the implementation and impact of advanced course programs in North Carolina. For the  
3 purposes this of section, the term "advanced courses" means an Advanced Placement or  
4 International Baccalaureate Diploma Programme course.

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

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

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

37  
38 **INCREASE SUCCESSFUL CAREER AND TECHNICAL EDUCATION (CTE)**  
39 **PARTICIPATION**

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

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

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

47 **"§ 115C-156.2. Industry certifications and credentials program; bonus funds program.**

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

- 1 credentials, and local school administrative units shall receive bonuses for each student who  
2 earns an approved industry certification or credential.
- 3 (1) Students enrolled in public schools and in career and technical education  
4 courses shall be exempt from paying any fees for one administration of  
5 examinations leading to industry certifications and credentials pursuant to  
6 rules adopted by the State Board of Education.
- 7 (2) Bonus funds shall be awarded to local school administrative units in  
8 amounts provided under subdivision (4) of this section, pursuant to rules  
9 adopted by the State Board of Education under this section. Each school year  
10 the State Board of Education shall make an award to those local school  
11 administrative units who have at least one student in one school having  
12 earned an industry-recognized certification or credential that has been  
13 identified by the State Board of Education, in consultation with the State  
14 Department of Commerce, as an occupation in high need of additional  
15 skilled employees at the time the student enrolled in a career and technical  
16 education course that leads to an industry certification or credential.
- 17 (3) Bonus funds shall be used by local school administrative units to (i)  
18 collaborate with local industries and employers to meet workforce needs and  
19 (ii) award bonuses to teachers of students earning approved industry  
20 certifications or credentials. No teacher shall be awarded a bonus pursuant to  
21 this subdivision that exceeds two thousand dollars (\$2,000) in any given  
22 school year. Direct instruction personnel bonuses shall be distributed as  
23 follows:
- 24 a. A bonus in the amount of twenty-five dollars (\$25.00) for each  
25 student taught by a teacher who provided instruction in a course that  
26 led to the attainment of an industry certification with a two hundred  
27 fifty dollar (\$250.00) value ranking.
- 28 b. A bonus in the amount of fifty dollars (\$50.00) for each student  
29 taught by a teacher who provided instruction in a course that led to  
30 the attainment of an industry certification with a five hundred dollar  
31 (\$500.00) value ranking.
- 32 (4) The State Board of Education, in consultation with the State Department of  
33 Commerce, shall rank each industry certification based on academic rigor  
34 and employment value and award five hundred dollars (\$500.00) or two  
35 hundred fifty dollars (\$250.00) to the local school administrative unit per  
36 student completing the industry certification based upon ranking. If funds  
37 appropriated from the General Assembly for this purpose are insufficient to  
38 provide bonuses for each industry certification that has been achieved, then  
39 the State Board of Education shall prorate the bonus award amounts. Fifty  
40 percent (50%) of the ranking shall be based on academic rigor and the  
41 remaining fifty percent (50%) on employment value. Academic rigor and  
42 employment value shall be based on the following elements:
- 43 a. Academic rigor shall be based on the number of instructional hours,  
44 including work experience or internship hours, required to earn the  
45 industry certification or credential, with a bonus given for  
46 coursework that also provides community college credit.
- 47 b. Employment value shall be based on the entry wage, growth rate in  
48 employment for each occupational category, and average annual  
49 openings for the primary occupation linked with the industry  
50 certification or credential.

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

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

(b) Beginning in 2014, the State Board of Education shall report to the Joint Legislative Education Oversight Committee by September 1 of each year on the number of students in career and technical education courses who earned (i) community college credit and (ii) related industry certifications and credentials. Beginning in 2015, the annual report shall also include the names of local school administrative units receiving bonus funds and the amount of bonus funds received by each local school administrative unit."

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

## **OPPORTUNITY SCHOLARSHIPS**

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

"Part 2A. Scholarship Grants.

### **"§ 115C-562.1. Definitions.**

The following definitions apply in this Part:

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

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

a. Meets one of the following criteria:

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

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

3. Is entering either kindergarten or the first grade.

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

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

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

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

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

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

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

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

1        (a) The Authority shall make available no later than February 1 annually applications to  
2 eligible students for the award of scholarship grants to attend any nonpublic school.  
3 Information about scholarship grants and the application process shall be made available on the  
4 Authority's Web site. Beginning March 1, the Authority shall begin awarding scholarship  
5 grants according to the following criteria:

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

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

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

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

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

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

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

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

42 **"§ 115C-562.3. Verification of eligibility.**

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

50        (b) Household members of applicants for scholarship grants shall authorize the  
51 Authority to access information needed for verification efforts held by other State agencies,



1 including the Department of Revenue, the Department of Health and Human Services, and the  
2 Department of Public Instruction.

3 **"§ 115C-562.4. Identification of nonpublic schools and distribution of scholarship grant**  
4 **information.**

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

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

14 **"§ 115C-562.5. Obligations of nonpublic schools accepting eligible students receiving**  
15 **scholarship grants.**

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

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

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

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

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

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

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

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

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

1 public or private institutions of higher education located in North Carolina and shall be  
2 provided to an independent research organization selected by the Authority for research  
3 purposes as permitted by the Federal Education Rights and Privacy Act, 20 U.S.C. § 1232g.

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

11 **"§ 115C-562.6. Scholarship endorsement.**

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

22 **"§ 115C-562.7. Authority reporting requirements.**

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

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

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

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

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

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

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

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

45 (1) Learning gains or losses of students receiving scholarship grants. The report  
46 shall include learning gains of participating students on a statewide basis and  
47 shall compare, to the extent possible, the learning gains or losses of eligible  
48 students by nonpublic school to the statewide learning gains or losses of  
49 public school students with similar socioeconomic backgrounds, using  
50 aggregate standardized test performance data provided to the Authority by  
51 nonpublic schools and by the Department of Public Instruction.

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

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

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

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

...

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

...."

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

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

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

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

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

**"§ 116-204. Powers of Authority.**

The Authority is hereby authorized and empowered:

...

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

**SECTION 8.29.(e)** For the 2013-2014 school year, the State Education Assistance Authority (Authority) shall award scholarship grants to eligible students to attend nonpublic schools that meet the requirements of Article 39 of Chapter 115C of the General Statutes, as

1 identified by the Division of Nonpublic Education, Department of Administration. The  
2 Authority shall make applications available no later than August 1, 2013, and shall begin  
3 awarding grants no later than August 15, 2013. Information about scholarship grants and the  
4 application process shall be made available on the Authority's Web site. The Division of  
5 Nonpublic Education, Department of Administration, shall make available to the Authority a  
6 list of all nonpublic schools operating in the State that meet the requirements of Part 1 or Part 2  
7 of Article 39 of Chapter 115C of the General Statutes no later than August 1, 2013.

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

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

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

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

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

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

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

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

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

51

1 **REPEAL REQUIREMENT THAT SCHOOLS PROVIDE READING WORKSHOPS**  
2 **FOR PARENTS OF STUDENTS WHO HAVE BEEN RETAINED**

3 **SECTION 8.30.** G.S. 115C-83.8(d) is repealed.  
4

5 **TASK FORCE TO STUDY TEACHER AND SCHOOL ADMINISTRATOR**  
6 **EFFECTIVENESS AND COMPENSATION**

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

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

11 (1) Nine members appointed by the Speaker of the House of Representatives as  
12 follows:

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

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

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

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

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

- 47 (1) Alternatives to or simplification of the current teacher and school principal  
48 salary schedules, including the need for "hold harmless" options or a choice  
49 in compensation structure to avoid reduction in pay for current educators.
- 50 (2) Incorporating the feedback of educators in order to maximize buy-in.

- 1 (3) The integration of school-level performance measures in an alternative  
2 compensation system.
- 3 (4) Whether local school administrative units may create their own customized  
4 alternative compensation systems in lieu of or in addition to a statewide  
5 system, including necessary parameters such as funding flexibility and  
6 guidelines for local boards of education.
- 7 (5) The use of incentive pay to recruit and retain educators to teach in hard to  
8 staff areas.
- 9 (6) The recognition of educator responsibilities and leadership roles such as  
10 mentoring of beginning teachers and instructional coaching.
- 11 (7) Methods for identifying effective teaching and its relationship to an  
12 alternative compensation system, including:
- 13 a. The correlation of student outcomes with effective teaching.
- 14 b. The use of multiple teacher evaluation measures and feedback  
15 methods to recognize effective teaching such as classroom  
16 observations, student surveys, video training for teachers, and  
17 standard measures of student achievement.
- 18 c. The use of multiple teacher observations, including at least one  
19 observer from outside of the teacher's school.
- 20 d. The correlation to annual student growth and performance data,  
21 evaluations, effectiveness levels, and a three-year average of student  
22 growth.
- 23 (8) Barriers to the implementation of alternative compensation systems.
- 24 (9) Educator compensation reform in other states and North Carolina pilot  
25 programs currently utilizing alternative compensation.
- 26 (10) Effective strategies for retaining effective teachers.

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

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

#### 44 **RESTORE TEACHING FELLOWS PROGRAM**

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

#### 46 **RURAL CHARTER SCHOOL DEVELOPMENT PILOT PROGRAM**

47 **SECTION 8.33.(a)** Parents for Educational Freedom in North Carolina, Inc.  
48 (PEFNC) shall use up to four hundred sixty-four thousand one hundred dollars (\$464,100) in  
49 recurring funds made available to it under this act for each fiscal year of the 2013-2015 fiscal  
50  
51

1 biennium to develop and administer a pilot program that provides grant funding to participants  
2 for the development of up to 12 charter schools in counties with currently less than a sixty-five  
3 percent (65%) average passage rate on end-of-grade and end-of-course tests.

4 **SECTION 8.33.(b)** PEFNC shall match State funds available to it under this act on  
5 the basis of one dollar (\$1.00) in grant funds for every one dollar (\$1.00) in nongrant funds.  
6 Matching funds shall not include other State funds. Matching funds may include in-kind  
7 contributions. PEFNC may carry forward any amount in excess of the required match for a  
8 fiscal year in order to meet the match requirement of the subsequent fiscal year. Failure to  
9 obtain a one hundred percent (100%) match by June 30 of each fiscal year shall result in a  
10 dollar-for-dollar reduction in the appropriation for the pilot program for the subsequent fiscal  
11 year.

12 **SECTION 8.33.(c)** PEFNC shall require that grant recipients participating in the  
13 pilot program to meet at least all of the following conditions:

- 14 (1) The recipient has been approved by the State Board of Education to operate  
15 a charter school.
- 16 (2) The charter school shall be located in a county with less than a sixty-five  
17 percent (65%) average passage rate on end-of-grade and end-of-course tests.
- 18 (3) The recipient charter school shall be subject to audit oversight by the State  
19 Auditor.

20 **SECTION 8.33.(d)** PEFNC may provide grants of up to one hundred thousand  
21 dollars (\$100,000) to recipients for an initial planning year.

22 **SECTION 8.33.(e)** By March 15, 2014, and annually thereafter, PEFNC shall  
23 submit a report on the progress of the pilot program, an accounting of expenditures, and the  
24 status of grant recipients to the Joint Legislative Education Oversight Committee.  
25

## 26 EDUCATION AND WORKFORCE INNOVATION PROGRAM

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

### 29 "Article 6C.

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

#### 31 "§ 115C-64.10. North Carolina Education and Workforce Innovation Commission.

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

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

- 41 (1) The Secretary of Commerce.
- 42 (2) The State Superintendent of Public Instruction.
- 43 (3) The Chair of the State Board of Education.
- 44 (4) The President of The University of North Carolina.
- 45 (5) The President of the North Carolina Community College System.
- 46 (6) Two members appointed by the Governor who have experience in education.
- 47 (7) Two members appointed by the General Assembly upon recommendation of  
48 the Speaker of the House of Representatives, as provided in G.S. 120-121,  
49 who have experience in businesses operating in North Carolina.
- 50 (8) Two members appointed by the General Assembly upon the  
51 recommendation of the President Pro Tempore of the Senate, as provided in

1 G.S. 120-121, who have experience in businesses operating in North  
2 Carolina.

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

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

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

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

18 (2) Recommended statutory and policy changes.

19 (3) Recommendations for improvement of the program.

20 **§ 115C-64.11. The Education and Workforce Innovation Program.**

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

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

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

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

33 (b) Applicant Categories and Specific Requirements. –

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

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

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

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

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

46 a. Implementation of comprehensive reform and innovation.

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



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

1       (e)     Grants. – Any grants awarded by the Commission may be spent over a five-year  
2 period from the initial award.

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

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

11            **SECTION 8.34.(c)** The appointments to the Commission as set forth in  
12 G.S. 115C-64.10, as enacted by this section, shall be made by the appointing entities no later  
13 than September 1, 2013. The Commission shall hold its first meeting no later than October 1,  
14 2013.

## 15 16 **SCHOOL PSYCHOLOGISTS, SCHOOL COUNSELORS, AND SCHOOL SOCIAL** 17 **WORKERS**

18            **SECTION 8.35.(a)** Grants to local school administrative units, regional schools,  
19 and charter schools for additional school psychologists, school counselors, and school social  
20 workers shall be matched on the basis of one dollar (\$1.00) in State funds for every one dollar  
21 (\$1.00) in local funds and shall be used to supplement and not to supplant State, local, and  
22 federal funds expended for school psychologists, school counselors, and school social workers.

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

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

### 30 **"§ 115C-316.1. Duties of school counselors.**

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

35            (1)     Delivering the school guidance curriculum through large group guidance,  
36 interdisciplinary curriculum development, group activities, and parent  
37 workshops;

38            (2)     Guiding individual student planning through individual or small group  
39 assistance and individual or small group advisement;

40            (3)     Providing responsive services through consultation with students, families,  
41 and staff; individual and small group counseling; crisis counseling; referrals;  
42 and peer facilitation; and

43            (4)     Performing other student services listed in the Department of Public  
44 Instruction school counselor job description that has been approved by the  
45 State Board of Education.

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

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

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

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

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

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

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

## 23 24 **PANIC ALARM SYSTEMS**

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

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

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

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

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

## 41 42 **SCHOOL SAFETY EXERCISES**

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

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

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

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

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

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

## 8 **SCHEMATIC DIAGRAMS OF SCHOOL FACILITIES**

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

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

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

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

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

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

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

## 28 **ANONYMOUS TIP LINE**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

46 The strategies for improving student performance:

- 47 (1) Shall include a plan for the use of staff development funds that may be made  
48 available to the school by the local board of education to implement the  
49 school improvement plan. The plan may provide that a portion of these

1 funds is used for mentor training and for release time and substitute teachers  
2 while mentors and teachers mentored are meeting;

3 (1a) Repealed by Session Laws 2012-142, s. 7A.1(c), effective July 2, 2012.

4 (2) Shall include a plan to address school safety and discipline concerns;

5 (3) May include a decision to use State funds in accordance with  
6 G.S. 115C-105.25;

7 (4) Shall include a plan that specifies the effective instructional practices and  
8 methods to be used to improve the academic performance of students  
9 identified as at risk of academic failure or at risk of dropping out of school;

10 (5) May include requests for waivers of State laws, rules, or policies for that  
11 school. A request for a waiver shall meet the requirements of  
12 G.S. 115C-105.26;

13 (6) Shall include a plan to provide a duty-free lunch period for every teacher on  
14 a daily basis or as otherwise approved by the school improvement team; and

15 (7) Shall include a plan to provide duty-free instructional planning time for  
16 every teacher under G.S. 115C-301.1, with the goal of providing an average  
17 of at least five hours of planning time per week.

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

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

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

49 (e) Effective Period of the Plan. – A school improvement plan shall remain in effect for  
50 no more than two years; however, the school improvement team may amend the plan as often  
51 as is necessary or appropriate. If, at any time, any part of a school improvement plan becomes

1 unlawful or the local board finds that a school improvement plan is impeding student  
2 performance at a school, the local board may vacate the relevant portion of the plan and may  
3 direct the school to revise that portion. The procedures set out in this subsection shall apply to  
4 amendments and revisions to school improvement plans.

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

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

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

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

20 ...

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

25 **SECTION 8.41.(c)** This section applies beginning with the 2013-2014 school year.  
26

## 27 CRISIS KITS

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

### 30 **"§ 115C-105.52. School crisis kits.**

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

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

39 **SECTION 8.42.(b)** This section applies beginning with the 2013-2014 school year.  
40

## 41 SCHOOL SAFETY/CONFORMING CHANGES FOR CHARTER SCHOOLS AND 42 REGIONAL SCHOOLS

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

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

49 Charter schools shall also comply with the provisions in G.S. 115C-105.49(b),  
50 115C-105.50, and 115C-105.52."

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

2 read:

3           "(7a) Emergency Response Plan. – A regional school shall, in coordination with  
4           local law enforcement agencies, adopt an emergency response plan relating  
5           to incidents of school violence. These plans are not a public record as the  
6           term "public record" is defined under G.S. 132-1 and shall not be subject to  
7           inspection and examination under G.S. 132-6. Regional schools shall also  
8           comply with the provisions in G.S. 115C-105.49(b), 115C-105.50, and  
9           115C-105.52."

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

## 11           **EMERGENCY AND CRISIS TRAINING**

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

## 16           **VOLUNTEER SCHOOL SAFETY RESOURCE OFFICER PROGRAM**

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

18 read:

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

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

23 read:

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

25           ...

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

32           **SECTION 8.45.(c)** G.S. 115C-47 is amended by adding a new subdivision to read:

33           "**§ 115C-47. Powers and duties generally.**

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

36           ...

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

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

45           "(c) The board of commissioners of any county may provide that persons who are  
46 deputized by the sheriff of the county as special deputy sheriffs or persons who are serving as  
47 volunteer law-enforcement officers at the request of the sheriff and under his authority, while  
48 undergoing official training and while performing duties on behalf of the county pursuant to  
49  
50



1 orders or instructions of the sheriff, shall be entitled to benefits under the North Carolina  
2 Workers' Compensation Act and to any fringe benefits for which such persons qualify.

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

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

7 **"§ 162-26. Sheriff may establish volunteer school safety resource officer program.**

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

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

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

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

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

40 **"§ 160A-288.4. Police chief may establish volunteer school safety resource officer**  
41 **program.**

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

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

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

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

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

## 26 **INFORMATION TECHNOLOGY OVERSIGHT CAPACITY**

27       **SECTION 8.46.** Notwithstanding G.S. 143C-6-4 and subject to the direction,  
28 control, and approval of the State Board of Education, the State Superintendent of Public  
29 Instruction shall realign existing resources within the Department of Public Instruction to  
30 increase the information technology oversight capacity of the Department. The Superintendent  
31 shall identify two positions for this purpose in order to establish a Chief Information Officer  
32 and a Project Management Officer. The realignment of the positions and resources is subject to  
33 the approval of the Office of State Budget and Management.  
34

## 35 **PILOT PROGRAM/SPORTS FOR STUDENTS WITH DISABILITIES**

36       **SECTION 8.47.** Of the funds appropriated to the Department of Public Instruction  
37 or State Aid for Public Schools for the 2013-2015 fiscal biennium, the Department may use up  
38 to three hundred thousand dollars (\$300,000) each fiscal year to develop and implement a pilot  
39 program for an integrated community-based adapted sports program for students with  
40 disabilities in grades kindergarten through 12. If the Department uses funds for this purpose,  
41 the pilot program shall be consistent with the "Dear Colleague" letter addressing equal access  
42 to extracurricular athletics for students with disabilities released by the U.S. Department of  
43 Education, Office for Civil Rights, on January 25, 2013. The pilot program shall also include  
44 specific strategies to overcome barriers to the participation of students with disabilities in  
45 extracurricular athletics and incorporate a philosophy of personal empowerment for those  
46 students. The pilot program may be conducted in one or more local school administrative units  
47 and provide for collaboration with universities and community colleges and other community  
48 organizations to achieve the purposes of the program.  
49

## 50 **STUDY VIRTUAL CHARTER SCHOOLS**

1           **SECTION 8.48.** The State Board of Education shall study and determine needed  
2 modifications for authorization and oversight of virtual charter schools, including application  
3 requirements, enrollment growth, and funding allocations, and shall prepare these  
4 recommendations in the form of draft rules and proposed statutory changes. The State Board  
5 shall present the draft rules and the proposed statutory changes to the Joint Legislative  
6 Education Oversight Committee by February 1, 2014.

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

9  
10 **PILOT PROGRAM TO RAISE THE HIGH SCHOOL DROPOUT AGE FROM**  
11 **SIXTEEN TO EIGHTEEN**

12           **SECTION 8.49.(a)** Notwithstanding G.S. 7B-1501(27), 115C-378,  
13 115C-238.66(3), 116-235(b)(2), and 143B-805(20), the State Board of Education shall  
14 authorize the Hickory Public Schools and the Newton-Conover City Schools to establish and  
15 implement a pilot program to increase the high school dropout age from 16 years of age to the  
16 completion of the school year coinciding with the calendar year in which a student reaches 18  
17 years of age, unless the student has previously graduated from high school.

18           **SECTION 8.49.(b)** There is appropriated from the General Fund to the State Board  
19 of Education ten thousand dollars (\$10,000) for the 2013-2014 fiscal year to allocate funds to  
20 the Hickory Public Schools and the Newton-Conover City Schools for a planning year to  
21 establish and implement a pilot program to increase the dropout age for high school in  
22 accordance with this section. The State Board may allocate up to five thousand dollars (\$5,000)  
23 to each local school administrative unit for this purpose.

24           **SECTION 8.49.(c)** Notwithstanding any other provision of this act, the funds  
25 appropriated for the At-Risk Student Services Alternative School Allotment shall be decreased  
26 in the amount of ten thousand dollars (\$10,000) for the 2013-2014 fiscal year.

27           **SECTION 8.49.(d)** Each local school administrative unit may also use any other  
28 funds available to it to implement the pilot program to (i) employ up to three additional  
29 teachers and (ii) fund additional student-related costs, such as transportation and technology  
30 costs, including additional computers, to serve a greater number of students as a result of the  
31 pilot program. Each local school administrative unit may use any funds available to it to  
32 operate a night school program for students at risk of dropping out of high school. The local  
33 school administrative units shall partner with Catawba Valley Community College on the pilot  
34 program to the extent possible.

35           **SECTION 8.49.(e)** The participating local school administrative units, in  
36 collaboration with the State Board of Education, shall report to the Joint Legislative Education  
37 Oversight Committee, the House Appropriations Subcommittee on Education, and the Senate  
38 Appropriations Committee on Education/Higher Education on or before January 1, 2016. The  
39 report shall include at least all of the following information:

- 40           (1) An analysis of the graduation rate in each local school administrative unit  
41 and the impact of the pilot program on the graduation rate.
- 42           (2) The teen crime statistics for Catawba County.
- 43           (3) The number of reported cases of violations of compulsory attendance laws in  
44 Catawba County and the disposition of those cases.
- 45           (4) The number of at-risk students served in any night programs established as  
46 part of the pilot program and student graduation and performance outcomes  
47 for those students.
- 48           (5) All relevant data to assist in determining the effectiveness of the program  
49 and specific legislative recommendations, including the continuation,  
50 modification, or expansion of the program statewide.

1           **SECTION 8.49.(f)** The State Board of Education shall not allocate the funds  
2 provided under subsection (b) of this section except upon receipt of a copy of a joint resolution  
3 adopted by the boards of education for the Hickory Public Schools and the Newton-Conover  
4 City Schools setting forth a date to begin establishment and implementation of the pilot  
5 program authorized by this section.

## 6 7 **PART IX. THE EXCELLENT PUBLIC SCHOOLS ACT OF 2013**

### 8 9 **MODIFY TEACHER LICENSURE FEES**

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

11 "**§ 115C-296. Board sets licensure requirements; reports; lateral entry and mentor**  
12 **programs.**

13           ...  
14           (a2) The State Board of Education shall ~~impose the following~~ establish a schedule of  
15 fees for teacher licensure and administrative changes; changes. The fees established under this  
16 subsection shall not exceed the actual cost of providing the service. The schedule may include  
17 fees for any of the following services:

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

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

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

36           ...."

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

## 41 42 **PART X. COMMUNITY COLLEGES**

### 43 44 **REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE**

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

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

## 50 51 **CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS**

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

#### 6 7 **BASIC SKILLS PLUS**

8           **SECTION 10.3.(a)** Notwithstanding any other provision of law, the State Board of  
9 Community Colleges may authorize a local community college to use up to twenty percent  
10 (20%) of the State Literacy Funds allocated to it to provide employability skills, job-specific  
11 occupational and technical skills, and developmental education instruction to students  
12 concurrently enrolled in a community college course leading to a high school diploma or  
13 equivalent certificate.

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

#### 20 21 **ENROLLMENT FUNDING**

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

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

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

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

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

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

#### 40 41 **TIERED ENROLLMENT FUNDING**

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

48           **SECTION 10.4A.(b)** By March 15, 2014, the State Board of Community Colleges  
49 shall report to the House Appropriations Committee, Senate Appropriations/Base Budget  
50 Committee, the House Appropriations Subcommittee on Education, and the Senate  
51 Appropriations on Education/Higher Education on a plan for implementation of the additional

1 funding level for curriculum programs leading to immediate employment as required by  
2 subsection (a) of this section.

#### 4 PERFORMANCE FUNDING

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

##### 6 "§ 115D-31.3. Institutional performance accountability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14  
15           **CLARIFY EMPLOYEE ACADEMIC ASSISTANCE**

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

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

24  
25           **REVISE TARGETED ASSISTANCE CRITERIA**

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

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

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

36  
37           **REPURPOSE OF FUNDS**

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



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

#### 8 **CLARIFY COMMUNITY COLLEGE AUDITS**

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

10           **SECTION 10.15.(b)** G.S. 115D-58.16 reads as rewritten:

#### 11 **"§ 115D-58.16. Audits.**

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

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

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

23           **SECTION 10.15.(c)** A study of the program audit function under G.S. 115D-5(m)  
24 shall be conducted by a committee, located administratively in the Community Colleges  
25 System Office, composed of the following 12 members:

- 26           (1) The Community Colleges System Office Chief Financial Officer.
- 27           (2) Three State Board of Community College members appointed by the chair  
28 of the State Board of Community Colleges.
- 29           (3) Three college presidents appointed by the North Carolina Association of  
30 Community College Presidents.
- 31           (4) Three college board of trustee members appointed by the chair of the North  
32 Carolina Association of Community College Trustees.
- 33           (5) The State Auditor or designee.
- 34           (6) The State Chief Information Officer or designee.

35           The Community Colleges System Office Chief Financial Officer shall chair the  
36 committee. The committee shall meet upon the call of the chair. A quorum of the committee  
37 shall be a majority of the members.

38           The committee shall determine how program audit procedures may be streamlined  
39 to minimize the administrative burden on the institutions being audited and how funding  
40 mechanisms may be changed to reduce reliance on contact hours. The committee shall seek  
41 input from community college staff members who are responsible for assistance with the  
42 program audits to study the problems associated with the program audit function and potential  
43 resolutions for those issues. The committee shall report the results of its study and  
44 recommendations to the Joint Legislative Education Oversight Committee by January 1, 2015.  
45

#### 46 **PART XI. UNIVERSITIES**

#### 47 **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID** 48 **PROGRAMS/STUDY SCHOLARSHIPS FOR CHILDREN OF WAR VETERAN'S** 49 **PROGRAM** 50

1           **SECTION 11.1.(a)** There is appropriated from the Escheat Fund income to the  
2 Board of Governors of The University of North Carolina the sum of thirty-seven million two  
3 hundred eighty-seven thousand two hundred forty-two dollars (\$37,287,242) for the 2013-2014  
4 fiscal year and the sum of thirty-seven million two hundred eighty-seven thousand two hundred  
5 forty-two dollars (\$37,287,242) for the 2014-2015 fiscal year to be used for The University of  
6 North Carolina Need-Based Financial Aid Program.

7           **SECTION 11.1.(b)** There is appropriated from the Escheat Fund income to the  
8 State Board of Community Colleges the sum of fifteen million two hundred forty-six thousand  
9 three hundred seventy-three dollars (\$15,246,373) for the 2013-2014 fiscal year and the sum of  
10 sixteen million three hundred thirty-five thousand dollars (\$16,335,000) for the 2014-2015  
11 fiscal year to be used for community college grants.

12           **SECTION 11.1.(c)** There is appropriated from the Escheat Fund income to the  
13 Department of Administration, Division of Veterans Affairs, the sum of six million five  
14 hundred twenty thousand nine hundred sixty-four dollars (\$6,520,964) for the 2013-2014 fiscal  
15 year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars  
16 (\$6,520,964) for the 2014-2015 fiscal year to be used for need-based student financial aid.

17           **SECTION 11.1.(d)** The funds appropriated by this section shall be allocated by the  
18 State Education Assistance Authority (SEAA) for need-based student financial aid in  
19 accordance with G.S. 116B-7. If the interest income generated from the Escheat Fund is less  
20 than the amounts referenced in this section, the difference may be taken from the Escheat Fund  
21 principal to reach the appropriations referenced in this section; however, under no  
22 circumstances shall the Escheat Fund principal be reduced below the sum required in  
23 G.S. 116B-6(f). If any funds appropriated under this section remain uncommitted for  
24 need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat  
25 Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that  
26 fiscal year.

27           **SECTION 11.1.(e)** The State Education Assistance Authority shall perform all of  
28 the administrative functions necessary to implement this program of financial aid. The SEAA  
29 shall conduct periodic evaluations of expenditures of the scholarship programs to determine if  
30 allocations are utilized to ensure access to institutions of higher learning and to meet the goals  
31 of the respective programs. SEAA may make recommendations for redistribution of funds to  
32 The University of North Carolina, Department of Administration, and the President of the  
33 Community College System regarding their respective scholarship programs, who then may  
34 authorize redistribution of unutilized funds for a particular fiscal year.

35           **SECTION 11.1.(f)** G.S. 116B-7(a) reads as rewritten:

36           "(a) The income derived from the investment or deposit of the Escheat Fund shall be  
37 distributed annually on or before ~~July 15~~ August 15 to the State Education Assistance Authority  
38 for grants and loans to aid worthy and needy students who are residents of this State and are  
39 enrolled in public institutions of higher education in this State. Such grants and loans shall be  
40 made upon terms, consistent with the provisions of this Chapter, pursuant to which the State  
41 Education Assistance Authority makes grants and loans to other students under G.S. 116-201 to  
42 116-209.23, Article 23 of Chapter 116 of the General Statutes, policies of the Board of  
43 Governors of The University of North Carolina regarding need-based grants for students of The  
44 University of North Carolina, and policies of the State Board of Community Colleges regarding  
45 need-based grants for students of the community colleges."

46           **SECTION 11.1.(g)** The Joint Legislative Education Oversight Committee shall  
47 study the Scholarships for Children of War Veterans Program in the Department of  
48 Administration and no later than March 1, 2014, shall report its findings to the Chairs of the  
49 House of Representatives Appropriations Subcommittee on General Government, to the Chairs  
50 of the Senate Appropriations Committee on General Government and Information Technology,

1 and to the General Assembly. The report shall include findings and recommendations regarding  
2 all of the following:

- 3 (1) Which State agency is the appropriate entity to administer the program.
- 4 (2) Ways in which the Program could be redesigned so as to increase cost  
5 predictability. This part of the report shall specifically include  
6 recommendations regarding the desirability of imposing time limits and  
7 scholarship award maximums on scholarships made available under the  
8 Program.
- 9 (3) Methods of coordinating with other scholarship programs so as to ensure  
10 that non-State resources are maximized before Program resources are used.

## 11 12 **UNC NEED-BASED FINANCIAL AID FORWARD FUNDING RESERVE/PROVIDE** 13 **FUNDS FOR UNC NEED-BASED GRANTS**

14 **SECTION 11.2.(a)** It is the intent of the General Assembly to move the UNC  
15 Need-Based Financial Aid Program grant funding into a reserve in the North Carolina Student  
16 Loan Fund designated for that purpose so that funds appropriated for grants in a fiscal year are  
17 awarded to students for the following academic year. This change will provide additional  
18 program stability.

19 **SECTION 11.2.(b)** The UNC Need-Based Financial Aid Forward Funding  
20 Reserve is established as a reserve in the North Carolina Student Loan Fund. The funds in the  
21 UNC Need-Based Financial Aid Forward Funding Reserve shall be held in reserve until the  
22 sum in reserve is sufficient to implement the forward funding of grants awarded to students in  
23 accordance with the intent set out in subsection (a) of this section.

24 **SECTION 11.2.(c)** The following funds shall be transferred to the UNC  
25 Need-Based Financial Aid Forward Funding Reserve (Reserve):

- 26 (1) The sum of fifty-nine million eight hundred fifty-nine thousand five hundred  
27 sixty-two dollars (\$59,859,562) shall be transferred from the North Carolina  
28 Student Loan Fund to the Reserve.
- 29 (2) Of the funds appropriated by this act to the Board of Governors of The  
30 University of North Carolina for the 2013-2015 fiscal biennium, the sum of  
31 three million four hundred seventy-five thousand five hundred thirty-eight  
32 dollars (\$3,475,538) for the 2013-2014 fiscal year and the sum of three  
33 million four hundred fifty-four thousand six hundred fifty-six dollars  
34 (\$3,454,656) for the 2014-2015 fiscal year shall be transferred to the  
35 Reserve.
- 36 (3) Notwithstanding G.S. 115C-296.2, the sum of three million five hundred  
37 twenty-five thousand dollars (\$3,525,000) shall be transferred from the fund  
38 balance of the National Board Certification Loan program to the Reserve.
- 39 (4) The sum of five hundred thousand dollars (\$500,000) shall be transferred  
40 from the John B. McLendon Scholarship Fund established in  
41 G.S. 116-209.40 to the Reserve.

42 **SECTION 11.2.(d)** There is appropriated from the Escheat Fund for the 2013-2014  
43 fiscal year to the UNC Need-Based Financial Aid Forward Funding Reserve the sum of one  
44 million eighty-eight thousand six hundred twenty-seven dollars (\$1,088,627).

45 **SECTION 11.2.(e)** G.S. 116-209.40 is repealed.

## 46 47 **COORDINATED RESIDENCY DETERMINATION PROCESS**

48 **SECTION 11.3.(a)** The General Assembly finds that it is in the best interest of the  
49 State for the University System, the Community College System, and the State Education  
50 Assistance Authority to apply the criteria in G.S. 116-143.1 to determine residency for tuition  
51 purposes in a coordinated and similar manner. Therefore, The University of North Carolina, the

1 North Carolina Community College System, and the State Education Assistance Authority shall  
2 jointly develop and implement a coordinated and centralized process to be used by those three  
3 entities when determining the residency for tuition purposes of students who apply for  
4 admission and are admitted to a constituent institution of The University of North Carolina or a  
5 community college under the jurisdiction of the State Board of Community Colleges and for  
6 private college students receiving State-funded financial aid. In developing a centralized  
7 residency determination process, The University of North Carolina General Administration, the  
8 North Carolina Community College System, and the State Education Assistance Authority shall  
9 consult with the North Carolina Independent Colleges and Universities.

10 **SECTION 11.3.(b)** No later than January 1, 2014, The University of North  
11 Carolina, the North Carolina Community College System, and the State Education Assistance  
12 Authority shall report to the Joint Legislative Education Oversight Committee regarding the  
13 progress in developing and implementing a coordinated and centralized process and any  
14 necessary statutory changes.

### 15 16 **IMPLEMENT TUITION SURCHARGE STUDY RECOMMENDATIONS**

17 **SECTION 11.4.(a)** G.S. 116-143.7 is amended by adding a new subsection to read:  
18 "(d) Each constituent institution shall implement procedures to notify students and  
19 parents regarding the tuition surcharge and to provide appropriate advance notice to a student  
20 when the student is approaching the credit hour limit regarding the tuition surcharge. The  
21 procedures shall comply with the tuition surcharge notification principles established by the  
22 Board of Governors."

23 **SECTION 11.4.(b)** G.S. 116-11 is amended by adding a new subdivision to read:  
24 "(7a) The Board of Governors shall develop a uniform core set of notification  
25 principles regarding the tuition surcharge, including a process for each  
26 campus to notify students and parents at orientation and through each  
27 semester's tuition statements and a process to provide appropriate advance  
28 notification to a student when the student is approaching the credit hour limit  
29 regarding the tuition surcharge. The Board of Governors shall direct each  
30 constituent institution to implement these procedures."

31 **SECTION 11.4.(c)** Notwithstanding G.S. 116-143.7, courses and credit hours  
32 transferred from an institution of higher education that is not a constituent institution or a  
33 community college established pursuant to G.S. 115D-4, that are accepted by a constituent  
34 institution prior to July 1, 2013, shall not count toward the tuition surcharge. General  
35 Administration of The University of North Carolina shall report by March 1, 2014, to the Joint  
36 Legislative Education Oversight Committee on the number of courses exempted from the  
37 tuition surcharge pursuant to this subsection.

38 **SECTION 11.4.(d)** Subsections (a) and (b) of this section apply to the 2013 fall  
39 academic semester and to each subsequent academic semester.

### 40 41 **UNC MANAGEMENT FLEXIBILITY REDUCTION**

42 **SECTION 11.5.(a)** The management flexibility reduction for The University of  
43 North Carolina shall not be allocated by the Board of Governors to the constituent institutions  
44 and affiliated entities using an across-the-board method but in a manner that recognizes the  
45 importance of the academic missions and differences among The University of North Carolina  
46 entities.

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

- 49 (1) Reducing State funding for centers and institutes, speaker series, and other  
50 nonacademic activities.
- 51 (2) Faculty workload adjustments.

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

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

13 **SECTION 11.5.(b)** In allocating the management flexibility reduction, no  
14 reduction in State funds shall be allocated in either fiscal year of the 2013-2015 biennium to  
15 any of the following:

- 16 (1) UNC Need-Based Financial Aid.
- 17 (2) North Carolina Need-Based Scholarship.

18 **SECTION 11.5.(c)** The University of North Carolina shall report on the  
19 implementation of the management flexibility reduction in subsection (a) of this section to the  
20 Office of State Budget and Management and the Fiscal Research Division no later than October  
21 1, 2013. This report shall identify both of the following by campus:

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

## 25 26 **UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

27 **SECTION 11.6.(a)** G.S. 116-11 is amended by adding a new subdivision to read:

28 "(9a) The Board of Governors shall report to the Joint Legislative Education  
29 Oversight Committee and the Office of State Budget and Management by  
30 March 1 of each year regarding the sum of facilities and administrative fees  
31 and overhead receipts for The University of North Carolina that are collected  
32 and expended by each constituent institution. The report shall include all of  
33 the following information:

- 34 a. The collection of facilities and administrative fees and overhead  
35 receipts by grant or program.
- 36 b. The use of facilities and administrative fees and overhead receipts  
37 showing expenditures by grant or program.
- 38 c. The sum of facilities and administrative fees and overhead receipts  
39 collected or expended by each constituent institution for maintenance  
40 and operation of facilities that were constructed with or at any time  
41 operated by funds from the General Fund."

42 **SECTION 11.6.(b)** Section 31.14 of S.L. 2001-424 is repealed.

## 43 44 **STUDENT CHARGES AT THE NORTH CAROLINA SCHOOL OF SCIENCE AND** 45 **MATH**

46 **SECTION 11.7.(a)** G.S. 116-40.22 reads as rewritten:

47 "**§ 116-40.22. Management flexibility.**

48 ...

49 (c) Tuition and Fees. – Notwithstanding any provision in Chapter 116 of the General  
50 Statutes to the contrary, in addition to any tuition and fees set by the Board of Governors  
51 pursuant to G.S. 116-11(7), the Board of Trustees of the institution may recommend to the

1 Board of Governors tuition and fees for program-specific and institution-specific needs at that  
2 institution without regard to whether an emergency situation exists and not inconsistent with  
3 the actions of the General Assembly. Any tuition and fees set pursuant to this subsection are  
4 appropriated for use by the institution. Notwithstanding this subsection, neither the Board of  
5 Governors of The University of North Carolina nor its Board of Trustees shall impose any  
6 tuition or mandatory fee at the North Carolina School of Science and Mathematics without the  
7 approval of the General ~~Assembly~~-Assembly, except as provided in subsection (e) of this  
8 section.

9 ...  
10 (e) The Board of Governors of The University of North Carolina may approve, upon  
11 the recommendation of the Board of Trustees of the North Carolina School of Science and  
12 Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for  
13 distance education services provided by the North Carolina School of Science and Mathematics  
14 to nonresidents and for students participating in extracurricular enrichment programs sponsored  
15 by the School."

16 **SECTION 11.7.(b)** G.S. 116-143 reads as rewritten:

17 "**§ 116-143. State-supported institutions of higher education required to charge tuition**  
18 **and fees.**

19 ...  
20 (b) In the event that said students are unable to pay the cost of tuition and required  
21 academic fees as the same may become due, in cash, the said several boards of trustees are  
22 hereby authorized and empowered, in their discretion, to accept the obligation of the student or  
23 students together with such collateral or security as they may deem necessary and proper, it  
24 being the purpose of this Article that all students in State institutions of higher learning shall be  
25 required to pay tuition, and that free tuition is hereby abolished. Notwithstanding this section,  
26 neither the Board of Governors of The University of North Carolina nor its Board of Trustees  
27 shall impose any tuition or mandatory fee at the North Carolina School of Science and  
28 Mathematics without the approval of the General ~~Assembly~~-Assembly, except as provided in  
29 subsection (e) of this section.

30 ...  
31 (e) The Board of Governors of The University of North Carolina may approve, upon  
32 the recommendation of the Board of Trustees of the North Carolina School of Science and  
33 Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for  
34 distance education services provided by the North Carolina School of Science and Mathematics  
35 to nonresidents and for students participating in extracurricular enrichment programs sponsored  
36 by the School."

37 **SECTION 11.7.(c)** This section applies to the 2013-2014 spring academic  
38 semester and each subsequent academic semester.

#### 40 **STUDENT CHARGES AT THE UNC SCHOOL OF THE ARTS**

41 **SECTION 11.8.(a)** Article 4 of Chapter 116 of the General Statutes is amended by  
42 adding a new section to read:

##### 43 **"§ 116-68.1. Fees.**

44 The Board of Governors of The University of North Carolina may set fees, not inconsistent  
45 with the actions of the General Assembly, to be paid by in-State high school students enrolled  
46 at the University of North Carolina School of the Arts to assist with expenses of the institution.  
47 The Board of Trustees may recommend to the Board of Governors of The University of North  
48 Carolina that fees be set, not inconsistent with actions of the General Assembly, to be paid by  
49 in-State high school students enrolled at the University of North Carolina School of the Arts to  
50 assist with expenses of the institution. The University of North Carolina School of the Arts may

1 charge and collect fees established as provided by this section from in-State high school  
2 students enrolled at the University of North Carolina School of the Arts."

3 **SECTION 11.8.(b)** This section applies to the 2014-2015 academic year and each  
4 subsequent academic year.

5  
6 **AUTHORIZE STATE EDUCATION ASSISTANCE AUTHORITY TO CONTINUE TO**  
7 **COLLECT NORTH CAROLINA TEACHING FELLOWS REPAYMENTS**

8 **SECTION 11.9.** Subsection (b) of Section 1.38 of S.L. 2011-266 is repealed.

9  
10 **UNC STRATEGIC DIRECTION INITIATIVE**

11 **SECTION 11.14.(a)** Data Analytics Projects. – Of the funds appropriated by this  
12 act to the Board of Governors of The University of North Carolina for the 2013-2015 fiscal  
13 biennium to be used for data analytics, the sum of five hundred thousand dollars (\$500,000) for  
14 the 2013-2014 fiscal year and the sum of five hundred thousand dollars (\$500,000) for the  
15 2014-2015 fiscal year shall be allocated to the University of North Carolina at Wilmington to  
16 complete the construction of the Predictive Analytics Project and to make the project available  
17 as a model for data analytics that may be used by the other constituent institutions. The Board  
18 of Governors shall allocate the remaining funds appropriated by this act for data analytics  
19 among the other constituent institutions to construct data analytic projects similar to the model  
20 project at the University of North Carolina at Wilmington.

21 The University of North Carolina at Wilmington shall report the progress in  
22 implementing its Predictive Analytics Project and the information gained through the Project to  
23 the House of Representatives Education Appropriations Subcommittee and the Senate  
24 Education Appropriations Committee by the convening of the 2014 Regular Session of the  
25 2013 General Assembly. The information in the report shall include the expenditures at the  
26 Wilmington campus for the 2012-2013 fiscal year set out separately by degree level.

27 The General Administration of The University of North Carolina shall make a final  
28 report to the 2015 General Assembly by the time it convenes regarding the implementation of  
29 the Predictive Analytics Project at the University of North Carolina at Wilmington and the  
30 progress in implementing data analytics projects at the other campuses in The University of  
31 North Carolina System. The report shall include the expenditures at each campus set out  
32 separately by degree level and by campus for the 2013-2014 fiscal year and the plans to  
33 continue to make the expenditure information available in the same manner for each  
34 subsequent fiscal year.

35 **SECTION 11.14.(b)** Tuition Assistance for Nonresident Veterans. – Of the funds  
36 appropriated by this act to the Board of Governors of The University of North Carolina for the  
37 2013-2015 fiscal biennium to increase degree attainment, the sum of three million dollars  
38 (\$3,000,000) for the 2013-2014 fiscal year and the sum of three million dollars (\$3,000,000) for  
39 the 2014-2015 fiscal year shall be used to provide funding to assist nonresident veteran students  
40 with the difference in cost between resident and nonresident tuition. The University of North  
41 Carolina is encouraged to use these funds to increase participation in the federal Yellow Ribbon  
42 Program to maximize available resources.

43 **SECTION 11.14.(c)** Funds for UNC Investments in Faculty, Research, and  
44 Scholarship. – Of the funds appropriated by this act to the Board of Governors of The  
45 University of North Carolina for the 2013-2015 fiscal biennium, the sum of two million four  
46 hundred thousand dollars (\$2,400,000) in recurring funds and the sum of one million dollars  
47 (\$1,000,000) in nonrecurring funds for the 2013-2014 fiscal year and the sum of twelve million  
48 one hundred thousand dollars (\$12,100,000) in recurring funds and the sum of ten million  
49 dollars (\$10,000,000) in nonrecurring funds for the 2014-2015 fiscal year for focused  
50 investments in faculty, research, and scholarship that support certain priorities of The  
51 University System shall be allocated as follows:

	FY 2013-2014	FY 2014-2015
1		
2	Advanced Manufacturing:	
3	Faculty and Staff	\$200,000 (R)
4	Advanced Manufacturing:	
5	Operations and Support	\$200,000 (R)
6	Data Sciences:	
7	Faculty and Staff	\$200,000 (R)
8	Data Sciences:	
9	Operations and Support	\$200,000 (R)
10	Defense, Military, and Security:	
11	Faculty and Staff	\$200,000 (R)
12	Defense, Military, and Security:	
13	Operations and Support	\$200,000 (R)
14	Energy:	
15	Faculty and Staff	\$200,000 (R)
16	Energy:	
17	Operations and Support	\$200,000 (R)
18	Marine and Coastal Sciences:	
19	Faculty and Staff	\$400,000 (R)
20	Marine and Coastal Sciences:	
21	Operations and Support	\$200,000 (R)
22	Pharmaco-Engineering:	
23	Faculty and Staff	\$200,000 (R)
24	Pharmaco-Engineering:	
25	Graduate Fellowship/Support	—
26	Capital Facilities Lease Costs	—
27	Startup and Infrastructure	—
28	Shared Research Equipment	\$1,000,000 (NR)

29           **SECTION 11.14.(d)** The Board of Governors shall allocate the funds designated  
30 for data sciences in subsection (c) of this section to the University of North Carolina at  
31 Charlotte.

### 32 **STUDENT FINANCIAL AID/SEMESTER LIMIT**

33           **SECTION 11.15.(a)** G.S. 115C-499.2(6) is repealed.

34           **SECTION 11.15.(b)** Article 35A of Chapter 115C of the General Statutes is  
35 amended by adding a new section to read:

#### 36 **"§ 115C-499.2A. Semester limitation on eligibility for scholarship.**

37           (a) Except as otherwise provided by subsection (c) of this section, a student with a  
38 matriculated status at a constituent institution of The University of North Carolina shall not  
39 receive a scholarship for more than 10 full-time academic semesters, or its equivalent if  
40 enrolled part-time, unless the student is enrolled in a program officially designated by the  
41 Board of Governors as a five-year degree program. If a student is enrolled in such a five-year  
42 degree program, then the student shall not receive a scholarship for more than 12 full-time  
43 academic semesters or the equivalent if enrolled part-time.

44           (b) Except as otherwise provided by subsection (c) of this section, a student with a  
45 matriculated status at a community college shall not receive a scholarship for more than six  
46 full-time academic semesters, or the equivalent if enrolled part-time.

47           (c) Upon application by a student, the appropriate postsecondary institution may grant a  
48 waiver to the student who may then receive a scholarship for the equivalent of one additional  
49 full-time academic semester if the student demonstrates that any of the following have  
50 substantially disrupted or interrupted the student's pursuit of a degree, diploma, or certificate:  
51



1 (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term  
2 disability, or (iv) other extraordinary hardship. The Board of Governors or the State Board of  
3 Community Colleges, as appropriate, shall establish policies and procedures to implement the  
4 waiver provided by this subsection."

5 **SECTION 11.15.(c)** Article 3 of Chapter 115D of the General Statutes is amended  
6 by adding a new section to read:

7 **"§ 115D-40.2. Semester limitation on eligibility for North Carolina Community College**  
8 **grants.**

9 (a) Except as otherwise provided by this section, a student shall not receive a  
10 need-based grant from the North Carolina Community College Grant Program for more than  
11 six full-time academic semesters, or the equivalent if enrolled part-time.

12 (b) Upon application by a student, the community college may grant a waiver to the  
13 student who may then receive a grant from the North Carolina Community College Grant  
14 Program for the equivalent of one additional full-time academic semester if the student  
15 demonstrates that any of the following have substantially disrupted or interrupted the student's  
16 pursuit of a degree, diploma, or certificate: (i) a military service obligation, (ii) serious medical  
17 debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship. The  
18 State Board shall establish policies and procedures to implement the waiver provided by this  
19 subsection."

20 **SECTION 11.15.(d)** G.S. 116-25.1 reads as rewritten:

21 **"§ 116-25.1. Limit receipt of Semester limitation on eligibility for The University of North**  
22 **Carolina need-based financial aid grants to traditional time period required to**  
23 **earn baccalaureate degree grants.**

24 (a) Except as otherwise provided by this section, a student shall not receive a grant  
25 from The University of North Carolina Need-Based Financial Aid Program for more than ~~nine~~  
26 10 full-time academic semesters, or its equivalent if enrolled part-time, unless the student is  
27 enrolled in a program officially designated by the Board of Governors as a five-year degree  
28 program. If a student is enrolled in such a five-year degree program, then the student shall not  
29 receive a need-based grant from The University of North Carolina Need-Based Financial Aid  
30 Program for more than ~~11~~ 12 full-time academic semesters or its equivalent if enrolled  
31 part-time.

32 (b) Upon application by a student, ~~the student may receive a grant for one additional~~  
33 ~~part-time or full-time academic semester as appropriate, the constituent institution may grant a~~  
34 ~~waiver to the student who may then receive a grant for the equivalent of one additional~~  
35 ~~full-time academic semester~~ if the student demonstrates that any of the following have  
36 substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service  
37 obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv)  
38 other extraordinary hardship, ~~including inability to enroll in the appropriate courses due to~~  
39 ~~reduced course offerings.~~ hardship. The Board of Governors shall establish the  
40 ~~appropriate policies and procedures to implement the additional semester extension waiver~~  
41 provided by this subsection."

42 **SECTION 11.15.(e)** G.S. 116-281(6) is repealed.

43 **SECTION 11.15.(f)** Article 34 of Chapter 116 of the General Statutes is amended  
44 by adding a new section to read:

45 **"§ 116-281.1. Semester limitation on eligibility for scholarship.**

46 (a) A student shall not receive a scholarship under this Article for more than 10  
47 full-time academic semesters, or the equivalent if enrolled part-time, unless the student is  
48 enrolled in a program officially designated by the eligible private postsecondary institution as a  
49 five-year degree program. If a student is enrolled in such a five-year degree program, then the  
50 student shall not receive a scholarship under this Article for more than 12 full-time academic  
51 semesters or the equivalent if enrolled part-time.

1       (b) Upon application by a student, the eligible private postsecondary institution may  
2 grant a waiver to the student who may then receive a scholarship for the equivalent of one  
3 additional full-time academic semester if the student demonstrates that any of the following  
4 have substantially disrupted or interrupted the student's pursuit of a baccalaureate degree: (i) a  
5 military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term  
6 disability, or (iv) other extraordinary hardship. The eligible private postsecondary institution  
7 shall establish policies and procedures to implement the waiver provided by this subsection."

8               **SECTION 11.15.(g)** Article 23 of Chapter 116 of the General Statutes is amended  
9 by adding a new section to read:

10 **"§ 116-209.19A. Limit semesters eligible for need-based grants and scholarships.**

11       The Authority administers the following need-based grant and scholarship programs: the  
12 Education Lottery Scholarships, North Carolina Community College Grant Program, The  
13 University of North Carolina Need-Based Financial Aid Program, and Need-Based  
14 Scholarships for Students Attending Private Institutions of Higher Education.  
15 G.S. 115C-499.2A, 115D-40.2, 116-25.1, and 116-281.1 limit the number of semesters that a  
16 student may receive a grant or scholarship from any of those programs and also provide the  
17 circumstances in which a waiver to those limits may be granted by the appropriate  
18 postsecondary institution. The Authority shall enforce these limitations in administering these  
19 programs so that unless a waiver is granted by the appropriate postsecondary institution, no  
20 student shall receive a grant or scholarship from any of those programs or any combination of  
21 those financial aid programs while pursuing a degree, diploma, or certificate for more than any  
22 of the following time periods: (i) 10 full-time academic semesters or its equivalent if enrolled  
23 part-time or (ii) 12 full-time academic semesters or its equivalent if the student is enrolled in a  
24 program officially designated as a five-year degree program.

25       A postsecondary institution that grants a waiver under G.S. 115C-499.2A, 115D-40.2,  
26 116-25.1, or 116-281.1 shall certify the granting of the waiver in a manner acceptable to the  
27 Authority and shall also maintain documentation substantiating the reason for the waiver."

28               **SECTION 11.15.(h)** The State Education Assistance Authority shall structure its  
29 payment schedule to encourage students to complete an average of 30 credit hours per  
30 academic year. The State Education Assistance Authority shall report to the Joint Legislative  
31 Education Oversight Committee by March 1, 2014, regarding the measures implemented by the  
32 Authority pursuant to this subsection.

33               **SECTION 11.15.(i)** This section applies to the 2014-2015 academic year and each  
34 subsequent academic year.

35  
36 **STUDY SCHOOL OF SCIENCE AND MATHEMATICS/MORGANTON CAMPUS**

37               **SECTION 11.16.(a)** The Board of Governors of The University of North Carolina,  
38 the North Carolina School of Science and Mathematics (School of Science and Math), and the  
39 Department of Public Instruction shall jointly study the feasibility of establishing a western  
40 campus for the School of Science and Math at the School for the Deaf in Morganton. In its  
41 study, the Board of Governors, the School of Science and Math, and the Department of Public  
42 Instruction shall consider the number of students with excellent academic records who apply to  
43 the School of Science and Math but are not accepted because of the School's lack of physical  
44 space to accommodate additional students. They may also consult with the Department of  
45 Administration regarding what, if any, renovations would be required at the School for the Deaf  
46 if a western campus for the School of Science and Math were located at that facility.

47               If it is determined that the School for the Deaf is not a suitable site for the location  
48 of a western campus, the Board of Governors, School of Science and Math, and the Department  
49 of Public Instruction in consultation with the Department of Administration may consider other  
50 sites in western North Carolina that are available as a site.

1           **SECTION 11.16.(b)** The Department of Administration shall, upon request by the  
2 Board of Governors, the North Carolina School of Science and Math, and the Department of  
3 Public Instruction, provide information regarding renovations that may be required to locate a  
4 western campus for the School of Science and Math at the School for the Deaf and shall also  
5 provide, upon request, information regarding other State-owned real property that may be  
6 available for such a purpose.

7           **SECTION 11.16.(c)** The Board of Governors, the School of Science and Math, and  
8 the Department of Public Instruction shall report their findings and recommendations to the  
9 House of Representatives and Senate Appropriations Subcommittees on Education by February  
10 1, 2014.

## 11 12 **NC GUARANTEED ADMISSION PROGRAM**

13           **SECTION 11.17.(a)** The Board of Governors of The University of North Carolina,  
14 in consultation with the State Board of Community Colleges, shall develop the North Carolina  
15 Guaranteed Admission Program (NC GAP). The goals of NC GAP are to encourage and assist  
16 more students to obtain a baccalaureate degree within a shorter time period; to provide students  
17 with a college education at significantly lower costs for both the student and the State; to help  
18 decrease the amount of debt resulting from loans that a student may owe upon graduation; to  
19 provide a student with an interim degree that may increase a student's job opportunities if the  
20 student chooses not to continue postsecondary education; and to provide easier access to  
21 academic counseling that will assist a student in selecting coursework that reflects the student's  
22 educational and career goals and helps the student succeed academically.

23           The purpose of the program is to provide an option for students who apply for  
24 admission to a constituent institution and satisfy the admission criteria, but whose academic  
25 credentials are not as competitive as other students admitted to the institution. A student who  
26 chooses to participate in NC GAP shall agree to defer admission to the constituent institution  
27 for at least two years and in return shall be guaranteed admission to the constituent institution  
28 for the student's junior year, provided the student enrolls in a community college and earns an  
29 associate degree.

30           **SECTION 11.17.(b)** The State Board of Community Colleges, in consultation with  
31 the Board of Governors of The University of North Carolina, shall adopt rules to ensure that a  
32 student participating in NC GAP is provided counseling and assistance in selecting coursework  
33 that reflects the student's educational and career goals and that provides a smooth transition  
34 from the community college to the constituent institution.

35           **SECTION 11.17.(c)** The State Board of Community Colleges shall allocate a  
36 portion of the nonrecurring funds appropriated to the Board by this act for the 2014-2015 fiscal  
37 year to assist community colleges with students who are participating in NC GAP.

38           **SECTION 11.17.(d)** The Board of Governors of The University of North Carolina  
39 and the State Board of Community Colleges shall report to the Joint Legislative Education  
40 Oversight Committee by March 1, 2014, on the development and implementation of NC GAP.  
41 The report shall include a comprehensive description of the program and the academic  
42 counseling required to help students in NC GAP succeed academically.

43           **SECTION 11.17.(e)** NC GAP shall be implemented for the 2014-2015 academic  
44 year and shall continue for each subsequent academic year.

## 45 46 **UNC ISCHOOL/CAREER AND COLLEGE PROMISE PROGRAM**

47           **SECTION 11.18.** The University of North Carolina at Greensboro and the  
48 Department of Public Instruction shall jointly study the feasibility of restarting the UNC-G  
49 iSchool by incorporating it as a part of the Career and College Promise Program. As part of the  
50 study, the University of North Carolina at Greensboro and the Department of Public Instruction  
51 shall consider the cost of incorporating the iSchool within the existing structure of the Career

1 and College Promise Program. The University of North Carolina at Greensboro and the  
2 Department of Public Instruction shall report to the Joint Legislative Education Oversight  
3 Committee by March 1, 2014, regarding their findings and recommendations.  
4

## 5 **PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

### 7 **SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT**

#### 9 **DEPARTMENT FLEXIBILITY TO ACHIEVE DEPARTMENTAL PRIORITIES AND** 10 **ENHANCE FISCAL OVERSIGHT AND ACCOUNTABILITY**

11 **SECTION 12A.1.(a)** Notwithstanding any other provision of law to the contrary  
12 and consistent with G.S. 143B-10, the Secretary of the Department of Health and Human  
13 Services may reorganize positions and related operational costs within the Department (i) upon  
14 a demonstration by the Department of cost-effectiveness and (ii) after approval by the Office of  
15 State Budget and Management (OSBM) of a written proposal submitted by the Department to  
16 OSBM. Proposals submitted to OSBM under this section shall, at a minimum, identify the  
17 positions involved and the strategies to be implemented in order to achieve efficiencies.

18 **SECTION 12A.1.(b)** In order to enhance fiscal oversight and accountability, the  
19 Secretary of the Department of Health and Human Services may realign existing resources to  
20 expand its internal audit capacity. The Secretary may identify up to 32 existing positions for  
21 this purpose. Any realignment of resources and positions pursuant to this subsection is subject  
22 to the prior approval of OSBM. Notwithstanding any provision of law to the contrary, these  
23 realignments shall be reflected in the authorized budget. The expanded Office of Internal Audit  
24 shall provide the Department's management personnel with independent reviews and analyses  
25 of various functions and services within the Department, including operational audits,  
26 performance audits, compliance audits, financial audits, and other special reviews.

27 **SECTION 12A.1.(c)** By no later than June 30, 2014, the Department shall report  
28 any actions undertaken pursuant to this section to the Joint Legislative Oversight Committee on  
29 Health and Human Services and the Fiscal Research Division. The report shall, at a minimum,  
30 identify the positions involved and the strategies implemented to achieve efficiencies, to  
31 expand internal audit capacity, or both.  
32

#### 33 **FUNDING FOR NONPROFIT ORGANIZATIONS/ESTABLISH COMPETITIVE** 34 **GRANTS PROCESS**

35 **SECTION 12A.2.(a)** Of the funds appropriated in this act to the Department of  
36 Health and Human Services, Division of Central Management and Support, the sum of nine  
37 million five hundred twenty-nine thousand one hundred thirty-four dollars (\$9,529,134) for the  
38 2013-2014 fiscal year only and the sum of three million twenty-one thousand three hundred  
39 twenty-three dollars (\$3,021,323) appropriated in Section 12J.1 of this act for each year of the  
40 2013-2015 fiscal biennium shall be used to allocate funds for nonprofit organizations.

41 **SECTION 12A.2.(b)** For fiscal year 2013-2014 only, from funds appropriated  
42 under subsection (a) of this section, the Department shall allocate the designated amounts to the  
43 following nonprofit organizations:

44	(1)	North Carolina Senior Games, Inc.	\$ 111,908
45	(2)	ARC of North Carolina	281,517
46	(3)	ARC of North Carolina – Wilmington	47,025
47	(4)	Autism Society of North Carolina	2,710,003
48	(5)	The Mariposa School for Children with Autism	313,097
49	(6)	Easter Seals UCP of North Carolina	1,491,827
50	(7)	ABC of North Carolina Child Development Center	337,807
51	(8)	Residential Services, Inc.	227,006

1	(9)	Oxford House, Inc.	184,240
2	(10)	Brain Injury Association of North Carolina	207,475
3	(11)	Food Bank of Central and Eastern North Carolina, Inc.	460,600
4	(12)	Food Bank of the Albemarle	460,600
5	(13)	Manna Food Bank	460,600
6	(14)	Second Harvest Food Bank of Metrolina, Inc.	460,600
7	(15)	Second Harvest Food Bank of Northwest	
8		North Carolina, Inc.	460,600
9	(16)	Second Harvest Food Bank of Southeast	
10		North Carolina	460,600
11	(17)	Prevent Blindness NC	422,060
12	(18)	Maternity Homes	345,450
13	(19)	NC High School Athletic Association (NCHSAA)	306,291
14	(20)	Work First – Boys & Girls Clubs	2,259,243
15	(21)	Vocational Rehabilitation Services – Easter Seal	
16		Society/UCP North Carolina	173,428
17	(22)	ALS Jim "Catfish" Hunter	368,480

18 **SECTION 12A.2.(c)** It is the intent of the General Assembly that beginning fiscal  
19 year 2014-2015 the Department implement a competitive grants process for nonprofit funding.  
20 To that end, the Department shall develop a plan that establishes a competitive grants process  
21 to be administered by the Division of Central Management and Support. The Department shall  
22 develop a plan that, at a minimum, includes each of the following:

- 23 (1) A request for application (RFA) process to allow nonprofits to apply for and  
24 receive State funds on a competitive basis.
- 25 (2) A requirement that nonprofits match a minimum of ten percent (10%) of the  
26 total amount of the grant award.
- 27 (3) A requirement that the Secretary prioritize grant awards to those nonprofits  
28 that are able to leverage non-State funds in addition to the grant award.
- 29 (4) A process that awards grants to nonprofits dedicated to providing services on  
30 a statewide basis and that support any of the following State health and  
31 wellness initiatives:
  - 32 a. A program targeting advocacy, support, education, or residential  
33 services for persons diagnosed with autism.
  - 34 b. A comprehensive program of education, advocacy, and support  
35 related to brain injury and those affected by brain injury.
  - 36 c. A system of residential supports for those afflicted with substance  
37 abuse addiction.
  - 38 d. A program of advocacy and supports for individuals with intellectual  
39 and developmental disabilities or severe and persistent mental illness,  
40 substance abusers, or the elderly.
  - 41 e. Supports and services to children and adults with developmental  
42 disabilities or mental health diagnoses.
  - 43 f. A food distribution system for needy individuals.
  - 44 g. The provision and coordination of services for the homeless.
  - 45 h. The provision of services for individuals aging out of foster care.
  - 46 i. Programs promoting wellness, physical activity, and health education  
47 programming for North Carolinians.
  - 48 j. A program focused on enhancing vision screening through the State's  
49 public school system.
  - 50 k. Provision for the delivery of after-school services for at-risk youth.

1           1.       The provision of direct services for amyotrophic lateral sclerosis  
2                     (ALS) and those diagnosed with the disease.

- 3           (5)       Ensures that funds received by the Department to implement the plan  
4                     supplement and do not supplant existing funds for health and wellness  
5                     programs and initiatives.

6           **SECTION 12A.2.(d)** By no later than December 1, 2013, each nonprofit  
7           organization receiving funding pursuant to subsection (b) of this section shall submit to the  
8           Division of Central Management and Support a written report of all activities funded by State  
9           appropriations. The report shall include the following information about the fiscal year  
10          preceding the year in which the report is due:

- 11          (1)       The entity's mission, purpose, and governance structure.  
12          (2)       A description of the types of programs, services, and activities funded by  
13                     State appropriations.  
14          (3)       Statistical and demographical information on the number of persons served  
15                     by these programs, services, and activities, including the counties in which  
16                     services are provided.  
17          (4)       Outcome measures that demonstrate the impact and effectiveness of the  
18                     programs, services, and activities.  
19          (5)       A detailed program budget and list of expenditures, including all positions  
20                     funded and funding sources.  
21          (6)       The source and amount of any matching funds received by the entity.

22          **SECTION 12A.2.(e)** By no later than February 1, 2014, the Secretary of Health  
23          and Human Services shall develop a plan for the implementation of the competitive grants  
24          process for nonprofit funding and shall report to the Joint Legislative Oversight Committee on  
25          Health and Human Services on the plan.

26          **SECTION 12A.2.(f)** By no later than April 1, 2014, the Secretary of Health and  
27          Human Services shall implement the plan for the competitive grants process.

28          **SECTION 12A.2.(g)** By no later than July 1, 2014, the Secretary shall announce  
29          the recipients of the competitive grant awards. After awards have been granted, the Secretary  
30          shall submit a report to the Joint Legislative Oversight Committee on Health and Human  
31          Services on the grant awards that includes at least all of the following:

- 32          (1)       The identity and a brief description of each grantee and each program or  
33                     initiative offered by the grantee.  
34          (2)       The amount of funding awarded to each grantee.  
35          (3)       The number of persons served by each grantee, broken down by program or  
36                     initiative.  
37

## 38 **SUPPLEMENTAL SHORT-TERM ASSISTANCE FOR GROUP HOMES**

39          **SECTION 12A.2A.(a)** As used in this act, "group home" means any facility that (i)  
40          is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised  
41          living facility under 10A NCAC 27G .5601(c)(1) or 10A NCAC 27G .5601(c)(3), and (iii)  
42          serves adults whose primary diagnosis is mental illness or a developmental disability but may  
43          also have other diagnoses.

44          **SECTION 12A.2A.(b)** From the funds appropriated in this act to the Department  
45          of Health and Human Services, Division of Central Management and Support, the sum of eight  
46          million dollars (\$8,000,000) in nonrecurring funds shall be used to provide temporary,  
47          short-term financial assistance in the form of a monthly payment to group homes on behalf of  
48          each resident who meets all of the following criteria:

- 49          (1)       Was eligible for Medicaid-covered personal care services (PCS) prior to  
50                     January 1, 2013, but was determined to be ineligible for PCS on or after  
51                     January 1, 2013, due to Medicaid State Plan changes in PCS eligibility

1 criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section  
2 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194.

3 (2) Has continuously resided in a group home since December 31, 2012.

4 **SECTION 12A.2A.(c)** These monthly payments shall be subject to all of the  
5 following requirements and limitations:

6 (1) The amount of the monthly payments authorized by this section shall not  
7 exceed four hundred sixty-four dollars and thirty cents (\$464.30) per month  
8 for each resident who meets all criteria specified in subsection (b) of this  
9 section.

10 (2) A group home that receives the monthly payments authorized by this section  
11 shall not, under any circumstances, use these payments for any purpose other  
12 than providing, as necessary (i) non-hands-on assistance, (ii) supervision,  
13 and (iii) medication management for a resident who meets all criteria  
14 specified in subsection (b) of this section.

15 (3) The Department shall make monthly payments authorized by this section to  
16 a group home on behalf of each resident who meets all criteria specified in  
17 subsection (b) of this section only for the period commencing July 1, 2013,  
18 and ending June 30, 2014, or upon depletion of the eight million dollars  
19 (\$8,000,000) in nonrecurring funds appropriated in this act to the Division of  
20 Central Management and Support for the 2013-2014 fiscal year for the  
21 purpose of this section, whichever is earlier.

22 (4) The Department shall make monthly payments authorized by this section  
23 only to the extent sufficient funds are available from the eight million dollars  
24 (\$8,000,000) in nonrecurring funds appropriated in this act to the Division of  
25 Central Management and Support for the 2013-2014 fiscal year for the  
26 purpose of this section.

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

30 (6) The Department shall terminate all monthly payments pursuant to this  
31 section on June 30, 2014, or upon depletion of the funds appropriated in this  
32 act to the Division of Central Management and Support for the 2013-2014  
33 fiscal year for the purpose of this section, whichever is earlier.

34 **SECTION 12A.2A.(d)** The Department shall use an existing mechanism to  
35 administer these funds in the least restrictive manner that ensures compliance with this section  
36 and timely and accurate payments to group homes. The Department shall not, under any  
37 circumstances, use any portion of the eight million dollars (\$8,000,000) appropriated in this act  
38 to the Division of Central Management and Support for the purpose of this section for any other  
39 purpose.

40 **SECTION 12A.2A.(e)** By no later than April 1, 2014, the Department of Health  
41 and Human Services shall study and submit to the House Appropriations Subcommittee on  
42 Health and Human Services, the Senate Appropriations Committee on Health and Human  
43 Services, the Legislative Oversight Committee on Health and Human Services, and the Fiscal  
44 Research Division a plan for a long-term solution for individuals residing in group homes who  
45 would like to continue residing in this setting and, as a result of an independent assessment,  
46 have been determined to need only one or more of the following: (i) non-hands-on assistance,  
47 (ii) supervision, and (iii) medication management.

48 **SECTION 12A.2A.(f)** Nothing in this section shall be construed as an obligation  
49 by the General Assembly to appropriate funds for the purpose of this section, or as an  
50 entitlement by any group home, resident of a group home, or other person to receive temporary,  
51 short-term financial assistance under this section.

1           **SECTION 12A.2A.(g)** This section expires June 30, 2014.

2  
3   **HEALTH INFORMATION TECHNOLOGY**

4           **SECTION 12A.3.(a)** The Department of Health and Human Services, in  
5 cooperation with the State Chief Information Officer, shall coordinate health information  
6 technology (HIT) policies and programs within the State of North Carolina. The Department's  
7 goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and  
8 to ensure that each State agency, public entity, and private entity that undertakes health  
9 information technology activities does so within the area of its greatest expertise and technical  
10 capability and in a manner that supports coordinated State and national goals, which shall  
11 include at least all of the following:

- 12           (1) Ensuring that patient health information is secure and protected, in  
13 accordance with applicable law.
- 14           (2) Improving health care quality, reducing medical errors, reducing health  
15 disparities, and advancing the delivery of patient-centered medical care.
- 16           (3) Providing appropriate information to guide medical decisions at the time and  
17 place of care.
- 18           (4) Ensuring meaningful public input into HIT infrastructure development.
- 19           (5) Improving the coordination of information among hospitals, laboratories,  
20 physicians' offices, and other entities through an effective infrastructure for  
21 the secure and authorized exchange of health care information.
- 22           (6) Improving public health services and facilitating early identification and  
23 rapid response to public health threats and emergencies, including  
24 bioterrorist events and infectious disease outbreaks.
- 25           (7) Facilitating health and clinical research.
- 26           (8) Promoting early detection, prevention, and management of chronic diseases.

27           **SECTION 12A.3.(b)** The Department of Health and Human Services shall  
28 establish and direct an HIT management structure that is efficient and transparent and that is  
29 compatible with the Office of the National Health Coordinator for Information Technology  
30 (National Coordinator) governance mechanism. The HIT management structure shall be  
31 responsible for all of the following:

- 32           (1) Developing a State plan for implementing and ensuring compliance with  
33 national HIT standards and for the most efficient, effective, and widespread  
34 adoption of HIT.
- 35           (2) Ensuring that (i) specific populations are effectively integrated into the State  
36 plan, including aging populations, populations requiring mental health  
37 services, and populations utilizing the public health system, and (ii) unserved  
38 and underserved populations receive priority consideration for HIT support.
- 39           (3) Identifying all HIT stakeholders and soliciting feedback and participation  
40 from each stakeholder in the development of the State plan.
- 41           (4) Ensuring that existing HIT capabilities are considered and incorporated into  
42 the State plan.
- 43           (5) Identifying and eliminating conflicting HIT efforts where necessary.
- 44           (6) Identifying available resources for the implementation, operation, and  
45 maintenance of health information technology, including identifying  
46 resources and available opportunities for North Carolina institutions of  
47 higher education.
- 48           (7) Ensuring that potential State plan participants are aware of HIT policies and  
49 programs and the opportunity for improved health information technology.
- 50           (8) Monitoring HIT efforts and initiatives in other states and replicating  
51 successful efforts and initiatives in North Carolina.



- 1 (9) Monitoring the development of the National Coordinator's strategic plan and  
2 ensuring that all stakeholders are aware of and in compliance with its  
3 requirements.
- 4 (10) Monitoring the progress and recommendations of the HIT Policy and  
5 Standards Committee and ensuring that all stakeholders remain informed of  
6 the Committee's recommendations.
- 7 (11) Monitoring all studies and reports provided to the United States Congress  
8 and reporting to the Joint Legislative Oversight Committee on Information  
9 Technology and the Fiscal Research Division on the impact of report  
10 recommendations on State efforts to implement coordinated HIT.

11 **SECTION 12A.3.(c)** Section 10.24(c) of S.L. 2011-145 reads as rewritten:

12 ~~"SECTION 10.24.(c) Beginning October 1, 2011, the Department of Health and Human~~  
13 ~~Services shall provide quarterly written reports.~~ By no later than January 15, 2015, the  
14 Department of Health and Human Services shall provide a written report on the status of HIT  
15 efforts to the Joint Legislative Oversight Committee on Health and Human Services and the  
16 Fiscal Research Division. The reports due each January 1 and July 1 shall consist of updates to  
17 ~~substantial initiatives or challenges that have occurred since the most recent comprehensive~~  
18 ~~report. The reports due each October 1 and April 1~~ report shall be comprehensive and shall  
19 include all of the following:

- 20 (1) Current status of federal HIT initiatives.
- 21 (2) Current status of State HIT efforts and initiatives among both public and  
22 private entities.
- 23 (3) A breakdown of current public and private funding sources and dollar  
24 amounts for State HIT initiatives.
- 25 (4) Department efforts to coordinate HIT initiatives within the State and any  
26 obstacles or impediments to coordination.
- 27 (5) HIT research efforts being conducted within the State and sources of funding  
28 for research efforts.
- 29 (6) Opportunities for stakeholders to participate in HIT funding and other efforts  
30 and initiatives during the next quarter.
- 31 (7) Issues associated with the implementation of HIT in North Carolina and  
32 recommended solutions to these issues."
- 33

34 **FUNDS FOR REPLACEMENT MEDICAID MANAGEMENT INFORMATION**  
35 **SYSTEM/IMPLEMENTATION OF REPLACEMENT MMIS**

36 **SECTION 12A.4.(a)** The Secretary of the Department of Health and Human  
37 Services may utilize prior year earned revenue received for the replacement MMIS in the  
38 amount of nine million six hundred fifty-eight thousand one hundred fifty-two dollars  
39 (\$9,658,152) for the 2013-2014 fiscal year and in the amount of one million six hundred  
40 sixty-six thousand six hundred twenty-five dollars (\$1,666,625) for the 2014-2015 fiscal year.  
41 In the event the Department does not receive prior year earned revenues in the amounts  
42 authorized by this section, or funds are insufficient to advance the project, the Department may,  
43 with prior approval from the Office of State Budget and Management (OSBM), utilize  
44 overrealized receipts and funds appropriated to the Department to achieve the level of funding  
45 specified in this section for the replacement MMIS.

46 **SECTION 12A.4.(b)** The Department shall make full development of the  
47 replacement MMIS a top priority. During development and implementation of the replacement  
48 MMIS, the Department shall develop plans to ensure the timely and effective implementation  
49 of enhancements to the system to provide the following capabilities:

- 50 (1) Receiving and tracking premiums or other payments required by law.
- 51 (2) Compatibility with the Health Information System.

1           **SECTION 12A.4.(c)** The Department shall make every effort to expedite the  
2 implementation of the enhancements. The replacement MMIS shall have the capability to fully  
3 implement the administration of NC Health Choice, Ticket to Work, CAP Children's Program,  
4 all relevant Medicaid waivers, and the Medicare 646 waiver as it applies to Medicaid eligibles.

5           **SECTION 12A.4.(d)** The Office of the State Chief Information Officer (SCIO) and  
6 the Office of Information Technology Services (ITS) shall work in cooperation with the  
7 Department to ensure the timely and effective implementation of the replacement MMIS and  
8 any enhancements. The SCIO shall ensure that the replacement MMIS meets all State  
9 requirements for project management and shall immediately report any failure to meet these  
10 requirements to the Joint Legislative Oversight Committee on Health and Human Services, the  
11 Joint Legislative Oversight Committee on Information Technology, the Fiscal Research  
12 Division, and the Office of State Budget and Management. The SCIO shall also immediately  
13 report if any replacement MMIS project, or portion of a project, is listed as red in the project  
14 portfolio management tool.

15           **SECTION 12A.4.(e)** Notwithstanding G.S. 114-2.3, the Department shall consult  
16 with the Office of the SCIO concerning the retention of private counsel for the replacement  
17 MMIS, and as directed by the Office of the SCIO, retain private counsel with expertise in  
18 pertinent information technology and computer law to negotiate and review contract  
19 amendments associated with the replacement MMIS. The private counsel engaged by the  
20 Department shall review the replacement MMIS contract amendments between the Department  
21 and the vendors to ensure that the requirements of subsection (c) of this section are met in their  
22 entirety and that the terms of the contract amendments are in the State's best interest.

23           **SECTION 12A.4.(f)** The Department shall immediately report any changes to the  
24 replacement MMIS implementation schedules to the Joint Legislative Oversight Committee on  
25 Health and Human Services, the Joint Legislative Oversight Committee on Information  
26 Technology, the Fiscal Research Division, and the Office of State Budget and Management,  
27 with a full explanation of the reason for the change and any associated costs.

28           **SECTION 12A.4.(g)** The Department shall provide the following reports on the  
29 replacement MMIS by the dates specified in this subsection to the Joint Legislative Oversight  
30 Committee on Health and Human Services, the Joint Legislative Oversight Committee on  
31 Information Technology, the Fiscal Research Division, and the Office of State Budget and  
32 Management:

- 33           (1) By no later than September 1, 2013, a progress report on full implementation  
34 of the replacement MMIS, which shall include at least all of the following:  
35           a. Any issues encountered following the "go-live" date of July 1, 2013,  
36 and how each issue was resolved.  
37           b. Any system requirements for manual workarounds and the time line  
38 for implementing an automated solution for each manual  
39 workaround.  
40           c. Required capabilities that are not available in the replacement MMIS  
41 on the "go-live" date of July 1, 2013, with a date for the  
42 implementation of each.
- 43           (2) By no later than November 1, 2013, a progress report on full implementation  
44 of the replacement MMIS, which shall include at least all of the following:  
45           a. An updated estimate of the costs associated with operating and  
46 maintaining the system during the 2013-2014 and 2014-2015 fiscal  
47 years, with an explanation for any changes from previous  
48 submissions.  
49           b. The cost, if any, associated with the resolution of each issue  
50 encountered following the "go-live" date of July 1, 2013, and the  
51 source of funding for the associated cost.

- 1 c. The cost, if any, associated with any system requirements for manual
- 2 workarounds, the source of funding used to pay for the associated
- 3 cost, the cost associated with transitioning to each automated
- 4 solution, and the source of funding for each identified cost.
- 5 d. A comparison of timeliness and accuracy of payments for legacy
- 6 system and replacement system transactions, using the same criteria
- 7 for both.
- 8 e. The cost, if any, associated with implementation of any required
- 9 capabilities that are not available in the replacement MMIS on the
- 10 "go-live" date of July 1, 2013.
- 11 (3) By no later than December 1, 2013, a plan for the elimination of the Office
- 12 of Medicaid Management Information System Services (OMMISS) and the
- 13 transfer of its remaining operations to other Divisions within the Department
- 14 of Health and Human Services. This plan shall include at least all of the
- 15 following:
- 16 a. The specific operations to be transferred to other Divisions within the
- 17 Department, the specific Division to which each operation will be
- 18 transferred, the State personnel that will be impacted by each
- 19 transfer, costs associated with each transfer, and sources of funding
- 20 to enable the identified Divisions to assume these transferred
- 21 operations.
- 22 b. Any State personnel costs that will result from the dissolution of
- 23 OMMISS, including the costs of any severance payments and any
- 24 compensatory time earned during the course of the project, broken
- 25 down by employee; and any identified sources of funding to pay for
- 26 these personnel costs.
- 27 c. A plan for transitioning out of the space currently leased by the State
- 28 for OMMISS, costs associated with this transition, and any savings
- 29 that will result from the transition.
- 30 (4) By no later than January 15, 2014, a preliminary report on the Department's
- 31 plan for achieving system certification, which shall include at least all of the
- 32 following:
- 33 a. A description of the process.
- 34 b. A detailed time line.
- 35 c. Any issues that could impact the timing of system certification and
- 36 plans to mitigate identified issues.
- 37 d. Any costs associated with system certification.
- 38 e. Any identified funding sources to pay for costs associated with
- 39 system certification.

40 **SECTION 12A.4.(h)** The Department shall complete the Reporting and Analytics  
 41 Project solution simultaneously with the implementation of the replacement MMIS.

42 **SECTION 12A.4.(i)** Notwithstanding any other provision of law and to the extent  
 43 permitted by federal law, the Department shall not approve any overtime or compensatory time  
 44 related to the replacement MMIS after the replacement MMIS "go-live" date of July 1, 2013,  
 45 without the prior written approval of the Office of State Personnel for each specific instance of  
 46 overtime or compensatory time.

47  
 48 **FUNDING FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES**  
 49 **THROUGH TECHNOLOGY (NC FAST); REPORT ON ELIGIBILITY**  
 50 **DETERMINATIONS FOR THE EXCHANGE**

1           **SECTION 12A.6.(a)** Funds appropriated in this act in the amount of eight hundred  
2 sixty-four thousand six hundred fifty-five dollars (\$864,655) for State fiscal year 2014-2015  
3 along with the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families  
4 Accessing Services through Technology (NC FAST) project shall be used to match federal  
5 funds in fiscal years 2013-2014 and 2014-2015 to expedite the development and  
6 implementation of the Eligibility Information System (EIS), Child Care, Low Income Energy  
7 Assistance, and Crisis Intervention Programs, and Child Service components of the NC FAST  
8 project.

9           **SECTION 12A.6.(b)** The Department of Health and Human Services shall report  
10 on NC FAST's performance in providing eligibility determinations for Medicaid applicants on  
11 the federally facilitated Health Benefit Exchange, a required function of NC FAST directed by  
12 Section 2 of S.L. 2013-5. The report shall contain a description of the following:

- 13           (1) Funding sources, funding amounts, and expenditures for the project  
14 beginning in fiscal year 2012-2013 through the time of the report.
- 15           (2) Any challenges with the eligibility determination project and how NC FAST  
16 solved those challenges.
- 17           (3) The number of eligibility determinations performed for applicants on the  
18 federally facilitated Health Benefit Exchange, including an analysis of on  
19 what days and for how many persons eligibility determinations were  
20 performed as well as how many applicants were determined to be eligible.

21 The Department shall submit a report to the Joint Legislative Commission on Governmental  
22 Operations, the Joint Legislative Oversight Committee on Health and Human Services, and the  
23 Joint Legislative Oversight Committee on Information Technology three months after open  
24 enrollment begins for the federally facilitated Health Benefit Exchange.  
25

## 26 **LIABILITY INSURANCE**

27           **SECTION 12A.7.** Article 31 of Chapter 58 of the General Statutes is amended by  
28 adding a new section to read:

### 29 **"§ 58-31-26. Medical liability insurance for certain physicians and dentists.**

30           (a) The Secretary of the Department of Health and Human Services and the Secretary  
31 of the Department of Public Safety may provide medical liability insurance not to exceed one  
32 million dollars (\$1,000,000) per incident on behalf of employees of these Departments who are  
33 licensed to practice medicine or dentistry; on behalf of all licensed physicians who are faculty  
34 members of The University of North Carolina who perform work on a contractual basis for the  
35 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for  
36 incidents that occur in Division programs; and on behalf of physicians in all residency training  
37 programs from The University of North Carolina who are in training at institutions operated by  
38 the Department of Health and Human Services. This coverage may include commercial  
39 insurance or self-insurance and shall cover these individuals for their acts or omissions only  
40 while they are engaged in providing medical and dental services pursuant to their State  
41 employment or training.

42           (b) The coverage provided pursuant to this section shall not cover any individual for  
43 any act or omission that the individual knows or reasonably should know constitutes a violation  
44 of the applicable criminal laws of any state or the United States, or that arises out of any sexual,  
45 fraudulent, criminal, or malicious act or out of any act amounting to willful or wanton  
46 negligence.

47           (c) The coverage provided pursuant to this section shall not require any additional  
48 appropriations and, except as provided in subsection (a) of this section, shall not apply to any  
49 individual providing contractual service to the Department of Health and Human Services or  
50 the Department of Public Safety."  
51

**ELIMINATION OF UNNECESSARY AND REDUNDANT REPORTS**

**SECTION 12A.8.(a)** Eliminate Outcomes Evaluation Study on the Effectiveness of Substance Abuse Services Provided to Person Convicted of DWI. – G.S. 122C-142.1(j) is repealed.

**SECTION 12A.8.(b)** Eliminate Evaluation of Efficiency and Effectiveness of Family Resource Center Grant Program. – G.S. 143B-152.15(b) is repealed.

**SECTION 12A.8.(c)** Eliminate Annual Report on Progress of MH/DD/SAS State Plan. – G.S. 122C-102(c) is repealed.

**SECTION 12A.8.(d)** Eliminate Annual Report on North Carolina State Plan on Healthcare Associated Infections. – G.S. 130A-150(e) is repealed.

**SECTION 12A.8.(e)** Eliminate Annual Report on The Health Insurance Program for Children. – G.S. 108A-70.27(b) is repealed.

**SECTION 12A.8.(f)** Eliminate Annual Report by State Child Fatality Review Team. – G.S. 143B-150.20(h) is repealed.

**CANCER COORDINATION REPORTING**

**SECTION 12A.9.** G.S. 130A-33.51(b) reads as rewritten:

"(b) The Committee shall submit a written report not later than May 1, 1994, and not later than October 1 of each subsequent year, to ~~the Governor and to the Joint Legislative Commission on Governmental Operations.~~ the Secretary. The report shall address the progress in implementation of a cancer control program. The report shall include an accounting of funds expended and anticipated funding needs for full implementation of recommended programs."

**MEETINGS OF CANCER COORDINATION COMMITTEE**

**SECTION 12A.10.** G.S. 130A-33.50(b) reads as rewritten:

"(b) The Committee shall have up to 34 members, including the Secretary of the Department or the Secretary's designee. The members of the Committee shall elect a chair and vice-chair from among the Committee membership. The Committee shall meet not more than twice a year at the call of the chair. Six of the members shall be legislators, three of whom shall be appointed by the Speaker of the House of Representatives, and three of whom shall be appointed by the President Pro Tempore of the Senate. Four of the members shall be cancer survivors, two of whom shall be appointed by the Speaker of the House of Representatives, and two of whom shall be appointed by the President Pro Tempore of the Senate. The remainder of the members shall be appointed by the Governor as follows:

- (1) One member from the Department of Environment and Natural Resources;
- (2) Three members, one from each of the following: the Department, the Department of Public Instruction, and the North Carolina Community College System;
- (3) Four members representing the cancer control programs at North Carolina medical schools, one from each of the following: the University of North Carolina at Chapel Hill School of Medicine, the Bowman Gray School of Medicine, the Duke University School of Medicine, and the East Carolina University School of Medicine;
- (4) One member who is an oncology nurse representing the North Carolina Nurses Association;
- (5) One member representing the Cancer Committee of the North Carolina Medical Society;
- (6) One member representing the Old North State Medical Society;
- (7) One member representing the American Cancer Society, North Carolina Division, Inc.;
- (8) One member representing the North Carolina Hospital Association;

- 1 (9) One member representing the North Carolina Association of Local Health  
2 Directors;
- 3 (10) One member who is a primary care physician licensed to practice medicine  
4 in North Carolina;
- 5 (11) One member representing the American College of Surgeons;
- 6 (12) One member representing the North Carolina Oncology Society;
- 7 (13) One member representing the Association of North Carolina Cancer  
8 Registrars;
- 9 (14) One member representing the Medical Directors of the North Carolina  
10 Association of Health Plans; and
- 11 (15) Up to four additional members at large.

12 Except for the Secretary, the members shall be appointed for staggered four-year terms and  
13 until their successors are appointed and qualify. The Governor may remove any member of the  
14 Committee from office in accordance with the provisions of G.S. 143B-13. Members may  
15 succeed themselves for one term and may be appointed again after being off the Committee for  
16 one term."

## 17 18 ANNUAL REPORT OF LAPSED SALARY FUNDS

19 **SECTION 12A.11.** Section 10.20 of S.L. 2012-142 reads as rewritten:

20 "**SECTION 10.20.** Beginning no later than November 1, 2012, and annually thereafter, the  
21 Department of Health and Human Services shall submit ~~quarterly reports~~ a report to the Joint  
22 Legislative Oversight Committee on Health and Human Services, ~~the House Appropriations~~  
23 ~~Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health~~  
24 ~~and Human Services, Services~~ and the Fiscal Research Division on the use of lapsed salary  
25 funds by each Division within the Department. For each Division, the report shall include the  
26 following information about the preceding ~~calendar quarter~~ State fiscal year:

- 27 (1) The total amount of lapsed salary funds.
- 28 (2) The number of full-time equivalent positions comprising the lapsed salary  
29 funds.
- 30 (3) The Fund Code for each full-time equivalent position included in the number  
31 reported pursuant to subdivision (2) of this section.
- 32 (4) The purposes for which the Department expended lapsed salary funds."

## 33 34 PRISON REPORT

35 **SECTION 12A.12.** G.S. 148-19(d) reads as rewritten:

36 "(d) The Commission for Mental Health, Developmental Disabilities, and Substance  
37 Abuse Services shall adopt standards for the delivery of mental health and mental retardation  
38 services to inmates in the custody of the Division of Adult Correction of the Department of  
39 Public Safety. The Commission for Mental Health, Developmental Disabilities, and Substance  
40 Abuse Services shall give the Secretary of Public Safety an opportunity to review and comment  
41 on proposed standards prior to promulgation of such standards; however, final authority to  
42 determine such standards remains with the Commission. The Secretary of the Department of  
43 Health and Human Services shall designate an agency or agencies within the Department of  
44 Health and Human Services to monitor the implementation by the Division of Adult Correction  
45 of the Department of Public Safety of these standards and of substance abuse standards adopted  
46 by the Division of Adult Correction of the Department of Public Safety. ~~The Secretary of~~  
47 ~~Health and Human Services shall send a written report on the progress which the Division of~~  
48 ~~Adult Correction of the Department of Public Safety has made on the implementation of such~~  
49 ~~standards to the Governor, the Lieutenant Governor, and the Speaker of the House. Such~~  
50 ~~reports shall be made on an annual basis beginning January 1, 1978."~~

**MODIFICATIONS TO JUSTUS-WARREN TASK FORCE**

**SECTION 12A.13.** G.S. 143B-216.60 reads as rewritten:

**"§ 143B-216.60. The Justus-Warren Heart Disease and Stroke Prevention Task Force.**

...

(e) The Task Force shall meet ~~at least quarterly or more frequently~~ not more than twice annually at the call of the Chair.

~~(f) The Task Force Chair may establish committees for the purpose of making special studies pursuant to its duties, and may appoint non-Task Force members to serve on each committee as resource persons. Resource persons shall be voting members of the committees and shall receive subsistence and travel expenses in accordance with G.S. 138-5 and G.S. 138-6. Committees may meet with the frequency needed to accomplish the purposes of this section.~~

...."

**SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION****NC PRE-K**

**SECTION 12B.1.(a) Eligibility.** – The Department of Health and Human Services, Division of Child Development and Early Education, shall continue implementing the prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four years of age on or before August 31 of the program year. Income eligibility requirements for the program shall be based on a child whose family's gross income is at or below one hundred thirty percent (130%) of the federal poverty guidelines. In addition, any age-eligible child who is a child of either of the following shall be eligible for the program: (i) an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces, who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months or (ii) a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces, who was injured or killed while serving on active duty. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

**SECTION 12B.1.(b) Multiyear Contracts.** – The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for licensed private child care centers providing NC Pre-K classrooms.

**SECTION 12B.1.(c) Programmatic Standards.** – All entities operating prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements.

**SECTION 12B.1.(d) NC Pre-K Committees.** – The Division of Child Development and Early Education shall establish a standard decision-making process to be used by local NC Pre-K committees in awarding prekindergarten classroom slots and student selection.

**SECTION 12B.1.(e) SEEK.** – All prekindergarten classrooms shall be required to participate in the Subsidized Early Education for Kids (SEEK) accounting system to streamline the payment function for these classrooms with a goal of eliminating duplicative systems and streamlining the accounting and payment processes among the subsidy reimbursement systems. Prekindergarten funds transferred may be used to add these programs to SEEK.

**SECTION 12B.1.(f) Pilot Program.** – The Division of Child Development and Early Education shall create a pilot program that provides funding for NC Pre-K classrooms on a per classroom basis. The pilot program shall include three different NC Pre-K contractual

1 regions that are geographically diverse. The local NC Pre-K administrator shall contract with  
2 the provider for operation of a classroom established pursuant to the pilot program. The  
3 Division shall provide a report on the status of the pilot program to the Joint Legislative  
4 Oversight Committee on Health and Human Services and the Fiscal Research Division no later  
5 than January 31, 2014. The report shall include the following:

- 6 (1) The number of students served.
- 7 (2) The amount of funds paid for each classroom.
- 8 (3) The amount of funds paid per student.
- 9 (4) The student attendance records, parent satisfaction levels, teacher retention,  
10 and provider satisfaction levels for classrooms in the pilot program, as  
11 compared to classrooms having a traditional funding structure.
- 12 (5) Information on the number of students and students' families using the  
13 Subsidized Early Education for Kids (SEEK) system.
- 14 (6) A cost comparison of the classroom pilots to the average cost per student  
15 through the per student funding methodology.

16 **SECTION 12B.1.(g)** Reporting. – The Division of Child Development and Early  
17 Education shall submit an annual report no later than March 15 of each year to the Joint  
18 Legislative Commission on Governmental Operations, the Joint Legislative Oversight  
19 Committee on Health and Human Services, the Office of State Budget and Management, and  
20 the Fiscal Research Division. The report shall include the following:

- 21 (1) The number of children participating in the NC Pre-K program by county.
- 22 (2) The number of children participating in the NC Pre-K program who have  
23 never been served in other early education programs such as child care,  
24 public or private preschool, Head Start, Early Head Start, or early  
25 intervention programs.
- 26 (3) The expected NC Pre-K expenditures for the programs and the source of the  
27 local contributions.
- 28 (4) The results of an annual evaluation of the NC Pre-K program.

29 **SECTION 12B.1.(h)** Child Care Commission. – G.S. 143B-168.4(b) reads as  
30 rewritten:

31 "(b) Members shall be appointed as follows:

- 32 (1) Of the Governor's initial appointees, four shall be appointed for terms  
33 expiring June 30, ~~1986,2015~~, and three shall be appointed for terms expiring  
34 June 30, ~~1987,2016~~;
- 35 (2) Of the General Assembly's initial appointees appointed upon  
36 recommendation of the President of the Senate, two shall be appointed for  
37 terms expiring June 30, ~~1986,2015~~, and two shall be appointed for terms  
38 expiring June 30, ~~1987,2016~~;
- 39 (3) Of the General Assembly's initial appointees appointed upon  
40 recommendation of the Speaker of the House of Representatives, two shall  
41 be appointed for terms expiring June 30, ~~1986,2015~~, and two shall be  
42 appointed for terms expiring June 30, ~~1987,2016~~.

43 Appointments by the General Assembly shall be made in accordance with G.S. 120-121. After  
44 the initial appointees' terms have expired, all members shall be appointed to serve two-year  
45 terms. Any appointment to fill a vacancy on the Commission created by the resignation,  
46 dismissal, death, or disability of a member shall be for the balance of the unexpired term."

47 **SECTION 12B.1.(i)** The terms of all members currently serving on the Child Care  
48 Commission shall expire on January 1, 2014. A new Commission of 17 members shall be  
49 appointed in the manner provided by G.S. 143B-168.4(a) and (b), as amended in subsection (h)  
50 of this section. Members appointed pursuant to subsection (h) of this section shall be appointed  
51 no later than July 1, 2014.



**CHILD CARE SUBSIDY RATES**

**SECTION 12B.3.(a)** The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

**SECTION 12B.3.(b)** Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Fees shall be determined as follows:

<b>FAMILY SIZE</b>	<b>PERCENT OF GROSS FAMILY INCOME</b>
1-3	10%
4-5	9%
6 or more	8%

**SECTION 12B.3.(c)** Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

- (1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.
- (2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.
- (3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.
- (4) No payments shall be made for transportation services or registration fees charged by child care facilities.
- (5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment.
- (6) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

**SECTION 12B.3.(d)** Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

- (1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.
- (2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

**SECTION 12B.3.(e)** A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to parents for each age group of enrollees within the county. The Division of Child Development and Early Education shall also calculate a statewide rate and regional market rate for each rated license level for each age category.

1           **SECTION 12B.3.(f)** The Division of Child Development and Early Education  
2 shall continue implementing policies that improve the quality of child care for subsidized  
3 children, including a policy in which child care subsidies are paid, to the extent possible, for  
4 child care in the higher quality centers and homes only. The Division shall define higher  
5 quality, and subsidy funds shall not be paid for one- or two-star rated facilities. For those  
6 counties with an inadequate number of four- and five-star rated facilities, the Division shall  
7 continue a transition period that allows the facilities to continue to receive subsidy funds while  
8 the facilities work on the increased star ratings. The Division may allow exemptions in counties  
9 where there is an inadequate number of four- and five-star rated facilities for nonstar rated  
10 programs, such as religious programs.

11           **SECTION 12B.3.(g)** Facilities licensed pursuant to Article 7 of Chapter 110 of the  
12 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the  
13 program that provides for the purchase of care in child care facilities for minor children of  
14 needy families. Except as authorized by subsection (f) of this section, no separate licensing  
15 requirements shall be used to select facilities to participate. In addition, child care facilities  
16 shall be required to meet any additional applicable requirements of federal law or regulations.  
17 Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of  
18 the General Statutes shall meet the requirements established by other State law and by the  
19 Social Services Commission.

20           County departments of social services or other local contracting agencies shall not  
21 use a provider's failure to comply with requirements in addition to those specified in this  
22 subsection as a condition for reducing the provider's subsidized child care rate.

23           **SECTION 12B.3.(h)** Payment for subsidized child care services provided with  
24 Work First Block Grant funds shall comply with all regulations and policies issued by the  
25 Division of Child Development for the subsidized child care program.

26           **SECTION 12B.3.(i)** Noncitizen families who reside in this State legally shall be  
27 eligible for child care subsidies if all other conditions of eligibility are met. If all other  
28 conditions of eligibility are met, noncitizen families who reside in this State illegally shall be  
29 eligible for child care subsidies only if at least one of the following conditions is met:

- 30           (1) The child for whom a child care subsidy is sought is receiving child  
31 protective services or foster care services.
- 32           (2) The child for whom a child care subsidy is sought is developmentally  
33 delayed or at risk of being developmentally delayed.
- 34           (3) The child for whom a child care subsidy is sought is a citizen of the United  
35 States.

36           **SECTION 12B.3.(j)** Department of Health and Human Services, Division of Child  
37 Development and Early Education, shall require all county departments of social services to  
38 include on any forms used to determine eligibility for child care subsidy whether the family  
39 waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

#### 40 **CHILD CARE ALLOCATION FORMULA**

41           **SECTION 12B.4.(a)** The Department of Health and Human Services shall allocate  
42 child care subsidy voucher funds to pay the costs of necessary child care for minor children of  
43 needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children,  
44 Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each  
45 county's child care subsidy allocation. The Department of Health and Human Services shall use  
46 the following method when allocating federal and State child care funds, not including the  
47 aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc.,  
48 subsidy allocation:  
49

1 (1) Funds shall be allocated to a county based upon the projected cost of serving  
2 children under age 11 in families with all parents working who earn less than  
3 seventy-five percent (75%) of the State median income.

4 (2) The Department of Health and Human Services shall allocate to counties all  
5 State funds appropriated for child care subsidy and shall not withhold funds  
6 during the 2013-2014 and 2014-2015 fiscal years.

7 **SECTION 12B.4.(b)** When implementing the formula under subsection (a) of this  
8 section, the Department shall include the market rate increases in the formula process, rather  
9 than running these increases outside the formula process. Additionally, the Department shall do  
10 the following:

11 (1) Effective for fiscal year 2013-2014, use twenty-five percent (25%) annual  
12 implementation which reflects a four-year phase-in approach through the  
13 end of the current Census cycle.

14 (2) Effective immediately following the next new Census data release, use one-  
15 third (1/3) annual implementation, which reflects a three-year phase-in  
16 approach for each Census cycle thereafter going forward.

17 **SECTION 12B.4.(c)** The Department of Health and Human Services may  
18 reallocate unused child care subsidy voucher funds in order to meet the child care needs of  
19 low-income families. Any reallocation of funds shall be based upon the expenditures of all  
20 child care subsidy voucher funding, including North Carolina Partnership for Children, Inc.,  
21 funds within a county.

## 22 23 **CHILD CARE FUNDS MATCHING REQUIREMENTS**

24 **SECTION 12B.5.** No local matching funds may be required by the Department of  
25 Health and Human Services as a condition of any locality's receiving its initial allocation of  
26 child care funds appropriated by this act unless federal law requires a match. If the Department  
27 reallocates additional funds above twenty-five thousand dollars (\$25,000) to local purchasing  
28 agencies beyond their initial allocation, local purchasing agencies must provide a twenty  
29 percent (20%) local match to receive the reallocated funds. Matching requirements shall not  
30 apply when funds are allocated because of a disaster as defined in G.S. 166A-19.3(6).

## 31 32 **CHILD CARE REVOLVING LOAN**

33 **SECTION 12B.6.** Notwithstanding any law to the contrary, funds budgeted for the  
34 Child Care Revolving Loan Fund may be transferred to and invested by the financial institution  
35 contracted to operate the Fund. The principal and any income to the Fund may be used to make  
36 loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's  
37 cost of operating the Fund, or pay the Department's cost of administering the program.

## 38 39 **ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL 40 SERVICES**

41 **SECTION 12B.7.** The Department of Health and Human Services, Division of  
42 Child Development and Early Education, shall fund the allowance that county departments of  
43 social services may use for administrative costs at three percent (3%) of the county's total child  
44 care subsidy funds allocated in the Child Care Development Fund Block Grant plan or eighty  
45 thousand dollars (\$80,000), whichever is greater.

## 46 47 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES 48 ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT 49 ADJUSTMENTS**

50 **SECTION 12B.9.(a)** Policies. – The North Carolina Partnership for Children, Inc.,  
51 and its Board shall establish policies that focus the North Carolina Partnership for Children,

1 Inc.'s mission on improving child care quality in North Carolina for children from birth to five  
2 years of age. North Carolina Partnership for Children, Inc.-funded activities shall include  
3 assisting child care facilities with (i) improving quality, including helping one-, two-, and  
4 three-star rated facilities increase their star ratings and (ii) implementing prekindergarten  
5 programs. State funding for local partnerships shall also be used for evidence-based or  
6 evidence-informed programs for children from birth to five years of age that do the following:

- 7 (1) Increase children's literacy.
- 8 (2) Increase the parents' ability to raise healthy, successful children.
- 9 (3) Improve children's health.
- 10 (4) Assist four- and five-star rated facilities in improving and maintaining  
11 quality.

12 **SECTION 12B.9.(b)** Administration. – Administrative costs shall be equivalent to,  
13 on an average statewide basis for all local partnerships, not more than eight percent (8%) of the  
14 total statewide allocation to all local partnerships. For purposes of this subsection,  
15 administrative costs shall include costs associated with partnership oversight, business and  
16 financial management, general accounting, human resources, budgeting, purchasing,  
17 contracting, and information systems management. The North Carolina Partnership for  
18 Children, Inc., shall develop a single statewide contract management system that incorporates  
19 features of the required standard fiscal accountability plan described in  
20 G.S. 143B-168.12(a)(4). All local partnerships shall be required to participate in the contract  
21 management system and shall be directed by the North Carolina Partnership for Children, Inc.,  
22 to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency  
23 and effectiveness.

24 **SECTION 12B.9.(c)** Salaries. – The salary schedule developed and implemented  
25 by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State  
26 funds that may be used for the salary of the Executive Director of the North Carolina  
27 Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina  
28 Partnership for Children, Inc., shall base the schedule on the following criteria:

- 29 (1) The population of the area serviced by a local partnership.
- 30 (2) The amount of State funds administered.
- 31 (3) The amount of total funds administered.
- 32 (4) The professional experience of the individual to be compensated.
- 33 (5) Any other relevant factors pertaining to salary, as determined by the North  
34 Carolina Partnership for Children, Inc.

35 The salary schedule shall be used only to determine the maximum amount of State funds that  
36 may be used for compensation. Nothing in this subsection shall be construed to prohibit a local  
37 partnership from using non-State funds to supplement an individual's salary in excess of the  
38 amount set by the salary schedule established under this subsection.

39 **SECTION 12B.9.(d)** Match Requirements. – It is the intent of the General  
40 Assembly to continue to increase the percentage of the match of cash and in-kind contributions  
41 required of the North Carolina Partnership for Children, Inc., and the local partnerships. The  
42 North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate,  
43 be required to match one hundred percent (100%) of the total amount budgeted for the program  
44 in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children,  
45 Inc., and the local partnerships are required to match, contributions of cash shall be equal to at  
46 least eleven percent (11%), and in-kind donated resources shall be equal to no more than three  
47 percent (3%) for a total match requirement of fourteen percent (14%) for the 2013-2014 fiscal  
48 year; and contributions of cash shall be equal to at least eleven percent (11%), and in-kind  
49 donated resources shall be equal to no more than four percent (4%) for a total match  
50 requirement of fifteen percent (15%) for the 2014-2015 fiscal year. The North Carolina  
51 Partnership for Children, Inc., may carry forward any amount in excess of the required match

1 for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only  
2 in-kind contributions that are quantifiable shall be applied to the in-kind match requirement.  
3 Volunteer services may be treated as an in-kind contribution for the purpose of the match  
4 requirement of this subsection. Volunteer services that qualify as professional services shall be  
5 valued at the fair market value of those services. All other volunteer service hours shall be  
6 valued at the statewide average wage rate as calculated from data compiled by the Employment  
7 Security Commission in the Employment and Wages in North Carolina Annual Report for the  
8 most recent period for which data are available. Expenses, including both those paid by cash  
9 and in-kind contributions, incurred by other participating non-State entities contracting with the  
10 North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered  
11 resources available to meet the required private match. In order to qualify to meet the required  
12 private match, the expenses shall:

- 13 (1) Be verifiable from the contractor's records.
- 14 (2) If in-kind, other than volunteer services, be quantifiable in accordance with  
15 generally accepted accounting principles for nonprofit organizations.
- 16 (3) Not include expenses funded by State funds.
- 17 (4) Be supplemental to and not supplant preexisting resources for related  
18 program activities.
- 19 (5) Be incurred as a direct result of the Early Childhood Initiatives Program and  
20 be necessary and reasonable for the proper and efficient accomplishment of  
21 the Program's objectives.
- 22 (6) Be otherwise allowable under federal or State law.
- 23 (7) Be required and described in the contractual agreements approved by the  
24 North Carolina Partnership for Children, Inc., or the local partnership.
- 25 (8) Be reported to the North Carolina Partnership for Children, Inc., or the local  
26 partnership by the contractor in the same manner as reimbursable expenses.

27 Failure to obtain a fourteen percent (14%) match by June 30 of the 2013-2014 fiscal  
28 year and a fifteen percent (15%) match by June 30 of the 2014-2015 fiscal year shall result in a  
29 dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year.  
30 The North Carolina Partnership for Children, Inc., shall be responsible for compiling  
31 information on the private cash and in-kind contributions into a report that is submitted to the  
32 Joint Legislative Commission on Governmental Operations in a format that allows verification  
33 by the Department of Revenue. The same match requirements shall apply to any expansion  
34 funds appropriated by the General Assembly.

35 **SECTION 12B.9.(e) Bidding.** – The North Carolina Partnership for Children, Inc.,  
36 and all local partnerships shall use competitive bidding practices in contracting for goods and  
37 services on contract amounts as follows:

- 38 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures  
39 specified by a written policy to be developed by the Board of Directors of  
40 the North Carolina Partnership for Children, Inc.
- 41 (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen  
42 thousand dollars (\$15,000), three written quotes.
- 43 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than  
44 forty thousand dollars (\$40,000), a request for proposal process.
- 45 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for  
46 proposal process and advertising in a major newspaper.

47 **SECTION 12B.9.(f) Allocations.** – The North Carolina Partnership for Children,  
48 Inc., shall not reduce the allocation for counties with less than 35,000 in population below the  
49 2012-2013 funding level.

50 **SECTION 12B.9.(g) Performance-Based Evaluation.** – The Department of Health  
51 and Human Services shall continue to implement the performance-based evaluation system.

1           **SECTION 12B.9.(h)** Expenditure Restrictions. – The Department of Health and  
2 Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the  
3 allocation of funds for Early Childhood Education and Development Initiatives for State fiscal  
4 years 2013-2014 and 2014-2015 shall be administered and distributed in the following manner:

5           (1) Capital expenditures are prohibited for fiscal years 2013-2014 and  
6 2014-2015. For the purposes of this section, "capital expenditures" means  
7 expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).

8           (2) Expenditures of State funds for advertising and promotional activities are  
9 prohibited for fiscal years 2013-2014 and 2014-2015.

10 For fiscal years 2013-2014 and 2014-2015, local partnerships shall not spend any State funds  
11 on marketing campaigns, advertising, or any associated materials. Local partnerships may  
12 spend any private funds the local partnerships receive on those activities.

## 13 **SUBPART XII-C. DIVISION OF SOCIAL SERVICES**

### 14 **REVISE DATES/TANF BENEFIT IMPLEMENTATION**

15  
16           **SECTION 12C.1.(a)** The General Assembly approves the plan titled "North  
17 Carolina Temporary Assistance for Needy Families State Plan 2012-2015," prepared by the  
18 Department of Health and Human Services and presented to the General Assembly. The North  
19 Carolina Temporary Assistance for Needy Families State Plan covers the period October 1,  
20 2012, through September 30, 2015. The Department shall submit the State Plan, as revised in  
21 accordance with subsection (b) of this section and as amended by this act or any other act of the  
22 2013 General Assembly, to the United States Department of Health and Human Services.

23           **SECTION 12C.1.(b)** The counties approved as Electing Counties in the North  
24 Carolina Temporary Assistance for Needy Families State Plan 2012-2015, as approved by this  
25 section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

26           **SECTION 12C.1.(c)** Counties that submitted the letter of intent to remain as an  
27 Electing County or to be redesignated as an Electing County and the accompanying county plan  
28 for years 2012 through 2015 pursuant to G.S. 108A-27(e) shall operate under the Electing  
29 County budget requirements effective July 1, 2012. For programmatic purposes, all counties  
30 referred to in this subsection shall remain under their current county designation through  
31 September 30, 2015.

32           **SECTION 12C.1.(d)** For the 2013-2014 fiscal year, Electing Counties shall be  
33 held harmless to their Work First Family Assistance allocations for the 2012-2013 fiscal year,  
34 provided that remaining funds allocated for Work First Family Assistance and Work First  
35 Diversion Assistance are sufficient for payments made by the Department on behalf of  
36 Standard Counties pursuant to G.S. 108A-27.11(b).

37           **SECTION 12C.1.(e)** In the event that departmental projections of Work First  
38 Family Assistance and Work First Diversion Assistance for the 2013-2014 fiscal year indicate  
39 that remaining funds are insufficient for Work First Family Assistance and Work First  
40 Diversion Assistance payments to be made on behalf of Standard Counties, the Department is  
41 authorized to deallocate funds, of those allocated to Electing Counties for Work First Family  
42 Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for  
43 payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by  
44 the Office of State Budget and Management. If the Department adjusts the allocation set forth  
45 in subsection (d) of this section, then a report shall be made to the Joint Legislative  
46 Commission on Governmental Operations, the House of Representatives Appropriations  
47 Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health  
48 and Human Services, and the Fiscal Research Division.

**INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS**

**SECTION 12C.2.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be developed and implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

**SECTION 12C.2.(b)** The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of IFPS shall provide information and data that allows for the following:

- (1) An established follow-up system with a minimum of six months of follow-up services.
- (2) Detailed information on the specific interventions applied, including utilization indicators and performance measurement.
- (3) Cost-benefit data.
- (4) Data on long-term benefits associated with IFPS. This data shall be obtained by tracking families through the intervention process.
- (5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.
- (6) The number and percentage, by race, of children who received IFPS compared to the ratio of their distribution in the general population involved with Child Protective Services.

**SECTION 12C.2.(c)** The Department shall establish a performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

**CHILD CARING INSTITUTIONS**

**SECTION 12C.3.** Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

**USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

**SECTION 12C.4.** Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. The Division of Social Services shall design the Guardianship Assistance Program (GAP) in such a manner that no additional expenses are incurred beyond the funds budgeted for foster care. The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1. The Social Services Board shall adopt rules establishing a Guardianship Assistance Program to implement this section, including defining the phrase "legal guardian" as used in this section.

**CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

1           **SECTION 12C.5.(a)** Of the funds appropriated from the General Fund to the  
2 Department of Health and Human Services, the sum of one hundred eighty-seven thousand two  
3 hundred seventy-five dollars (\$187,275) for the 2013-2014 fiscal year and three hundred  
4 sixty-four thousand four hundred fifteen dollars (\$364,415) for the 2014-2015 fiscal year shall  
5 be used to expand support for the child welfare postsecondary support program for the  
6 educational needs of foster youth aging out of the foster care system and special needs children  
7 adopted from foster care after age 12 by providing assistance with the "cost of attendance" as  
8 that term is defined in 20 U.S.C. § 108711. These funds shall be allocated by the State  
9 Education Assistance Authority.

10           **SECTION 12C.5.(b)** Of the funds appropriated from the General Fund to the  
11 Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for the  
12 2013-2014 fiscal year and the sum of fifty thousand dollars (\$50,000) for the 2014-2015 fiscal  
13 year shall be allocated to the North Carolina State Education Assistance Authority (SEAA).  
14 The SEAA shall use these funds only to perform administrative functions necessary to manage  
15 and distribute scholarship funds under the child welfare postsecondary support program.

16           **SECTION 12C.5.(c)** Of the funds appropriated from the General Fund to the  
17 Department of Health and Human Services, the sum of three hundred thirty-nine thousand four  
18 hundred ninety-three dollars (\$339,493) for the 2013-2014 fiscal year and the sum of three  
19 hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2014-2015  
20 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary  
21 support program described under subsection (a) of this section, which administration shall  
22 include the performance of case management services.

23           **SECTION 12C.5.(d)** Funds appropriated to the Department of Health and Human  
24 Services for the child welfare postsecondary support program shall be used only for students  
25 attending public institutions of higher education in this State.

## 26 27 **WORK FIRST FAMILY ASSISTANCE ELIGIBILITY AND PAYMENT LEVELS**

28           **SECTION 12C.8.** The maximum net family annual income eligibility standards for  
29 Work First Family Assistance are the same standards of need for eligibility for the categorically  
30 needy under the Medicaid Program. The payment level for Work First Family Assistance shall  
31 be fifty percent (50%) of the standard of need.

## 32 33 **REVISE DUTIES OF STATE CHILD FATALITY PREVENTION TEAM/REPEAL** 34 **TASK FORCE**

35           **SECTION 12C.9.(a)** G.S. 7B-1405 reads as rewritten:

36 **"§ 7B-1405. State Team – duties.**

37       The State Team shall:

38       ...

- 39       (2) ~~Report to the Task Force during the existence of the Task Force, in the~~  
40 ~~format and at the time required by the Task Force, on the State Team's~~  
41 ~~activities and its recommendations for changes to any law, rule, and policy~~  
42 ~~that would promote the safety and well-being of children;~~

43       ...

44       The State Team may report to the Governor or General Assembly, within the first week of  
45 the convening or reconvening of the General Assembly, on the State Team's activities and its  
46 recommendations for changes to any law, rule, or policy that would promote the safety and  
47 well-being of children. Any recommendations of changes to law, rule, or policy shall be  
48 accompanied by specific legislative or policy proposals and detailed fiscal notes setting forth  
49 the costs to the State."

50           **SECTION 12C.9.(b)** G.S. 7B-1413 reads as rewritten:

51 **"§ 7B-1413. Access to records.**



1 (a) ~~The State Team, the Local Teams, and the Task Force during its existence, Team and~~  
2 ~~the Local Teams~~ shall have access to all medical records, hospital records, and records  
3 maintained by this State, any county, or any local agency as necessary to carry out the purposes  
4 of this Article, including police investigations data, medical examiner investigative data, health  
5 records, mental health records, and social services records. ~~The State Team, the Task~~  
6 ~~Force, Team~~ and the Local Teams shall not, as part of the reviews authorized under this Article,  
7 contact, question, or interview the child, the parent of the child, or any other family member of  
8 the child whose record is being reviewed. Any member of a Local Team may share, only in an  
9 official meeting of that Local Team, any information available to that member that the Local  
10 Team needs to carry out its duties.

11 ...

12 (c) All otherwise confidential information and records acquired by the State ~~Team, the~~  
13 ~~Local Teams, and the Task Force during its existence, Team and the Local Teams~~ in the  
14 exercise of their duties are confidential; are not subject to discovery or introduction into  
15 evidence in any proceedings; and may only be disclosed as necessary to carry out the purposes  
16 of the State ~~Team, the Local Teams, and the Task Force, Team and the Local Teams.~~ In  
17 addition, all otherwise confidential information and records created by a Local Team in the  
18 exercise of its duties are confidential; are not subject to discovery or introduction into evidence  
19 in any proceedings; and may only be disclosed as necessary to carry out the purposes of the  
20 Local Team. No member of the State Team, a Local Team, nor any person who attends a  
21 meeting of the State Team or a Local Team, may testify in any proceeding about what  
22 transpired at the meeting, about information presented at the meeting, or about opinions formed  
23 by the person as a result of the meetings. This subsection shall not, however, prohibit a person  
24 from testifying in a civil or criminal action about matters within that person's independent  
25 knowledge.

26 ...."

27 **SECTION 12C.9.(c)** G.S. 7B-1414 reads as rewritten:

28 "**§ 7B-1414. Administration; funding.**

29 (a) To the extent of funds available, the ~~chairs of the Task Force and~~ State Team may  
30 hire staff or consultants to assist ~~the Task Force and~~ the State Team in completing ~~their~~ its  
31 duties.

32 (b) Members, staff, and consultants of the ~~Task Force or~~ State Team shall receive travel  
33 and subsistence expenses in accordance with the provisions of G.S. 138-5 or G.S. 138-6, as the  
34 case may be, paid from funds appropriated to implement this Article and within the limits of  
35 those funds.

36 ~~(c) With the approval of the Legislative Services Commission, legislative staff and~~  
37 ~~space in the Legislative Building and the Legislative Office Building may be made available to~~  
38 ~~the Task Force."~~

39 **SECTION 12C.9.(d)** G.S. 7B-1401(4) is repealed.

40 **SECTION 12C.9.(e)** G.S. 7B-1402, 7B-1403, and 7B-1412 are repealed.

41 **SECTION 12C.9.(f)** The Revisor of Statutes shall delete the phrases "Child  
42 Fatality Task Force" or "North Carolina Child Fatality Task Force" wherever those phrases  
43 appear in Article 14 of Chapter 7B of the General Statutes or anywhere in the General Statutes.  
44 In making the changes authorized by this subsection, the Revisor is also authorized to adjust  
45 subject and verb agreement and the placement of conjunctions.

46 **SECTION 12C.9.(g)** This section becomes effective July 1, 2014.

## 47 **A FAMILY FOR EVERY CHILD/PROVISION OF FOSTER CARE**

48 **SECTION 12C.10.(a)** Of the funds appropriated in this act to the Department of  
49 Health and Human Services, Division of Social Services, the sum of one million five hundred  
50 thousand dollars (\$1,500,000) for the 2013-2014 fiscal year and the sum of one million five  
51

1 hundred thousand dollars (\$1,500,000) for the 2014-2015 fiscal year shall be used to restore  
2 funding to the Adoption Promotion Fund to (i) reimburse private nonprofit organizations  
3 pursuant to performance-based contracts to support adoption programs and (ii) provide a  
4 financial incentive to public county departments of social services to complete adoptions above  
5 an established baseline.

6 **SECTION 12C.10.(b)** Of the funds appropriated in this act to the Department of  
7 Health and Human Services, Division of Social Services, the sum of one million dollars  
8 (\$1,000,000) for the 2013-2014 fiscal year and the sum of two million seven hundred fifty  
9 thousand dollars (\$2,750,000) for the 2014-2015 fiscal year shall be used solely for the  
10 Permanency Innovation Initiative Fund for services provided by the Children's Home Society  
11 of North Carolina as established by G.S. 131D-10.9B, enacted in subsection (e) of this section.

12 **SECTION 12C.10.(c)** G.S. 108A-50.2 reads as rewritten:

13 "**§ 108A-50.2. Special Children Adoption Promotion Fund.**

14 (a) Funds appropriated by the General Assembly to the Department of Health and  
15 Human Services, Division of Social Services, for the ~~Special Children~~ Adoption Promotion  
16 Fund shall be used as provided in this section. The Division of Social Services of the  
17 Department of Health and Human Services, in consultation with the North Carolina  
18 Association of County Directors of Social Services and representatives of licensed private  
19 adoption agencies, shall develop guidelines for the awarding of funds to licensed public and  
20 private adoption agencies upon the adoption of children described in G.S. 108A-50 and in  
21 foster care. Payments received from the ~~Special Children~~ Adoption Promotion Fund by  
22 participating agencies shall be used exclusively to enhance the adoption services. No local  
23 match shall be required as a condition for receipt of these funds. In accordance with State rules  
24 for allowable costs, the ~~Special Children~~ Adoption Promotion Fund may be used for  
25 post-adoption services for families whose income exceeds two hundred percent (200%) of the  
26 federal poverty level.

27 (b) Of the total funds appropriated for the ~~Special Children~~ Adoption Promotion Fund  
28 each year, twenty percent (20%) of the total funds available shall be reserved for payment to  
29 participating private adoption agencies. If the funds reserved in this subsection for payments to  
30 private agencies have not been spent on or before March 31 of each State fiscal year, the  
31 Division of Social Services may reallocate those funds, in accordance with this section, to other  
32 participating adoption agencies.

33 (c) The Division of Social Services shall monitor the total expenditures in the ~~Special~~  
34 ~~Children~~ Adoption Promotion Fund and redistribute unspent funds to ensure that the funds are  
35 used in accordance with the guidelines established in subsection (a) of this section."

36 **SECTION 12C.10.(d)** G.S. 131D-10.1 through G.S. 131D-10.9 are recodified as  
37 Part 1 of Article 1A of Chapter 131D of the General Statutes.

38 **SECTION 12C.10.(e)** Article 1A of Chapter 131D of the General Statutes is  
39 amended by adding the following new Part to read:

40 "Part 2. A Family for Every Child Initiative.

41 "**§ 131D-10.9A. Permanency Innovation Initiative Oversight Committee created.**

42 (a) Creation and Membership. – The Permanency Innovation Initiative Oversight  
43 Committee is established. The Committee shall be located administratively in the General  
44 Assembly. The Committee shall consist of 11 members serving staggered terms. In making  
45 appointments, each appointing authority shall select members who have appropriate experience  
46 and knowledge of the issues to be examined by the Committee and shall strive to ensure racial,  
47 gender, and geographical diversity among the membership. The initial Committee members  
48 shall be appointed on or after July 1, 2013, as follows:

49 (1) Four members shall be appointed by the General Assembly upon  
50 recommendation of the Speaker of the House of Representatives. Of the  
51 members appointed under this subdivision, at least one shall be a member of

1 the judiciary who shall serve for a term of two years and at least one shall be  
2 a representative from the Children's Home Society of North Carolina who  
3 shall serve for a term of three years. One member of the House shall be  
4 appointed for a one-year term. The remaining appointee shall serve a  
5 one-year term.

6 (2) Four members shall be appointed by the General Assembly upon the  
7 recommendation of the President Pro Tempore of the Senate. Of the  
8 members appointed under this subdivision, at least one shall be a  
9 representative from the Department of Health and Human Services, Division  
10 of Social Services, who shall serve for a term of two years and at least one  
11 shall be a representative from The Duke Endowment who shall serve for a  
12 term of three years. One member of the Senate shall be appointed for a  
13 one-year term. The remaining appointee shall serve a one-year term.

14 (3) Three members shall be appointed by the Governor. Of the members  
15 appointed under this subdivision, at least one shall be a representative from a  
16 county department of social services who shall serve for a term of three  
17 years and at least one shall be a representative from the University of North  
18 Carolina at Chapel Hill who shall serve for a term of two years. The  
19 remaining member shall serve a one-year term.

20 (b) Terms. – Upon the expiration of the terms of the initial Committee members, each  
21 member shall be appointed for a term of three years and shall serve until a successor is  
22 appointed. No member may serve more than two consecutive full terms. A vacancy shall be  
23 filled within 30 days by the authority making the initial appointment.

24 (c) Purpose and Powers. – The Committee shall:

25 (1) Design and implement a data tracking methodology to collect and analyze  
26 information to gauge the success of the initiative.

27 (2) Develop a methodology to identify short- and long-term cost-savings in the  
28 provision of foster care and any potential reinvestment strategies.

29 (3) Oversee program implementation to ensure fidelity to the program models  
30 identified under subdivisions (1) and (2) of G.S. 131D-10.9B(a).

31 (4) Study, review, and recommend other policies and services that may  
32 positively impact permanency and well-being outcomes.

33 (d) Reports. – The Committee shall report its analysis and any findings and  
34 recommendations to the General Assembly by September 15 of each year.

35 (e) Organization. – The President Pro Tempore of the Senate and the Speaker of the  
36 House of Representatives shall each designate a cochair of the Committee. The Committee  
37 shall meet at least once a quarter upon the joint call of the cochairs. A quorum of the  
38 Committee is seven members. No action may be taken except by a majority vote at a meeting at  
39 which a quorum is present.

40 (f) Funding. – From funds available to the General Assembly, the Legislative Services  
41 Commission shall allocate monies to fund the work of the Committee. Members of the  
42 Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1 and  
43 G.S. 138-5.

44 (g) Staff. – The Legislative Services Commission, through the Legislative Services  
45 Officer, shall assign professional staff to assist the Committee in its work. Upon the direction  
46 of the Legislative Services Commission, the Director of Legislative Assistants of the Senate  
47 and of the House of Representatives shall assign clerical staff to the Committee. The expenses  
48 for clerical employees shall be borne by the Committee.

49 **"§ 131D-10.9B. Permanency Innovation Initiative Fund.**

50 (a) There is created the Permanency Innovation Initiative Fund that will support a  
51 demonstration project with services provided by Children's Home Society of North Carolina to

1 (i) improve permanency outcomes for children living in foster care through reunification with  
2 parents, providing placement or guardianship with other relatives, or adoption, (ii) improve  
3 engagement with biological relatives of children in or at risk of entering foster care, and (iii)  
4 reduce costs associated with maintaining children in foster care. In implementing these goals,  
5 the Permanency Innovation Initiative Fund shall support the following strategies:

6 (1) Family Finding, which is a program that uses intensive biological family  
7 engagement services to discover and engage biological relatives of children  
8 living in public foster care to provide permanent emotional and relational  
9 support, including adoption, legal guardianship, or legal custody.

10 (2) Child Specific Adoption Recruitment Services, which is a program that  
11 follows the Wendy's Wonderful Kids Model as developed by The Dave  
12 Thomas Foundation for Adoption and works with children in public foster  
13 care to develop and execute adoption recruitment plans tailored to the needs  
14 of the individual child.

15 (3) Permanency Training Services, which are services delivered by Children's  
16 Home Society of North Carolina to assess the readiness of county  
17 departments of social services to implement the permanency strategies under  
18 subdivisions (1) and (2) of this subsection and provide training services to  
19 support the delivery of the services.

20 (b) This program shall not constitute an entitlement and is subject to the availability of  
21 funds.

22 (c) The Social Services Commission shall adopt rules to implement the provisions of  
23 this section."

## 24 **SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES**

### 25 **TIERED STATE-COUNTY SPECIAL ASSISTANCE PILOT**

26 **SECTION 12D.2.(a)** It is the intent of the General Assembly to create a  
27 State-County Special Assistance program that allows counties greater flexibility in serving  
28 individual needs within their communities and greater control over how county funds are used  
29 to support this program in light of the fact that counties are required to pay for fifty percent  
30 (50%) of the costs of this program. To that end, the General Assembly directs the Department  
31 of Health and Human Services to establish a pilot program in accordance with subsection (b) of  
32 this section.

33 **SECTION 12D.2.(b)** The Department of Health and Human Services, Division of  
34 Aging and Adult Services, shall establish a pilot program to implement a tiered rate structure  
35 within the State-County Special Assistance program for individuals residing in group homes,  
36 in-home living arrangements, and assisted living residences as defined in G.S. 131D-2.1. The  
37 purposes of the pilot program are to (i) determine the best way to implement a block grant for  
38 this program statewide and (ii) test the feasibility and effectiveness of implementing a tiered  
39 rate structure to address program participants' intensity of need, including medication  
40 management. The Department shall select a minimum of four and a maximum of six counties  
41 to participate in the pilot program, at least two of which shall be rural counties and at least two  
42 of which shall be urban counties. The pilot program shall (i) be implemented during the  
43 2013-2014 fiscal year, (ii) operate for at least a 12-month period, and (iii) comply with any  
44 agreements in effect between the State of North Carolina and the United States government.

45 **SECTION 12D.2.(c)** The Department shall implement the pilot program in  
46 collaboration with the local departments of social services in the counties selected for  
47 participation. As part of the pilot program, the selected counties shall receive a State General  
48 Fund allocation as a block grant to be equally matched with county general funds. The General  
49 Fund allocation provided to each county participating in the pilot program shall be calculated  
50  
51

1 based upon the average annual Special Assistance expenditures for that county during the  
2 2011-2013 fiscal biennium, adjusted for the amount of projected annual growth in the number  
3 of Special Assistance recipients in that county during the 2013-2015 fiscal biennium. These  
4 funds may be used to pay for room, board, and personal care services, including medication  
5 management, for individuals eligible to receive State-County Special Assistance, subject to the  
6 following limitations and requirements:

- 7 (1) These funds shall not be used to cover any portion of the cost of providing  
8 services for which an individual receives Medicaid coverage.
- 9 (2) The pilot program shall comply with all federal and State requirements  
10 governing the existing State-County Special Assistance program, except that  
11 Section 12D.3 does not apply to the pilot program.
- 12 (3) The tiered rate structure shall be based upon intensity of need, and an  
13 individual's placement within a tier shall be based upon an independent  
14 assessment of the individual's need for room, board, and assistance with  
15 activities of daily living, including medication management.

16 **SECTION 12D.2.(d)** By no later than February 1, 2014, the Department shall  
17 submit a progress report on the implementation and operation of the pilot program, including  
18 any obstacles to implementation; and by no later than February 1, 2015, the Department shall  
19 submit a final report on the results of the pilot program, along with any recommendations based  
20 on these results, to the Joint Legislative Oversight Committee on Health and Human Services  
21 and the Fiscal Research Division. The report due by February 1, 2015, shall include  
22 information from all participating counties on at least all of the following:

- 23 (1) The amount of the tiered rates implemented as part of the pilot program.
- 24 (2) The cost methodology for determining these tiered rates.
- 25 (3) The number of individuals participating in the pilot program while residing  
26 in a group home.
- 27 (4) The number of individuals participating in the pilot program while residing  
28 in an in-home living arrangement.
- 29 (5) The number of individuals participating in the pilot program while residing  
30 in an assisted living residence as defined by G.S. 131D-2.1, broken down by  
31 facility type.
- 32 (6) A comparison of the number of recipients of State-County Special  
33 Assistance prior to and during the pilot program, broken down by county  
34 and living arrangement.
- 35 (7) Any other information the Department deems relevant for determining the  
36 best way to implement a block grant statewide for the State-County Special  
37 Assistance program.

38 **SECTION 12D.2.(e)** As used in this section, the term "group home" means any  
39 facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition  
40 of a supervised living facility under 10A NCAC 27G .5601, and (iii) serves adults whose  
41 primary diagnosis is mental illness or a developmental disability but may also have other  
42 diagnoses.

#### 43 **STATE-COUNTY SPECIAL ASSISTANCE**

44 **SECTION 12D.3.(a)** For each year of the 2013-2015 fiscal biennium, the  
45 maximum monthly rate for residents in adult care home facilities shall be one thousand one  
46 hundred eighty-two dollars (\$1,182) per month per resident.

47 **SECTION 12D.3.(b)** For each year of the 2013-2015 fiscal biennium, the  
48 maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one  
49 thousand five hundred fifteen dollars (\$1,515) per month per resident.  
50  
51

**SUBPART XII-E. DIVISION OF PUBLIC HEALTH****PERMIT FEE INCREASE FOR CERTAIN FOOD AND LODGING ESTABLISHMENTS**

**SECTION 12E.1.(a)** G.S. 130A-247 is amended by adding a new subdivision to read:

"(8) "Temporary food establishment" means an establishment not otherwise exempted from this part pursuant to G.S. 130A-250 that (i) prepares or serves food, (ii) operates for a period of time not to exceed 21 days in one location, and (iii) is affiliated with and endorsed by a transitory fair, carnival, circus, festival, or public exhibition."

**SECTION 12E.1.(b)** G.S. 130A-248(d) reads as rewritten:

"(d) The Department shall charge each establishment subject to this section, except nutrition programs for the elderly administered by the Division of Aging and Adult Services of the Department of Health and Human Services, establishments that prepare and sell meat food products or poultry products, temporary food establishments, limited food services establishments, and public school cafeterias, a fee of ~~seventy-five ninety-five dollars (\$75.00)~~ (\$95.00) for each permit issued. This fee shall be reassessed annually for permits that do not expire. The Commission shall adopt rules to implement this subsection. Fees collected under this subsection shall be used for State and local food, lodging, and institution sanitation programs and activities. No more than ~~thirty three and one third percent (33 1/3%)~~ of the fees twenty-five dollars (\$25.00) of each fee collected under this subsection may be used to support State health programs and activities."

**SECTION 12E.1.(c)** G.S. 130A-248(d1) reads as rewritten:

"(d1) The Department shall charge a twenty-five dollar (\$25.00) late payment fee to any establishment subject to this section, except nutrition programs for the elderly administered by the Division of Aging of the Department of Health and Human Services, establishments that prepare and sell meat food products or poultry products, temporary food establishments, limited food services establishments, and public school cafeterias, that fails to pay the fee required by subsection (d) of this section within 45 days after billing by the Department. The Department may, in accordance with G.S. 130A-23, suspend the permit of an establishment that fails to pay the required fee within 60 days after billing by the Department. The Department shall charge a reinstatement fee of one hundred fifty dollars (\$150.00) to any establishment that requests reinstatement of its permit after the permit has been suspended. The Commission shall adopt rules to implement this subsection.

The clear proceeds of civil penalties collected pursuant to this subsection shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2."

**SECTION 12E.1.(d)** G.S. 130A-248 is amended by adding a new subsection to read:

"(d2) A local health department shall charge each temporary food establishment and each limited food services establishment a fee of seventy-five dollars (\$75.00) for each permit issued. A local health department shall use all fees collected under this subsection for local food, lodging, and institution sanitation programs and activities."

**SECTION 12E.1.(e)** Subsections (a) through (d) of this section become effective on July 1, 2013, and apply to food and lodging permits effective or reassessed on or after July 1, 2013.

**SECTION 12E.1.(f)** Section 31.11A of S.L. 2011-145, as amended by Section 61A of S.L. 2011-391 and Section 10.15 of S.L. 2012-142, is repealed.

**FUNDS FOR SCHOOL NURSES**

1           **SECTION 12E.3.(a)** All funds appropriated in this act for the School Nurse  
2 Funding Initiative shall be used to supplement and not supplant other State, local, or federal  
3 funds appropriated or allocated for this purpose. Communities shall maintain their current level  
4 of effort and funding for school nurses. These funds shall not be used to fund nurses for State  
5 agencies. These funds shall be distributed to local health departments according to a formula  
6 that includes all of the following:

- 7           (1) School nurse-to-student ratio.
- 8           (2) Percentage of students eligible for free or reduced meals.
- 9           (3) Percentage of children in poverty.
- 10          (4) Per capita income.
- 11          (5) Eligibility as a low-wealth county.
- 12          (6) Mortality rates for children between one and 19 years of age.
- 13          (7) Percentage of students with chronic illnesses.
- 14          (8) Percentage of county population consisting of minority persons.

15           **SECTION 12E.3.(b)** The Division of Public Health shall ensure that school nurses  
16 funded with State funds (i) do not assist in any instructional or administrative duties associated  
17 with a school's curriculum and (ii) perform all of the following with respect to school health  
18 programs:

- 19          (1) Serve as the coordinator of the health services program and provide nursing  
20 care.
- 21          (2) Provide health education to students, staff, and parents.
- 22          (3) Identify health and safety concerns in the school environment and promote a  
23 nurturing school environment.
- 24          (4) Support healthy food services programs.
- 25          (5) Promote healthy physical education, sports policies, and practices.
- 26          (6) Provide health counseling, assess mental health needs, provide interventions,  
27 and refer students to appropriate school staff or community agencies.
- 28          (7) Promote community involvement in assuring a healthy school and serve as  
29 school liaison to a health advisory committee.
- 30          (8) Provide health education and counseling and promote healthy activities and  
31 a healthy environment for school staff.
- 32          (9) Be available to assist the county health department during a public health  
33 emergency.

34           **SECTION 12E.3.(c)** Section 6.9(b) of S.L. 2011-145, as amended by Section 6.2  
35 of S.L. 2012-142, is repealed.

## 36 37 **CHILDREN'S DEVELOPMENTAL SERVICE AGENCIES**

38           **SECTION 12E.4.** In order to reduce the amount of State funds appropriated for the  
39 Children's Developmental Service Agencies (CDSAs) program, the Department of Health and  
40 Human Services, Division of Public Health, shall close four CDSAs, effective July 1, 2014.  
41 The Department shall retain the CDSA located in the City of Morganton and the CDSAs with  
42 the highest caseloads of children residing in rural and medically underserved areas. By no later  
43 than March 1, 2014, the Department shall submit a report to the Joint Legislative Oversight  
44 Committee on Health and Human Services and the Fiscal Research Division identifying the  
45 four CDSAs selected for closure in accordance with this section.

## 46 47 **AIDS DRUG ASSISTANCE PROGRAM**

48           **SECTION 12E.5.(a)** The Department of Health and Human Services shall work  
49 with the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for  
50 the treatment of individuals in the custody of DPS who have been diagnosed with Human  
51 Immunodeficiency Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner

1 that allows these funds to be accounted for as State matching funds in the Department of Health  
2 and Human Services drawdown of federal Ryan White funds earmarked for the AIDS Drug  
3 Assistance Program (ADAP).

4 **SECTION 12E.5.(b)** By no later than April 1, 2014, and by no later than April 1,  
5 2015, the Department of Health and Human Services, Division of Public Health, shall submit a  
6 report to the Joint Legislative Oversight Committee on Health and Human Services and the  
7 Fiscal Research Division on alternative options for serving individuals diagnosed with  
8 HIV/AIDS who are eligible to receive services under ADAP, including the State Medicaid  
9 program and the federally facilitated Health Benefit Exchange that will operate in this State.

#### 10 11 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE**

12 **SECTION 12E.6.(a)** Funds appropriated in this act to the Department of Health  
13 and Human Services, Division of Public Health, for the Community-Focused Eliminating  
14 Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid  
15 to close the gap in the health status of African-Americans, Hispanics/Latinos, and American  
16 Indians as compared to the health status of white persons. These grants-in-aid shall focus on the  
17 use of measures to eliminate or reduce health disparities among minority populations in this  
18 State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer.  
19 The Office of Minority Health shall coordinate and implement the grants-in-aid program  
20 authorized by this section.

21 **SECTION 12E.6.(b)** In implementing the grants-in-aid program authorized by  
22 subsection (a) of this section, the Department shall ensure all of the following:

- 23 (1) The amount of any grant-in-aid is limited to three hundred thousand dollars  
24 (\$300,000).
- 25 (2) Only community-based organizations, faith-based organizations, local health  
26 departments, hospitals, and CCNC networks located in urban and rural areas  
27 of the western, eastern, and Piedmont areas of this State are eligible to apply  
28 for these grants-in-aid. No more than four grants-in-aid shall be awarded to  
29 applicants located in any one of the three areas specified in this subdivision.
- 30 (3) Each eligible applicant shall be required to demonstrate substantial  
31 participation and involvement with all other categories of eligible applicants,  
32 in order to ensure an evidence-based medical home model that will affect  
33 change in health and geographic disparities.
- 34 (4) Eligible applicants shall select one or more of the following chronic illnesses  
35 or conditions specific to the applicant's geographic area as the basis for  
36 applying for a grant-in-aid under this section to affect change in the health  
37 status of African-Americans, Hispanics/Latinos, or American Indians:
  - 38 a. Heart Disease.
  - 39 b. Stroke.
  - 40 c. Diabetes.
  - 41 d. Obesity.
  - 42 e. Asthma.
  - 43 f. HIV/AIDS.
  - 44 g. Cancer.
- 45 (5) The minimum duration of the grant period for any grant-in-aid is two years.
- 46 (6) The maximum duration of the grant period for any grant-in-aid is three  
47 years.
- 48 (7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight  
49 percent (8%) of the grant funds for overhead costs and (ii) shall be required  
50 at the end of the grant period to demonstrate significant gains in addressing



1 one or more of the health disparity focus areas identified in subsection (a) of  
2 this section.

- 3 (8) An independent panel with expertise in the delivery of services to minority  
4 populations, health disparities, chronic illnesses and conditions, and  
5 HIV/AIDS shall conduct the review of applications for grants-in-aid. The  
6 Department shall establish the independent panel required by this section.

7 **SECTION 12E.6.(c)** The grants-in-aid awarded under this section shall be awarded  
8 in honor of the memory of the following deceased members of the General Assembly: Bernard  
9 Allen, Pete Cunningham, John Hall, Robert Holloman, Howard Hunter, Ed Jones, Jeanne  
10 Lucas, Vernon Malone, William Martin, and William Wainwright. These funds shall be used  
11 for concerted efforts to address large gaps in health status among North Carolinians who are  
12 African-American, as well as disparities among other minority populations in North Carolina.

13 **SECTION 12E.6.(d)** Section 10.21(d) of S.L. 2011-145 reads as rewritten:

14 "**SECTION 10.21.(d)** By ~~October 1, 2012, and annually thereafter,~~ October 1, 2013, the  
15 Department shall submit a report to ~~the House of Representatives Appropriations~~  
16 ~~Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health~~  
17 ~~and Human Services, the Joint Legislative Oversight Committee on Health and Human~~  
18 Services and the Fiscal Research Division on funds appropriated to the CFEHDI. The report  
19 shall include specific activities undertaken pursuant to subsection (a) of this section to address  
20 large gaps in health status among North Carolinians who are African-American and other  
21 minority populations in this State, and shall also address all of the following:

- 22 (1) Which community-based organizations, faith-based organizations, local  
23 health departments, hospitals, and CCNC networks received CFEHDI  
24 grants-in-aid.  
25 (2) The amount of funding awarded to each grantee.  
26 (3) Which of the minority populations were served by each grantee.  
27 (4) Which community-based organizations, faith-based organizations, local  
28 health departments, hospitals, and CCNC networks were involved in  
29 fulfilling the goals and activities of each grant-in-aid awarded under this  
30 section and what activities were planned and implemented by the grantee to  
31 fulfill the community focus of the CFEHDI program.  
32 (5) How the activities implemented by the grantee fulfilled the goal of reducing  
33 health disparities among minority populations, and the specific success in  
34 reducing particular incidences."  
35

## 36 STRATEGIES FOR IMPROVING MEN'S HEALTH

37 **SECTION 12E.7.** Article 7 of Chapter 130A of the General Statutes is amended by  
38 adding a new Part to read:

39 "Part 5A. Men's Health.

### 40 "§ 130A-223.1. Department to establish strategies for improving men's health.

41 The Department of Health and Human Services, Division of Public Health, Chronic Disease  
42 and Injury Prevention Section, shall work to expand the State's attention and focus on the  
43 prevention of disease and improvement in the quality of life for men over their entire lifespan.  
44 The Department shall develop strategies for achieving these goals, which shall include, but not  
45 be limited to, all of the following:

- 46 (1) Developing a strategic plan to improve health care services.  
47 (2) Building public health awareness.  
48 (3) Developing initiatives within existing programs.  
49 (4) Pursuing federal and State funding for the screening, early detection, and  
50 treatment of prostate cancer and other diseases affecting men's health."  
51

**INCREASE NORTH CAROLINA MEDICAL EXAMINER AUTOPSY FEES**

**SECTION 12E.8.(a)** G.S. 130A-389(a) reads as rewritten:

"(a) If, in the opinion of the medical examiner investigating the case or of the Chief Medical Examiner, it is advisable and in the public interest that an autopsy or other study be made; or, if an autopsy or other study is requested by the district attorney of the county or by any superior court judge, an autopsy or other study shall be made by the Chief Medical Examiner or by a competent pathologist designated by the Chief Medical Examiner. A complete autopsy report of findings and interpretations, prepared on forms designated for the purpose, shall be submitted promptly to the Chief Medical Examiner. Subject to the limitations of G.S. 130A-389.1 relating to photographs and video or audio recordings of an autopsy, a copy of the report shall be furnished to any person upon request. A fee for the autopsy or other study shall be paid by the State. However, if the deceased is a resident of the county in which the death or fatal injury occurred, that county shall pay the fee. The fee shall be one thousand two hundred fifty dollars (~~\$1,000~~)-(\$1,250)."

**SECTION 12E.8.(b)** This section becomes effective July 1, 2013, and applies to fees imposed for autopsies performed on or after that date.

**SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES****ESTABLISH STATEWIDE TELEPSYCHIATRY PROGRAM**

**SECTION 12F.1.(a)** By no later than August 15, 2013, the Office of Rural Health and Community Care of the Department of Health and Human Services shall develop and submit to the Senate Appropriations Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division a plan to implement a statewide telepsychiatry program to be administered by East Carolina University Center for Telepsychiatry and e-Behavioral Health (ECU Center for Telepsychiatry) pursuant to a contract between the Department and ECU Center for Telepsychiatry. The plan shall be substantially similar to the Albemarle Hospital Foundation telepsychiatry project currently operating in 14 hospitals in eastern North Carolina and shall allow all hospitals licensed to operate in the State under Chapter 131E or Chapter 122C of the General Statutes to participate in the telepsychiatry program, either as a consultant site or as a referring site. As used in this section, the terms "consultant site" and "referring site" are as defined in G.S. 143B-139.4B(a). In addition, the plan shall include at least all of the following:

- (1) Specific steps to be taken by ECU Center for Telepsychiatry, within specified time periods, to work toward implementation of the telepsychiatry program on a statewide basis.
- (2) Specific steps to be taken by the Department to oversee and monitor establishment and administration of the program.
- (3) Estimated program costs and rates of payment for telepsychiatry services.
- (4) Requirements for liability coverage related to participation in telepsychiatry.

**SECTION 12F.1.(b)** Article 3 of Chapter 143B of the General Statutes is amended by adding a new section to read:

**"§ 143B-139.4B. Office of Rural Health and Community Care to oversee and monitor establishment and administration of statewide telepsychiatry program.**

(a) The following definitions apply in this section:

- (1) Consultant site. – The hospital or other site at which the consulting provider is physically located at the time the consulting provider delivers the acute mental health or substance abuse care by means of telepsychiatry.

- 1           (2)   Hospital. – A facility licensed under Chapter 131E or Chapter 122C of the  
2           General Statutes, or a State facility listed in G.S. 122C-181.  
3           (3)   Referring site. – The hospital at which the patient is physically located.  
4           (4)   Telepsychiatry. – The delivery of acute mental health or substance abuse  
5           care, including diagnosis or treatment, by means of two-way real-time  
6           interactive audio and video by a consulting provider at a consultant site to an  
7           individual patient at a referring site. The term does not include the standard  
8           use of telephones, facsimile transmissions, unsecured electronic mail, or a  
9           combination of these in the course of care.  
10          (5)   Consulting provider. – A physician or other health care provider licensed in  
11          this State to provide acute mental health or substance abuse care.

12          (b)   The North Carolina Office of Rural Health and Community Care shall oversee the  
13          establishment and administration of a statewide telepsychiatry program that allows referring  
14          sites to utilize consulting providers at a consultant site to provide timely psychiatric assessment  
15          and rapid initiation of treatment for patients at the referring site experiencing an acute mental  
16          health or substance abuse crisis. The Office of Rural Health and Community Care shall contract  
17          with East Carolina University Center for Telepsychiatry and e-Behavioral Health to administer  
18          the telepsychiatry program. The contract shall include a provision requiring East Carolina  
19          University Center for Telepsychiatry and e-Behavioral Health to work toward implementing  
20          this program on a statewide basis by no later than January 1, 2014, and to report annually to the  
21          Office of Rural Health and Community Care on the following performance measures:

- 22               (1)   Number of consultant sites and referring sites participating in the program.  
23               (2)   Number of psychiatric assessments conducted under the program, reported  
24               by site or region.  
25               (3)   Length of stay of patients receiving telepsychiatry services in the emergency  
26               departments of hospitals participating in the program, reported by  
27               disposition.  
28               (4)   Number of involuntary commitments resulting from psychiatric assessments  
29               conducted by consulting providers under the program, reported by year and  
30               compared to prior years.

31          (c)   The Office of Rural Health and Community Care shall have all of the following  
32          powers and duties relative to the statewide telepsychiatry program:

- 33               (1)   Ongoing oversight and monitoring of the program.  
34               (2)   Ongoing monitoring of the performance of East Carolina University Center  
35               for Telepsychiatry and e-Behavioral Health under its contract with the  
36               Department, including all of the following:  
37                   a.   Review of the performance measures described in subsection (b) of  
38                   this section.  
39                   b.   Annual site visits to East Carolina University Center for  
40                   Telepsychiatry and e-Behavioral Health.  
41               (3)   Facilitation of program linkages with critical access hospitals and small rural  
42               hospitals.  
43               (4)   Conducting visits to referring sites and consultant sites to monitor  
44               implementation of the program; and upon implementation, conducting these  
45               site visits at least once annually.  
46               (5)   Addressing barriers and concerns identified by consulting providers,  
47               consultant sites, and referring sites participating in the program.  
48               (6)   Encouraging participation in the program by all potential consultant sites,  
49               consulting providers, and referring sites throughout the State, and promoting  
50               continued participation in the program by consultant sites, consulting  
51               providers, and referring sites throughout the State.

- 1           (7)    Compiling a list of recommendations for future tele-health initiatives, based  
2           on operation of the statewide telepsychiatry program.  
3           (8)    Reviewing on a quarterly basis the financial statements of East Carolina  
4           University Center for Telepsychiatry and e-Behavioral Health related to the  
5           telepsychiatry program in order to compare and monitor projected and actual  
6           program costs.  
7           (9)    Annually reporting to the Legislative Oversight Committee on Health and  
8           Human Services and the Fiscal Research Division on or before November  
9           1st on the operation and effectiveness of the program. The report shall  
10           include information on each of the performance measures described in  
11           subsection (b) of this section.

12           (d)    The Department shall adopt rules necessary to ensure the health and safety of  
13           patients who receive care, diagnosis, or treatment under the telepsychiatry program authorized  
14           by this section."

15           **SECTION 12F.1.(c)** From the funds appropriated in this act to the Department of  
16           Health and Human Services, Division of Central Management and Support, Office of Rural  
17           Health and Community Care, the sum of two million dollars (\$2,000,000) for the 2013-2014  
18           fiscal year and the sum of two million dollars (\$2,000,000) for the 2014-2015 fiscal year shall  
19           be used for the following purposes:

- 20           (1)    To enter into a contract with East Carolina University Center for  
21           Telepsychiatry and e-Behavioral Health for statewide implementation and  
22           administration of the telepsychiatry program authorized in  
23           G.S. 143B-139.4B of the General Statutes.  
24           (2)    To purchase needed telepsychiatry equipment for the State facilities listed in  
25           G.S. 122C-181 that participate in the statewide telepsychiatry program.

26           **SECTION 12F.1.(d)** Subsection (c) of this section becomes effective July 1, 2013.  
27           The remainder of this section is effective when it becomes law.

## 29   **FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

30           **SECTION 12F.2.(a)** Use of Funds. – Of the funds appropriated in Section 2.1 of  
31           this act to the Department of Health and Human Services, Division of Mental Health,  
32           Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of  
33           thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars  
34           (\$38,121,644) for the 2013-2014 fiscal year and the sum of thirty-eight million one hundred  
35           twenty-one thousand six hundred forty-four dollars (\$38,121,644) for the 2014-2015 fiscal year  
36           shall be used to purchase additional local inpatient psychiatric beds or bed days not currently  
37           funded by or through LME/MCOs. The Department shall develop and implement a two-tiered  
38           system of payment for purchasing these local inpatient psychiatric beds or bed days based on  
39           acuity level, with an enhanced rate of payment for inpatient psychiatric beds or bed days for  
40           individuals with higher acuity levels, as defined by the Department. The enhanced rate of  
41           payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels  
42           shall not exceed the lowest average cost per patient bed day among the State psychiatric  
43           hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing  
44           funds allocated to LME/MCOs for community-based mental health, developmental disabilities,  
45           and substance abuse services may be used to purchase additional local inpatient psychiatric  
46           beds or bed days. Funds designated in this subsection for the purchase of local inpatient  
47           psychiatric beds or bed days shall not be used to supplant other funds appropriated or otherwise  
48           available to the Department for the purchase of inpatient psychiatric services through contracts  
49           with local hospitals.

50           **SECTION 12F.2.(b)** Distribution and Management of Beds or Bed Days. – The  
51           Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased

1 in accordance with this section are distributed across the State in LME/MCO catchment areas  
2 and according to need as determined by the Department. The Department shall ensure that beds  
3 or bed days for individuals with higher acuity levels are distributed across the State in LME  
4 catchment areas, including any catchment areas served by managed care organizations, and  
5 according to greatest need based on hospital bed utilization data. The Department shall enter  
6 into contracts with LME/MCOs and local hospitals for the management of these beds or bed  
7 days. The Department shall work to ensure that these contracts are awarded equitably around  
8 all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric  
9 beds or bed days, including the determination of the specific local hospital or State psychiatric  
10 hospital to which an individual should be admitted pursuant to an involuntary commitment  
11 order.

12 **SECTION 12F.2.(c)** Funds to be Held in Statewide Reserve. – Funds appropriated  
13 to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be  
14 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental  
15 Health, Developmental Disabilities, and Substance Abuse Services to pay for services  
16 authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs.  
17 LME/MCOs shall remit claims for payment to the Department within 15 working days after  
18 receipt of a clean claim from the hospital and shall pay the hospital within 30 working days  
19 after receipt of payment from the Department.

20 **SECTION 12F.2.(d)** Ineffective LME/MCO Management of Beds or Bed Days. –  
21 If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed  
22 days for which it has responsibility, as evidenced by beds or bed days in the local hospital not  
23 being utilized while demand for services at the State psychiatric hospitals has not reduced, or  
24 (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c)  
25 of this section, the Department may contract with another LME/MCO to manage the beds or  
26 bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital  
27 directly.

28 **SECTION 12F.2.(e)** Reporting by LME/MCOs. – The Department shall establish  
29 reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

30 **SECTION 12F.2.(f)** Reporting by Department. – By no later than March 1, 2014,  
31 the Department shall report to the Joint Legislative Oversight Committee on Health and Human  
32 Services and the Fiscal Research Division on all of the following:

- 33 (1) A uniform system for beds or bed days purchased during the fiscal year  
34 ending June 30, 2013, from (i) funds appropriated in this act that are  
35 designated for this purpose in subsection (a) of this section, (ii) existing  
36 State appropriations, and (iii) local funds.
- 37 (2) Other Department initiatives funded by State appropriations to reduce State  
38 psychiatric hospital use.

39 **SECTION 12F.2.(g)** Repeal of Hospital Utilization Pilot. – Sections 10.49(s1)  
40 through 10.49(s5) of S.L. 2007-323 are repealed.

## 41 **FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM**

42 **SECTION 12F.3.(a)** Recurring funds appropriated in this act to the Department of  
43 Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
44 Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child  
45 Treatment Program (NC CTP) shall be used for the following purposes:

- 46 (1) To provide clinical training and coaching to licensed Medicaid clinicians on  
47 an array of evidence-based treatments and to provide a statewide platform to  
48 assure accountability and outcomes.
  - 49 (2) To maintain and manage a public roster of program graduates, linking  
50 high-quality clinicians with children, families, and professionals.
- 51

- 1 (3) To partner with State, LME/MCO, and private sector leadership to bring  
2 effective mental health treatment to children in juvenile justice and mental  
3 health facilities.

4 **SECTION 12F.3.(b)** Nonrecurring funds appropriated in this act to the Department  
5 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
6 Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child  
7 Treatment Program (NC CTP) shall be used to pay for the cost of developing a secure database  
8 for the NC CTP to track individual-level and aggregate-level data with interface capability to  
9 work with existing networks within State agencies. The database shall be the property of the  
10 State and shall be hosted on State infrastructure. Any data or product that is part of, or derived  
11 from, this database shall be and will remain the sole property of the State.

#### 12 **SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES**

13 **SECTION 12F.4.(a)** For the purpose of mitigating cash flow problems that many  
14 LME/MCOs experience at the beginning of each fiscal year relative to single stream funding,  
15 the Department of Health and Human Services, Division of Mental Health, Developmental  
16 Disabilities, and Substance Abuse Services, shall distribute not less than one-twelfth of each  
17 LME/MCO's continuation allocation at the beginning of the fiscal year and subtract the amount  
18 of that distribution from the LME/MCO's total reimbursements for the fiscal year.

19 **SECTION 12F.4.(b)** The Department of Health and Human Services, Division of  
20 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall periodically  
21 review and, as deemed necessary by the Department, update the set of standardized covered  
22 benefits developed and implemented by the Department pursuant to Section 10.11(b) of S.L.  
23 2011-145 for recipients of LME/MCO community service funds; provided, however, the  
24 Department shall not implement any updates that increase the overall cost of these standardized  
25 covered benefits.  
26

#### 27 **BEHAVIORAL HEALTH CLINICAL INTEGRATION AND PERFORMANCE** 28 **MONITORING**

29 **SECTION 12F.4A.(a)** The Department of Health and Human Services shall  
30 require local management entities, including local management entities that have been  
31 approved to operate the 1915(b)/(c) Medicaid Waiver (LME/MCOs), to implement clinical  
32 integration activities with Community Care of North Carolina (CCNC) through TotalCare, a  
33 collaborative initiative designed to improve and minimize the cost of care for patients who  
34 suffer from comorbid mental health or substance abuse and primary care or other chronic  
35 conditions.  
36

37 **SECTION 12F.4A.(b)** The Department shall ensure that, by no later than January  
38 1, 2014, all LME/MCOs submit claims data, including to the extent practical, retrospective  
39 claims data and integrated payment and reporting system (IPRS) data, to the CCNC Informatics  
40 Center, either directly or through the Medicaid Management Information System. Upon receipt  
41 of this claims data, CCNC shall provide access to clinical data and care management  
42 information within the Informatics Center to LME/MCOs and authorized behavioral health  
43 providers to support treatment, quality assessment and improvement activities, or coordination  
44 of appropriate and effective patient care, treatment, or habilitation.

45 **SECTION 12F.4A.(c)** The Department, in consultation with CCNC and the  
46 LME/MCOs, shall develop quality and performance statistics on the status of mental health,  
47 developmental disabilities, and substance abuse services, including, but not limited to,  
48 variations in total cost of care, clinical outcomes, and access to and utilization of services.

49 **SECTION 12F.4A.(d)** The Department shall, within available appropriations and  
50 as deemed necessary by the Department, expand or alter existing contracts by mutual  
51 agreement of all parties to the contract in order to implement the provisions of this section.

1           **SECTION 12F.4A.(e)** By no later than March 1, 2014, and semiannually  
2 thereafter, the Department shall submit a report to the Joint Legislative Oversight Committee  
3 on Health and Human Services and the Fiscal Research Division on the progress, outcomes,  
4 and savings associated with the implementation of clinical integration activities with CCNC  
5 pursuant to this section.

#### 6 7 **LME/MCO FUNDS FOR SUBSTANCE ABUSE SERVICES**

8           **SECTION 12F.6.(a)** LME/MCOs shall use a portion of their allocated funds for  
9 substance abuse treatment services to support prevention and education activities at a level at  
10 least equivalent to the 2012-2013 fiscal year.

11           **SECTION 12F.6.(b)** In providing treatment and services for adult offenders and  
12 increasing the number of Treatment Accountability for Safer Communities (TASC) case  
13 managers, local management entities shall consult with TASC to improve offender access to  
14 substance abuse treatment and match evidence-based interventions to individual needs at each  
15 stage of substance abuse treatment. Special emphasis should be placed on intermediate  
16 punishment offenders, community punishment offenders at risk for revocation, and Department  
17 of Correction releases who have completed substance abuse treatment while in custody.

18           The Department shall allocate up to three hundred thousand dollars (\$300,000) of  
19 the funds appropriated in this act to the Department of Health and Human Services, Division of  
20 Mental Health, Developmental Disabilities, and Substance Abuse Services, to provide  
21 substance abuse services for adult offenders and to increase the number of TASC case  
22 managers. These funds shall be allocated to TASC before funds are allocated to LMEs for  
23 mental health services, substance abuse services, and crisis services.

#### 24 25 **IMPROVE REPORTING BY DISPENSERS UNDER CONTROLLED SUBSTANCES** 26 **REPORTING SYSTEM**

27           **SECTION 12F.7.** G.S. 90-113.73(a) reads as rewritten:

28           "(a) The Department shall establish and maintain a reporting system of prescriptions for  
29 all Schedule II through V controlled substances. Each dispenser shall submit the information in  
30 accordance with transmission methods and frequency established by rule by the Commission.  
31 The Department may issue a waiver to a dispenser that is unable to submit prescription  
32 information by electronic means. The waiver may permit the dispenser to submit prescription  
33 information by paper form or other means, provided all information required of electronically  
34 submitted data is submitted. The dispenser shall report the information required under this  
35 section ~~on a monthly basis for the first 12 months of the Controlled Substances Reporting~~  
36 ~~System's operation, and twice monthly thereafter, until January 2, 2010, at which time~~  
37 ~~dispensers shall report no later than seven days~~ no later than the close of business on the third  
38 business day after delivery of the prescription is dispensed ~~prescription, beginning the next day~~  
39 after the delivery date. However, the dispenser is encouraged to report the information required  
40 under this section no later than 24 hours after delivery of the prescription. The dispenser shall  
41 submit the information in a format as determined annually by the Department based on the  
42 format used in the majority of the states operating a controlled substances reporting system."

#### 43 44 **SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION**

#### 45 46 **ELIMINATE COMPREHENSIVE REPORT ON MEDICATION-RELATED ERRORS** 47 **IN NURSING HOMES**

48           **SECTION 12G.2.(a)** G.S. 131E-128.1(e) reads as rewritten:

49           "(e) Confidentiality. – The meetings or proceedings of the advisory committee, the  
50 records and materials it produces, and the materials it considers, including analyses and reports  
51 pertaining to medication-related error reporting under G.S. 131E-128.2 ~~and G.S. 131E-128.5~~

1 and pharmacy reports on drug defects and adverse reactions under G.S. 131E-128.4, shall be  
2 confidential and not be considered public records within the meaning of G.S. 132-1. The  
3 meetings or proceedings and records and materials also shall not be subject to discovery or  
4 introduction into evidence in any civil action against a nursing home or a provider of  
5 professional health services resulting from matters that are the subject of evaluation and review  
6 by the committee. No person who was in attendance at a meeting of the committee shall testify  
7 in any civil action as to any evidence or other matters produced or presented during the  
8 meetings or proceedings of the committee or as to any findings, recommendations, evaluations,  
9 opinions, or other actions of the committee or its members. Notwithstanding the foregoing:

- 10 (1) Information, documents, or records otherwise available, including any  
11 deficiencies found in the course of an inspection conducted under  
12 G.S. 131E-105, shall not be immune from discovery or use in a civil action  
13 merely because they were presented during meetings or proceedings of the  
14 advisory committee. A member of the advisory committee or a person who  
15 testifies before the committee may testify in a civil action but cannot be  
16 asked about that person's testimony before the committee or any opinion  
17 formed as a result of the committee meetings or proceedings.
- 18 (2) Information that is confidential and not subject to discovery or use in civil  
19 actions under this subsection may be released to a professional standards  
20 review organization that performs any accreditation or certification function.  
21 Information released to the professional standards review organization shall  
22 be limited to information reasonably necessary and relevant to the standards  
23 review organization's determination to grant or continue accreditation or  
24 certification. Information released to the standards review organization  
25 retains its confidentiality and is not subject to discovery or use in any civil  
26 action as provided under this subsection. The standards review organization  
27 shall keep the information confidential subject to this subsection.
- 28 (3) Information that is confidential and not subject to discovery or use in civil  
29 actions under this subsection may be released to the Department of Health  
30 and Human Services pursuant to its investigative authority under  
31 G.S. 131E-105. Information released to the Department shall be limited to  
32 information reasonably necessary and relevant to the Department's  
33 investigation of compliance with Part 1 of Article 6 of this Chapter.  
34 Information released to the Department retains its confidentiality and is not  
35 subject to discovery or use in any civil action as provided in this subsection.  
36 The Department shall keep the information confidential subject to this  
37 subsection.
- 38 (4) Information that is confidential and is not subject to discovery or use in civil  
39 actions under this subsection may be released to an occupational licensing  
40 board having jurisdiction over the license of an individual involved in an  
41 incident that is under review or investigation by the advisory committee.  
42 Information released to the occupational licensing board shall be limited to  
43 information reasonably necessary and relevant to an investigation being  
44 conducted by the licensing board pertaining to the individual's involvement  
45 in the incident under review by the advisory committee. Information  
46 released to an occupational licensing board retains its confidentiality and is  
47 not subject to discovery or use in any civil action as provided in this  
48 subsection. The occupational licensing board shall keep the information  
49 confidential subject to this subsection."

50 **SECTION 12G.2.(b)** G.S. 131E-128.1(g) reads as rewritten:



1 "(g) Penalty. – The Department may take adverse action against the license of a nursing  
2 home upon a finding that the nursing home has failed to comply with this section,  
3 G.S. 131E-128.2, 131E-128.3, ~~131E-128.4, or 131E-128.5~~ or 131E-128.4."

4 **SECTION 12G.2.(c)** G.S. 131E-128.5 is repealed.  
5

6 **SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)**  
7

8 **DETAILED MEDICAID REFORM PROPOSAL TO BE PREPARED BY**  
9 **DEPARTMENT OF HEALTH AND HUMAN SERVICES; MEDICAID REFORM**  
10 **ADVISORY GROUP ESTABLISHED**

11 **SECTION 12H.1.(a)** The Department of Health and Human Services, Division of  
12 Medical Assistance, (Department), in consultation with the Medicaid Reform Advisory Group  
13 created by subsection (e) of this section, shall create a detailed plan for, but not implement,  
14 significant reforms to the State's Medicaid Program that shall accomplish the following:

- 15 (1) Create a predictable and sustainable Medicaid program for North Carolina  
16 taxpayers.
- 17 (2) Increase administrative ease and efficiency for North Carolina Medicaid  
18 providers.
- 19 (3) Provide care for the whole person by uniting physical and behavioral health  
20 care.

21 **SECTION 12H.1.(b)** The Department shall submit its detailed proposal of how to  
22 reform the State's Medicaid Program to the General Assembly. The report shall contain the  
23 following:

- 24 (1) The details of the reform plan, including how the plan would accomplish the  
25 goals set out in subsection (a) of this section.
- 26 (2) The Department's methodology for selecting the reform plan over  
27 alternatives.
- 28 (3) Forecasts of the reform plan's potential to slow the growth of the costs of the  
29 Medicaid Program, including the assumptions and methodology used for the  
30 forecast, as well as an explanation of how the Department's forecast  
31 methodology has been improved to produce more accurate forecasting than  
32 in prior years.
- 33 (4) The reform plan's impact, as compared to the existing Medicaid Program, on  
34 both providers and recipients in areas such as enrollment within the  
35 Medicaid system, access to services, quality of care, and payment  
36 methodologies, and any other areas of comparison to help the General  
37 Assembly evaluate the reform plan.
- 38 (5) If regional demonstration projects, pilot projects, or similar projects will be  
39 used to test a proposal, how the Department will ensure that the test  
40 methodology is scientifically valid and consistent with social science  
41 research methods.
- 42 (6) How financial risks will be allocated under the reform plan.
- 43 (7) The mechanisms through which the Department and any contractors under  
44 the reform plan would be held accountable for the implementation and  
45 performance of the plan.
- 46 (8) Short-term costs to implement the plan and expected long-term savings in  
47 future years from slowing the growth of costs.
- 48 (9) A realistic time line for implementation.
- 49 (10) Draft Medicaid State Plan Amendments, Medicaid waivers, amendments to  
50 State law, or other changes necessary to legally allow the Department to  
51 implement its reform plan.

- 1 (11) Any other detailed information that would assist the General Assembly in  
2 evaluating the strength of the reform plan and the plan's ability to  
3 accomplish the goals set out in subsection (a) of this section.

4 **SECTION 12H.1.(c)** The Department is encouraged to and may submit draft  
5 Medicaid State Plan amendments, draft waiver applications, or other documents to the federal  
6 government to solicit feedback on the Department's proposal prior to reporting to the General  
7 Assembly. The Department shall not, however, submit any documents to the federal  
8 government to implement the reform plan without legislation authorizing the Department to  
9 implement the Department's reform plan.

10 **SECTION 12H.1.(d)** The Department shall submit its reform plan to the 2013  
11 General Assembly when it reconvenes in 2014 but is encouraged to submit its plan as early as it  
12 responsibly can.

13 **SECTION 12H.1.(e)** Advisory Group. – There is established the North Carolina  
14 Medicaid Reform Advisory Group (Advisory Group) in order to advise and guide the  
15 Department of Health and Human Services in its development of its detailed plan to reform  
16 Medicaid. The Advisory Group shall meet in order to (i) provide stakeholder input in a public  
17 forum and (ii) ensure the transparency of the process of developing the reform proposal. Until  
18 the submission of the Medicaid reform plan to the General Assembly, the Advisory Group shall  
19 meet not less than monthly and shall begin meeting after a majority of the membership has  
20 been appointed. The Advisory Group shall meet at the call of the Cochairs.

21 The Advisory Group shall consist of the following 22 members:

- 22 (1) Seven members appointed by the Speaker of the House of Representatives,  
23 as follows:  
24 a. Three members of the House of Representatives, one of whom shall  
25 be designated as a cochair.  
26 b. A licensed pharmacist.  
27 c. A representative of Community Care of North Carolina (CCNC).  
28 d. A representative of a larger hospital in an urban community.  
29 e. A patient advocate for mental health, developmental disabilities, or  
30 substance abuse issues.
- 31 (2) Seven members appointed by the President Pro Tempore of the Senate, as  
32 follows:  
33 a. Three members of the Senate, one of whom shall be designated as a  
34 cochair.  
35 b. A specialist physician.  
36 c. A representative of a long-term care facility provider.  
37 d. A representative of a smaller hospital in a rural community.  
38 e. A representative of a health insurer.
- 39 (3) A cochair appointed by the Governor. This appointee may not be an  
40 employee of the Department of Health and Human Services. In order to  
41 work confidentially with legislative staff assigned to the Advisory Group  
42 and for the limited purposes of working with those legislative staff, this  
43 appointee shall be considered a "legislator," as that term is defined under  
44 G.S. 120-129, for the application of legislative confidentiality under Article  
45 17 of Chapter 120 of the General Statutes.
- 46 (4) The Secretary of the Department of Health and Human Services, who shall  
47 serve ex officio, or the Secretary's designee.
- 48 (5) The Director of the Division of Medical Assistance within the Department of  
49 Health and Human Services, who shall serve ex officio, or the Director's  
50 designee.
- 51 (6) Five members appointed by the Governor as follows:

- a. A pediatrician.
- b. A non-pediatric primary care physician.
- c. A representative of an assisted living provider.
- d. A director of a local management entity/managed care organization (LME/MCO).
- e. A patient advocate for physical health issues.

The appointing officer shall fill vacancies. Neither an individual required to register under Article 2 of Chapter 120C of the General Statutes nor an immediate family member of such an individual may be appointed to the Advisory Group.

Legislative members of the Advisory Group shall receive per diem, subsistence, and travel expenses as provided in G.S. 120-3.1. Non-legislative members of the Advisory Group shall receive reimbursements as allowed under G.S. 138-6. The Advisory Group may contract for consultant services as provided in G.S. 120-32.02. Upon approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist the Advisory Group in its work. Clerical staff shall be furnished to the Advisory Group through the offices of the House of Representatives and Senate Directors of Legislative Assistants. The Advisory Group may exercise all of the powers provided under G.S. 120-19 through G.S. 120-19.4 while in the discharge of its official duties.

The Secretary of Health and Human Services shall ensure adequate staff representation and support from the Department of Health and Human Services.

The Advisory Group shall terminate on July 1, 2014.

## CLARIFY STATE PLAN AMENDMENT PROCEDURES

**SECTION 12H.2.(a)** Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read as follows:

**"§ 108A-54.1A. Amendments to Medicaid State Plan and Medicaid Waivers.**

(a) No provision in the Medicaid State Plan or in a Medicaid Waiver may expand or otherwise alter the scope or purpose of the Medicaid program from that authorized by law enacted by the General Assembly. For purposes of this section, the term "amendments to the State Plan" includes State Plan amendments, Waivers, and Waiver amendments.

(b) The Department may submit amendments to the State Plan only as required under any of the following circumstances:

- (1) A law enacted by the General Assembly directs the Department to submit an amendment to the State Plan.
- (2) A law enacted by the General Assembly makes a change to the Medicaid Program that requires approval by the federal government.
- (3) A change in federal law, including regulatory law, or a change in the interpretation of federal law by the federal government requires an amendment to the State Plan.
- (4) A change made by the Department to the Medicaid Program requires an amendment to the State Plan, if the change was within the authority granted to the Department by State law.
- (5) An amendment to the State Plan is required in response to an order of a court of competent jurisdiction.

(c) Amendments to the State Plan submitted to the federal government for approval shall contain only those changes that are allowed by the authority for submitting an amendment to the State Plan in subsection (b) of this section.

(d) No fewer than 10 days prior to submitting an amendment to the State Plan to the federal government, the Department shall post the amendment on its Web site and notify the members of the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division, that the amendment has been posted. This requirement shall not

1 apply to draft or proposed amendments submitted to the federal government for comments, but  
2 not submitted for approval. If the authority for submitting the amendment to the State Plan is  
3 pursuant to subdivision (3), (4), (5), or (6) of subsection (b) of this section, then, prior to  
4 submitting an amendment to the federal government, the Department shall submit to the  
5 General Assembly members receiving notice under this subsection and to the Fiscal Research  
6 Division an explanation of the amendment, the need for the amendment, and the federal time  
7 limits required for implementation of the amendment.

8 (e) The Department shall submit an amendment to the State Plan to the federal  
9 government by a date sufficient to provide the federal government adequate time to review and  
10 approve the amendment so the amendment may be effective by the date required by the  
11 directing authority in subsection (b) of this section."

12 **SECTION 12H.2.(b)** G.S. 108A-70.25 reads as rewritten:

13 **"§ 108A-70.25. State Plan for Health Insurance Program for Children.**

14 ~~The Department shall develop and submit a State Plan to implement "The Health Insurance~~  
15 ~~Program for Children" authorized under this Part to the federal government as application for~~  
16 ~~federal funds under Title XXI. The State Plan submitted under this Part shall be developed by~~  
17 ~~the Department only as authorized by and in accordance with this Part. No provision in the~~  
18 ~~State Plan submitted under this Part may expand or otherwise alter the scope or purpose of the~~  
19 ~~Program from that authorized under this Part. The Department shall include in the State Plan~~  
20 ~~submitted only those items required by this Part and required by the federal government to~~  
21 ~~qualify for federal funds under Title XXI and necessary to secure the State's federal fund~~  
22 ~~allotment for the applicable fiscal period. Except as otherwise provided in this section, the~~  
23 ~~Department shall not amend the State Plan nor submit any amendments thereto to the federal~~  
24 ~~government for review or approval without the specific approval of the General Assembly. In~~  
25 ~~the event federal law requires that an amendment be made to the State Plan and further requires~~  
26 ~~that the amendment be submitted or implemented within a time period when the General~~  
27 ~~Assembly is not and will not be in session to approve the amendment, then the Department may~~  
28 ~~submit the amendment to the federal government for review and approval without the approval~~  
29 ~~of the General Assembly. Prior to submitting an amendment to the federal government without~~  
30 ~~General Assembly approval as authorized in this section, the Department shall report the~~  
31 ~~proposed amendment to the Joint Legislative Oversight Committee on Health and Human~~  
32 ~~Services and to members of the Joint Appropriations Subcommittee on Health and Human~~  
33 ~~Services. The report shall include an explanation of the amendment, the necessity therefor, and~~  
34 ~~the federal time limits required for implementation of the amendment.~~

35 (a) The NC Health Choice program shall be administered and operated in accordance  
36 with this Part and the NC Health Choice State Plan, as periodically amended by the Department  
37 of Health and Human Services and approved by the federal government.

38 (b) The requirements in G.S. 108A-54.1A shall apply to NC Health Choice State Plan  
39 amendments in the same manner in which they apply to Medicaid State Plan amendments."  
40

## 41 **GENERAL MEDICAID POLICIES**

42 **SECTION 12H.3.(a)** G.S. 108A-54 reads as rewritten:

43 **"§ 108A-54. Authorization of Medical Assistance Program.**

44 (a) The Department is authorized to establish a Medicaid Program in accordance with  
45 Title XIX of the federal Social Security Act. The Department may adopt rules to implement the  
46 Program. The State is responsible for the nonfederal share of the costs of medical services  
47 provided under the Program. A county is responsible for the county's cost of administering the  
48 Program in that county.

49 ...

50 (c) The Medicaid Program shall be administered and operated in accordance with this  
51 Part and the North Carolina Medicaid State Plan and Waivers, as periodically amended by the

1 Department of Health and Human Services in accordance with G.S. 108A-54.1A and approved  
2 by the federal government."

3 **SECTION 12H.3.(b)** In addition to paying the non-federal share of the costs of  
4 medical services provided under the Medicaid Program, as provided in G.S. 108A-54(a), the  
5 State shall pay one hundred percent (100%) of the federal Medicare Part D clawback payments  
6 under the Medicare Modernization Act of 2004, P.L. 108-173, as amended.

7 **SECTION 12H.3.(c)** The Department shall not take any actions that the  
8 Department determines would jeopardize the State's qualification to receive federal funds  
9 through the Medicaid Program.

## 10 11 **MEDICAID IS SECONDARY PAYOR OF CLAIMS**

12 **SECTION 12H.4.** Medicaid is a secondary payor of claims. The Department shall  
13 apply Medicaid medical policy to recipients who have primary insurance other than Medicare,  
14 Medicare Advantage, or Medicaid. For recipients who have primary insurance other than  
15 Medicare, Medicare Advantage, or Medicaid, the Department shall pay the lesser of the  
16 Medicaid Allowable Amount or an amount up to the actual coinsurance or deductible or both of  
17 the primary payor, in accordance with the State Plan, as approved by the Department of Health  
18 and Human Services. The Department may disregard application of this policy in cases where  
19 application of the policy would adversely affect patient care.

## 20 21 **COUNTIES SHARING IN FRAUD RECOVERY**

22 **SECTION 12H.5.** The Department of Health and Human Services, Division of  
23 Medical Assistance, shall provide incentives to counties that successfully recover fraudulently  
24 spent Medicaid funds by sharing State savings with counties responsible for the recovery of the  
25 fraudulently spent funds.

## 26 27 **PROCEDURE TO CHANGE MEDICAL POLICY**

28 **SECTION 12H.6.(a)** G.S. 108A-54.2 reads as rewritten:

29 **"§ 108A-54.2. Procedures for changing medical policy.**

30 (a) The Department shall adopt rules to develop, amend, and adopt medical coverage  
31 policy for Medicaid and NC Health Choice in accordance with this section.

32 (b) Medical coverage policy is defined as those policies, definitions, or guidelines  
33 utilized to evaluate, treat, or support the health or developmental conditions of a recipient so as  
34 to determine eligibility, authorization or continued authorization, medical necessity, course of  
35 treatment and supports, clinical outcomes, and clinical supports treatment practices for a  
36 covered procedure, product, or service. Medical coverage policy is subject to the following:

- 37 (1) During the development of new medical coverage policy or amendment to  
38 existing medical coverage policy, the Department shall consult with and  
39 seek the advice of the Physician Advisory Group and other organizations the  
40 Secretary deems appropriate. The Secretary shall also consult with and seek  
41 the advice of officials of the professional societies or associations  
42 representing providers who are affected by the new medical coverage policy  
43 or amendments to existing medical coverage policy.
- 44 (2) At least 45 days prior to the adoption of new or amended medical coverage  
45 policy, the Department shall:
- 46 a. Publish the proposed new or amended medical coverage policy on  
47 the Department's Web site;
  - 48 b. Notify all Medicaid and NC Health Choice providers of the  
49 proposed, new, or amended policy; and
  - 50 c. Upon request, provide persons copies of the proposed medical  
51 coverage policy.

- 1 (3) During the 45-day period immediately following publication of the proposed  
2 new or amended medical coverage policy, the Department shall accept oral  
3 and written comments on the proposed new or amended policy.  
4 (4) If, following the comment period, the proposed new or amended medical  
5 coverage policy is modified, then the Department shall, at least 15 days prior  
6 to its adoption:
- 7 a. Notify all Medicaid and NC Health Choice providers of the proposed  
8 policy;
  - 9 b. Upon request, provide persons notice of amendments to the proposed  
10 policy; and
  - 11 c. Accept additional oral or written comments during this 15-day  
12 period.

13 (c) If the adoption of new or amended medical coverage policies is necessitated by an  
14 act of the General Assembly or a change in federal law, then the 45- and 15-day time periods  
15 specified in subsection (b) of this section shall instead be 30- and 10-day time periods."

16 **SECTION 12H.6.(b)** G.S. 108A-54.3 is repealed.

17 **SECTION 12H.6.(c)** Unless directed to do so by the General Assembly, the  
18 Department shall not change medical policy affecting the amount, sufficiency, duration, and  
19 scope of health care services and who may provide services until the Division of Medical  
20 Assistance has prepared a five-year fiscal analysis documenting the increased cost of the  
21 proposed change in medical policy and submitted it for departmental review. Changes to  
22 medical policy affecting the amount, sufficiency, duration, and scope of health care services  
23 and who may provide services are subject to the following:

- 24 (1) If the fiscal impact indicated by the fiscal analysis for any proposed medical  
25 policy change exceeds five hundred thousand dollars (\$500,000) in total  
26 requirements for Medicaid or fifty thousand dollars (\$50,000) in total  
27 requirements for NC Health Choice for a given fiscal year, then the  
28 Department shall submit the proposed medical policy change to the fiscal  
29 analysis to the Office of State Budget and Management and the Fiscal  
30 Research Division. The Department shall not implement the proposed  
31 medical policy change unless the source of State funding is identified and  
32 approved by the Office of State Budget and Management.
- 33 (2) If the medical policy change meets the requirement thresholds specified in  
34 subdivision (1) of this subsection but is required for compliance with federal  
35 law, then the Department shall submit the proposed medical policy or policy  
36 interpretation change with the five-year fiscal analysis to the Office of State  
37 Budget and Management prior to implementing the change.

38 The Department shall annually report, by November 1 of each year, all medical policy changes  
39 with total requirements of less than the amount specified in subdivision (1) of this subsection to  
40 the Office of State Budget and Management and the Fiscal Research Division of the Legislative  
41 Services Commission.

#### 42 **PROVIDER APPLICATION AND RECREDENTIALING FEE**

43 **SECTION 12H.7.** The Department of Health and Human Services, Division of  
44 Medical Assistance, shall charge an application fee of one hundred dollars (\$100.00), and the  
45 amount federally required, to each provider enrolling in the Medicaid Program for the first  
46 time. The fee shall be charged to all providers at recredentialing every three years.

#### 47 **ELECTRONIC TRANSACTION REQUIREMENTS FOR PROVIDERS**

48 **SECTION 12H.8.(a)** Providers shall follow the Department's established  
49 procedures for securing electronic payments, and the Department shall not provide routine  
50  
51

1 provider payments by check. Medicaid providers shall file claims electronically, except that  
2 nonelectronic claims submission may be required when it is in the best interest of the  
3 Department.

4 **SECTION 12H.8.(b)** Providers shall submit Preadmission Screening and Annual  
5 Resident Reviews (PASARR) through the Department's Web-based tool or through a vendor  
6 with interface capability to submit data into the Web-based PASARR.

7 **SECTION 12H.8.(c)** Providers shall submit requests for prior authorizations  
8 electronically via Web site. Providers shall access their authorizations via online portals rather  
9 than receiving hard copies by mail. Providers shall receive copies of adverse decisions  
10 electronically, although recipients shall receive adverse decisions via certified mail.

11 **SECTION 12H.8.(d)** Providers shall submit their provider enrollment applications  
12 online. The Department shall accept electronic signatures rather than require receipt of signed  
13 hard copies.

#### 14 CLARIFY RULE MAKING

15 **SECTION 12H.9.(a)** G.S. 108A-54(b) is recodified as G.S. 108A-54.1B(a).

16 **SECTION 12H.9.(b)** G.S. 108A-54.1B, as created by subsection (a) of this  
17 section, reads as rewritten:

18 "**§ 108A-54.1B. Adoption of rules; State Plans, including amendments and waivers to**  
19 **State Plans, have effect of rules.**

20 (a) The Department is expressly authorized to adopt temporary and permanent rules to  
21 implement or define the federal laws and regulations, the North Carolina State Plan of Medical  
22 Assistance, and the North Carolina State Plan of the Health Insurance Program for Children,  
23 the terms and conditions of eligibility for applicants and recipients of the Medical Assistance  
24 Program and the Health Insurance Program for Children, audits and program integrity, the  
25 services, goods, supplies, or merchandise made available to recipients of the Medical  
26 Assistance Program and the Health Insurance Program for Children, and reimbursement for the  
27 services, goods, supplies, or merchandise made available to recipients of the Medical  
28 Assistance Program and the Health Insurance Program for Children.

29 (b) State Plans, State Plan Amendments, and Waivers approved by the Centers for  
30 Medicare and Medicaid Services (CMS) for the North Carolina Medicaid Program and the NC  
31 Health Choice program shall have the force and effect of rules adopted pursuant to Article 2A  
32 of Chapter 150B of the General Statutes."

33 **SECTION 12H.9.(c)** G.S. 150B-1(d) is amended by adding a new subdivision to  
34 read as follows:

35 "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the  
36 following:

37 ...

38 (22) The Department of Health and Human Services with respect to the content  
39 of State Plans, State Plan Amendments, and Waivers approved by the  
40 Centers for Medicare and Medicaid Services (CMS) for the North Carolina  
41 Medicaid Program and the NC Health Choice program."

42 **SECTION 12H.9.(d)** G.S. 150B-21.1(a) is amended by adding a new subdivision  
43 to read as follows:

44 "(a) Adoption. – An agency may adopt a temporary rule when it finds that adherence to  
45 the notice and hearing requirements of G.S. 150B-21.2 would be contrary to the public interest  
46 and that the immediate adoption of the rule is required by one or more of the following:

47 ...

48 (17) To maximize receipt of federal funds for the Medicaid or NC Health Choice  
49 programs within existing State appropriations, to reduce Medicaid or NC  
50

Health Choice expenditures, and to reduce Medicaid and NC Health Choice fraud and abuse."

**SECTION 12H.9.(e)** Prior to filing a temporary rule authorized under G.S. 150B-21.1(a)(17), as enacted by this section, with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary rule and its effect on State appropriations and local governments.

**MEDICAID ELIGIBILITY; ADJUSTMENT TO HEALTH CHOICE ELIGIBILITY**

**SECTION 12H.10.(a)** Families and children who are categorically and medically needy are eligible for Medicaid, subject to the following annual income levels:

Family Size	Categorically Needy Income Level	Medically Needy Income Level
1	\$ 4,344	\$ 2,900
2	5,664	3,800
3	6,528	4,400
4	7,128	4,800
5	7,776	5,200
6	8,376	5,600
7	8,952	6,000
8	9,256	6,300

The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

**SECTION 12H.10.(b)** For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

- (1) All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.
- (2) Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.
- (3) Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.
- (4) Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.
- (5) Effective until January 1, 2014, children aged six through 18 with family incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines and without regard to resources.
- (6) Effective January 1, 2014, children aged six through 18 with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines and without regard to resources.



- 1 (7) Workers with disabilities described in G.S. 108A-66A with unearned income  
2 equal to or less than one hundred fifty percent (150%) of the federal poverty  
3 guidelines.

4 The Department of Health and Human Services, Division of Medical Assistance, shall also  
5 provide family planning services to men and women of childbearing age with family incomes  
6 equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines  
7 and without regard to resources.

8 **SECTION 12H.10.(c)** The Department of Health and Human Services, Division of  
9 Medical Assistance, shall provide Medicaid coverage to adoptive children with special or  
10 rehabilitative needs, regardless of the adoptive family's income.

11 **SECTION 12H.10.(d)** The Department of Health and Human Services, Division of  
12 Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents,"  
13 ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. §  
14 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

15 **SECTION 12H.10.(e)** The Department of Health and Human Services, Division of  
16 Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast  
17 or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

18 **SECTION 12H.10.(f)** G.S. 108A-54.1 is recodified as G.S. 108A-66.1.  
19 G.S. 108A-66.1(a), as recodified by this subsection, reads as rewritten:

20 "(a) Title. – This ~~act~~ section may be cited as the Health Coverage for Workers With  
21 Disabilities Act. The Department shall implement a Medicaid buy-in eligibility category as  
22 permitted under P.L. 106-170, Ticket to Work and Work Incentives Improvement Act of 1999.  
23 The Department shall establish rules, policies, and procedures to implement this act in  
24 accordance with this section."

25 **SECTION 12H.10.(g)** Effective January 1, 2014, G.S. 108A-70.21(a)(1)d. reads as  
26 rewritten:

27 "**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing;  
28 coverage from private plans; purchase of extended coverage.**

29 (a) Eligibility. – The Department may enroll eligible children based on availability of  
30 funds. Following are eligibility and other requirements for participation in the Program:

- 31 (1) Children must:
- 32 a. Be between the ages of 6 through 18;
  - 33 b. Be ineligible for Medicaid, Medicare, or other federal  
34 government-sponsored health insurance;
  - 35 c. Be uninsured;
  - 36 d. Be in a family whose family income is above ~~one hundred percent~~  
37 ~~(100%)~~ one hundred thirty-three percent (133%) through two  
38 hundred percent (200%) of the federal poverty level;
  - 39 e. Be a resident of this State and eligible under federal law; and
  - 40 f. Have paid the Program enrollment fee required under this Part.

41 ...."

#### 43 NC HEALTH CHOICE TEMPORARY EXTENDED COVERAGE

44 **SECTION 12H.11.** An enrollee in the NC Health Choice program who loses  
45 eligibility due to reaching the age of 19 on or after June 1, 2013, may purchase at full premium  
46 cost continued coverage under the NC Health Choice program until the end of the month  
47 following the date on which the Secretary of the United States Department of Health and  
48 Human Services determines that the North Carolina federally facilitated Health Benefits  
49 Exchange is fully operational. The benefits, co-payments, and other conditions of enrollment  
50 under the NC Health Choice program applicable to extended coverage purchased in accordance

1 with this section shall be the same as those applicable to an NC Health Choice enrollee who has  
2 not yet reached the age of 19.

3  
4 **MODIFICATIONS TO EXISTING COVERED SERVICES AND PAYMENT FOR**  
5 **SERVICES**

6 **SECTION 12H.13.(a)** Except as otherwise provided in this act, the allowable State  
7 plan services, co-pays, reimbursement rates, and fees shall remain the same as those effective  
8 June 30, 2013. Except as otherwise provided in this act and to the extent allowable under  
9 federal law, the adjustments made in this section apply to both the Medicaid Program and the  
10 NC Health Choice program.

11 **SECTION 12H.13.(b)** Effective July 1, 2013, any rates that contain an inflationary  
12 or increase factor shall not increase above the rate in effect on June 30, 2013, unless the rate is  
13 otherwise increased by the General Assembly. Hospital outpatient services' percentage of cost  
14 shall be adjusted to compensate for expected inflation that hospitals would be eligible for, and  
15 cost settlement will only be up to that percentage. The following rates are excluded from this  
16 subsection: Federally Qualified Health Centers, Rural Health Centers, State-Operated services,  
17 Hospice, Part B and D Premiums, third-party and health maintenance organization (HMO)  
18 premiums, drugs, managed care organization (MCO) capitation payments, and nursing direct  
19 care services case mix index increases.

20 **SECTION 12H.13.(c)** Effective November 1, 2013, nominal co-pays are increased  
21 to the maximum amount allowed by the Centers for Medicare and Medicaid Services (CMS) as  
22 of June 30, 2013.

23 **SECTION 12H.13.(d)** Effective January 1, 2014, the following changes are made  
24 to allowable State plan services:

- 25 (1) Of the 22 visits allowed per recipient per fiscal year for professional services  
26 provided by physicians, nurse practitioners, nurse midwives, physician  
27 assistants, clinics, and health departments, prior authorization is required for  
28 visits in excess of 10 within a year. This limitation and prior authorization  
29 requirement does not apply to chronic conditions.
- 30 (2) Adult rehabilitation home visits for set-up and training are limited to three  
31 within a 12-month period.

32 **SECTION 12H.13.(e)** Effective January 1, 2014, the percentage of allowable costs  
33 for hospital outpatients is reduced from eighty percent (80%) to seventy percent (70%).

34 **SECTION 12H.13.(f)** Effective January 1, 2014, nonemergency facility services  
35 provided in an emergency room shall be reimbursed based on a single fee. The Department of  
36 Health and Human Services, Division of Medical Assistance, shall establish such a fee. This  
37 fee may not be cost-settled.

38 **SECTION 12H.13.(g)** The Department of Health and Human Services, Division of  
39 Medical Assistance, shall implement changes, after consultation with the Joint Legislative  
40 Oversight Committee on Health and Human Services, in order to achieve the savings required  
41 by this act. The options selected by the Department shall be implemented to be effective  
42 January 1, 2014. Options to achieve savings include changing, including creating or  
43 eliminating, any of the following:

- 44 (1) The percentage paid on the Wholesale Acquisition Cost (WAC).  
45 (2) The percentage paid on the State Medicaid Average Costs (SMAC).  
46 (3) The rates for dispensing generic, preferred, and brand drugs.  
47 (4) The rates and tiers for dispensing drugs based on the percentage of generic  
48 drugs dispensed by a pharmacist.  
49 (5) Targeted savings for all classes of specialty drugs.

50 In implementing drug reimbursement rates and methodologies under this subsection, and  
51 notwithstanding any other provision of this act, the Department of Health and Human Services,

1 Division of Medical Assistance, shall not consider (i) supplemental rebates for mental health  
2 and HIV drugs or (ii) payments based on invoice costs.

3 **SECTION 12H.13.(h)** Effective January 1, 2014, prior authorization is required  
4 for all drugs prescribed that have an on-label use of treating attention deficit hyperactivity  
5 disorder (ADHD) or attention deficit disorder (ADD).  
6

#### 7 **ADDITIONAL MANAGEMENT OF DRUG UTILIZATION**

8 **SECTION 12H.13A.** The Department of Health and Human Services shall work  
9 with Community Care of North Carolina (CCNC) to do the following:

- 10 (1) Ensure better pharmacy management, including compliance by Medicaid  
11 recipients with taking their prescription drugs and compliance by pharmacy  
12 providers with the CCNC protocols.  
13 (2) Identify Medicaid recipients who are frequent users of pharmacy services  
14 and coordinate with physicians and pharmacists to implement steps to  
15 enhance CCNC care management programs.  
16

#### 17 **REDUCE COST SAVINGS THROUGH DRUG ADJUSTMENT BY REDUCING** 18 **FUNDS APPROPRIATED FOR EXPECTED "WOODWORK" ENROLLEES**

19 **SECTION 12H.13B.** Notwithstanding any other provisions of this act, the  
20 following adjustments are made to the amounts budgeted elsewhere in this act:

	<b>2013-2014</b>		<b>2014-2015</b>	
21 Cost Savings Through Drug Adjustments	\$5,000,000	R	\$8,000,000	R
22 "Woodwork" and Affordable Care Act	(\$5,000,000)	R	(\$8,000,000)	R

23  
24

#### 25 **ADMINISTRATIVE HEARINGS FUNDING AND PROCEDURE MODIFICATION**

26 **SECTION 12H.16.(a)** The Department of Health and Human Services  
27 (Department) shall transfer the sum of one million dollars (\$1,000,000) for the 2013-2014  
28 fiscal year, and the sum of one million dollars (\$1,000,000) for the 2014-2015 fiscal year, to the  
29 Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for  
30 mediation services provided for Medicaid applicant and recipient appeals and to contract for  
31 other services necessary to conduct the appeals process. OAH shall continue the Memorandum  
32 of Agreement (MOA) with the Department for mediation services provided for Medicaid  
33 recipient appeals and contracted services necessary to conduct the appeals process. The MOA  
34 will facilitate the Department's ability to draw down federal Medicaid funds to support this  
35 administrative function. Upon receipt of invoices from OAH for covered services rendered in  
36 accordance with the MOA, the Department shall transfer the federal share of Medicaid funds  
37 drawn down for this purpose.

38 **SECTION 12H.16.(b)** G.S. 108C-5 reads as rewritten:

#### 39 **"§ 108C-5. Payment suspension and audits utilizing extrapolation.**

40 (a) The Department may suspend payments to a provider in accordance with the  
41 requirements and procedures set forth in 42 C.F.R. § 455.23.

42 (b) In addition to the procedures for suspending payment set forth at 42 C.F.R. §  
43 455.23, the Department may also suspend payment to any provider that (i) owes a final  
44 overpayment, assessment, or fine to the Department and has not entered into an approved  
45 payment plan with the Department or (ii) has had its participation in the Medicaid or Health  
46 Choice programs suspended or terminated by the Department. For purposes of this section, a  
47 suspension or termination of participation does not become final until all administrative appeal  
48 rights have been exhausted and shall not include any agency decision that is being contested at  
49 the Department or the Office of Administrative Hearings or in Superior Court provided that the  
50 Superior Court has entered a stay pursuant to the provisions of G.S. 150B-48.

1       (b1) The Department shall withhold payment to any North Carolina Medicaid provider  
2 or Health Choice provider for whom the Division of Medical Assistance, or its vendor, has  
3 identified an overpayment in a written notice to the provider. Withholding shall begin on the  
4 31st day after the day the notice of overpayment is mailed and shall continue during the  
5 pendency of any appeal until the overpayment becomes a final overpayment. For purposes of  
6 this subsection, withholding during any month shall not exceed the amount of any interest  
7 required by law plus nine percent (9%) of the sum of the total overpayment amount identified  
8 in the notice of overpayment and any penalty required by law. If the Department subsequently  
9 reduces the identified overpayment in writing, withholding during any subsequent month shall  
10 not exceed the amount of any interest required by law plus nine percent (9%) of the sum of the  
11 total reduced identified overpayment and any penalty required by law. Total withholdings shall  
12 not exceed the total amount of the overpayment plus any penalty and interest charges required  
13 by law. If the total amount withheld exceeds the final overpayment plus interest and penalty  
14 required by law, the Department shall pay the provider the amount withheld in excess of the  
15 final overpayment plus penalty and interest. Upon request by the provider and for good cause  
16 shown, the Department is authorized to approve a payment plan for a provider to pay an  
17 overpayment, pursuant to subsection (g) of this section. Absent a showing of good cause for  
18 repayment to be made over a period of more than one year, the Department shall take all  
19 necessary and appropriate action to recover overpayments within 365 days of the date the  
20 notice of overpayment was mailed to the provider.

21       (c) For providers who owe a final overpayment, assessment, or fine to the Department,  
22 the payment suspension shall begin the thirty-first day after the overpayment, assessment, or  
23 fine becomes final. The payment suspension shall not exceed the amount owed to the  
24 Department, including any applicable penalty and interest charges.

25       (d) Providers whose participation in the Medicaid or Health Choice programs has been  
26 suspended or terminated shall have all payments suspended beginning on the thirty-first day  
27 after the suspension or termination becomes final.

28       (e) The Department shall consult with the N.C. Departments of Treasury and Revenue  
29 and other State departments and agencies to determine if a provider owes debts or fines to the  
30 State. The Department may collect any of these debts owed to the State subsequent to  
31 consideration by the Department of the financial impact upon the provider and the impact upon  
32 access to the services provided by the provider.

33       (f) When issuing payment suspensions and withholdings in accordance with this  
34 Chapter, the Department may suspend or withhold payment to all providers which share the  
35 same IRS Employee Identification Number or corporate parent as the provider or provider site  
36 location which owes the final overpayment, overpayment, assessment, or fine. The Department  
37 shall give 30 days advance written notice to all providers which share the same IRS Employee  
38 Identification Number or corporate parent as the provider or provider site location of the  
39 intention of the Department to implement a payment ~~suspension~~ suspension or withholding.

40       (g) The Department is authorized to approve a payment plan for a provider to pay a  
41 final overpayment, overpayment, assessment, or fine including interest and any penalty. The  
42 payment plan can include a term of up to 24 months. The Department shall establish in rule the  
43 conditions of such provider payment plans. Nothing in this subsection shall prevent the  
44 provider and the Department from mutually agreeing to modifications of a payment plan.

45       (h) All payments suspended or withheld in accordance with this Chapter shall be  
46 applied toward any final overpayment, assessment, or fine owed to the Department.

47       ...."

48       **SECTION 12H.16.(c)** Chapter 108C of the General Statutes is amended by adding  
49 a new section to read as follows:

50       **§ 108C-5.1. Post-payment review and recovery audit contracts.**

1     The Department shall not pay contingent fees pursuant to any contract with an entity  
2 conducting Medicaid post-payment reviews or Recovery Audit Contractor (RAC) audits before  
3 all appeal rights have been exhausted. Any contingent fee for Medicaid post-payment reviews  
4 or RAC audits shall be calculated as a percentage of the amount of the final overpayment, as  
5 defined in G.S. 108C-2(5). The State share of the contingent fee paid for Medicaid  
6 post-payment reviews or RAC audits shall not exceed the State share of the amount actually  
7 recovered by the Department and applied to the final overpayment."

8         **SECTION 12H.16.(d)** Subsection (c) of this section applies only to contracts  
9 entered into or amended on or after the effective date of subsection (c).

10         **SECTION 12H.16.(e)** G.S. 1A-1 is amended by adding a new Article to read as  
11 follows:

12                         "Article 9.

13                         "Extraordinary Writs.

14         **"Rule 90. Certiorari.**

15         (a)     Scope of the Writ; Review of the Judgments, Decisions, and Orders of the Office of  
16 Administrative Hearings. – The writ of certiorari may be issued in appropriate circumstances  
17 by the Superior Court to permit review of the judgments, decisions, and orders of the Office of  
18 Administrative Hearings when no right of appeal from an interlocutory order exists.

19         (b)     Petition for Writ; to Which Superior Court Addressed. – Application for the writ of  
20 certiorari shall be made by filing a petition therefor with the clerk of the superior court division  
21 to which appeal of right might lie from a final decision of the Office of Administrative  
22 Hearings in the contested case for which issuance of the writ is sought.

23         (c)     Same; Filing and Service; Content. – The petition shall be filed without  
24 unreasonable delay and shall be accompanied by proof of service upon all other parties. The  
25 petition shall contain a statement of the facts necessary to an understanding of the issues  
26 presented by the application, a statement of the reasons why the writ should issue, and certified  
27 copies of the judgment, decision, order, or opinion or parts of the record which may be  
28 essential to an understanding of the matters set forth in the petition. The petition shall be  
29 verified by counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk will  
30 docket the petition.

31         (d)     Response; Determination by Court. – Within 10 days after service of the petition  
32 any party may file a response thereto with supporting affidavits or certified portions of the  
33 record not filed with the petition. Filing shall be accompanied by proof of service upon all other  
34 parties. The court for good cause shown may shorten the time for filing a response.  
35 Determination will be made on the basis of the petition, the response, and any supporting  
36 papers. No briefs or oral argument will be received or allowed unless ordered by the court upon  
37 its own initiative.

38         **"Rule 91. Mandamus and Prohibition.**

39         (a)     Petition for Writ; to Which Superior Court Addressed. – Applications for the writs  
40 of mandamus or prohibition directed to an administrative law judge shall be made by filing a  
41 petition therefor with the clerk of the superior court division to which appeal of right might lie  
42 from a final decision entered in the contested case for which issuance of the writ is sought.

43         (b)     Same; Filing and Service; Content. – The petition shall be filed without  
44 unreasonable delay after the action by the Office of Administrative Hearings sought to be  
45 prohibited or compelled has been undertaken, or has occurred, or has been refused, and shall be  
46 accompanied by proof of service on the respondent administrative law judge or administrative  
47 law judges and on all other parties to the action. The petition shall contain a statement of the  
48 facts necessary to an understanding of the issues presented by the application, a statement of  
49 the issues presented and of the relief sought, a statement of the reasons why the writ should  
50 issue, and certified copies of any order or opinion or parts of the record that may be essential to  
51 an understanding of the matters set forth in the petition. The petition shall be verified by

1 counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk shall docket the  
2 petition.

3 (c) Response; Determination by Court. – Within 10 days after service of the petition the  
4 respondent or any party may file a response thereto with supporting affidavits or certified  
5 portions of the record not filed with the petition. Filing shall be accompanied by proof of  
6 service upon all other parties. The court for good cause shown may shorten the time for filing a  
7 response. Determination will be made on the basis of the petition, the response, and any  
8 supporting papers. No briefs or oral argument will be received or allowed unless ordered by the  
9 court upon its own initiative.

10 **"Rule 92. Supersedeas.**

11 (a) Pending Review of Office of Administrative Hearings Judgments, Decisions, and  
12 Orders. – Application may be made to the appropriate superior court for a writ of supersedeas  
13 to stay the execution or enforcement of any judgment, decision, order, or other determination of  
14 the Office of Administrative Hearings which is not automatically stayed by the taking of appeal  
15 when an appeal has been taken or a petition for mandamus, prohibition, or certiorari has been  
16 filed to obtain review of the judgment, decision, order, or other determination and (i) a stay  
17 order or entry has been sought by the applicant by deposit of security or by motion at the Office  
18 of Administrative Hearings and such order or entry has been denied or vacated by the trial  
19 tribunal or (ii) extraordinary circumstances make it impracticable to obtain a stay by deposit of  
20 security or by application to the Office of Administrative Hearings for a stay order.

21 (b) Petition; Filing and Service; Content. – The petition shall be filed with the clerk of  
22 the superior court division to which appeal of right might lie from a final decision of the Office  
23 of Administrative Hearings in the contested case for which issuance of the writ is sought. The  
24 petitions shall be accompanied by proof of service upon all other parties. The petition shall be  
25 verified by counsel or the petitioner. Upon receipt of the required docket fee, the clerk will  
26 docket the petition. For stays of the judgments of the Office of Administrative Hearings, the  
27 petition shall contain a statement that a stay has been sought in the Office of Administrative  
28 Hearings and denied or vacated or shall contain facts showing that it was impracticable there to  
29 seek a stay. For stays of any judgment, the petition shall contain (i) a statement of any facts  
30 necessary to an understanding of the basis upon which the writ is sought and (ii) a statement of  
31 reasons why the writ should issue in justice to the applicant. The petition may be accompanied  
32 by affidavits and by any certified portions of the record pertinent to its consideration. It may be  
33 included in a petition to the superior court for certiorari, mandamus, or prohibition.

34 (c) Response; Determination by Court. – Within 10 days after service of the petition,  
35 any party may file a response thereto with supporting affidavits or certified portions of the  
36 record not filed with the petition. Filing shall be accompanied by proof of service upon all other  
37 parties. The court for good cause shown may shorten the time for filing a response.  
38 Determination will be made on the basis of the petition, the response, and any supporting  
39 papers. No briefs or oral argument will be received or allowed unless ordered by the court upon  
40 its own initiative.

41 (d) Temporary Stay. – Upon the filing of a petition for supersedeas, the applicant may  
42 apply, either within the petition or by separate paper, for an order temporarily staying  
43 enforcement or execution of the judgment, decision, order, or other determination pending  
44 decision by the court upon the petition for supersedeas. If application is made by separate  
45 paper, it shall be filed and served in the manner provided for the petition for supersedeas in  
46 Rule 92(b). The court for good cause shown in such a petition for temporary stay may issue  
47 such an order ex parte."

48 **SECTION 12H.16.(f)** Article 4 of Chapter 150B of the General Statutes is  
49 amended by adding a new section to read:

50 **"§ 150B-53. Writs.**

1 Any party to a contested case may petition for writs of certiorari, mandamus, prohibition, or  
2 supersedeas in the manner prescribed in Rules 90, 91, and 92 of the North Carolina Rules of  
3 Civil Procedure."  
4

## 5 PROVIDER PERFORMANCE BONDS

6 **SECTION 12H.17.(a)** Subject to the provisions of this section, the Department  
7 may require Medicaid-enrolled providers to purchase a performance bond in an amount not to  
8 exceed one hundred thousand dollars (\$100,000) naming as beneficiary the Department of  
9 Health and Human Services, Division of Medical Assistance, or provide to the Department a  
10 validly executed letter of credit or other financial instrument issued by a financial institution or  
11 agency honoring a demand for payment in an equivalent amount. The Department may require  
12 the purchase of a performance bond or the submission of an executed letter of credit or  
13 financial instrument as a condition of initial enrollment, reenrollment, recredentialing, or  
14 reinstatement if any of the following are true:

- 15 (1) The provider fails to demonstrate financial viability.
- 16 (2) The Department determines there is significant potential for fraud and abuse.
- 17 (3) The Department otherwise finds it is in the best interest of the Medicaid  
18 program to do so.

19 The Department shall specify the circumstances under which a performance bond or executed  
20 letter of credit will be required.

21 **SECTION 12H.17.(b)** The Department may waive or limit the requirements of  
22 subsection (a) of this section for individual Medicaid-enrolled providers or for one or more  
23 classes of Medicaid-enrolled providers based on the following:

- 24 (1) The provider's or provider class's dollar amount of monthly billings to  
25 Medicaid.
- 26 (2) The length of time an individual provider has been licensed, endorsed,  
27 certified, or accredited in this State to provide services.
- 28 (3) The length of time an individual provider has been enrolled to provide  
29 Medicaid services in this State.
- 30 (4) The provider's demonstrated ability to ensure adequate record keeping,  
31 staffing, and services.
- 32 (5) The need to ensure adequate access to care.

33 In waiving or limiting requirements of this section, the Department shall take into consideration  
34 the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The  
35 Department shall provide to the affected provider written notice of the findings upon which its  
36 action is based and shall include the performance bond requirements and the conditions under  
37 which a waiver or limitation apply.

38 **SECTION 12H.17.(c)** The Department may adopt temporary rules in accordance  
39 with G.S. 150B-21.1 as necessary to implement G.S. 108C-14, as enacted by this section.  
40

## 41 SHARED SAVINGS PLAN WITH PROVIDERS

42 **SECTION 12H.18.(a)** The Department of Health and Human Services shall  
43 consult with providers affected by subsection (b) of this section to develop a shared savings  
44 plan under which the Department shall begin making provider payments no later than June 30,  
45 2014. The shared savings plan shall provide incentives to provide effective and efficient care  
46 that results in positive outcomes for Medicaid and NC Health Choice recipients. Payments  
47 under the shared savings plan shall be paid from funds withheld under subsection (b) of this  
48 section.

49 **SECTION 12H.18.(b)** During the 2013-2015 fiscal biennium, the Department of  
50 Health and Human Services shall withhold two percent (2%) of payments for the following  
51 services rendered to Medicaid and NC Health Choice recipients on or after July 1, 2013:

- 1 (1) Inpatient hospital.
- 2 (2) Physician, excluding primary care until January 1, 2015.
- 3 (3) Dental.
- 4 (4) Optical services and supplies.
- 5 (5) Podiatry.
- 6 (6) Chiropractors.
- 7 (7) Hearing aids.
- 8 (8) Personal care services.
- 9 (9) Nursing homes.
- 10 (10) Adult care homes.
- 11 (11) Drugs.

12 Funds from payments withheld under this section that are budgeted to be shared with providers  
13 shall not revert to the General Fund.

14 **SECTION 12H.18.(c)** The Department of Health and Human Services shall report  
15 to the Joint Legislative Oversight Committee on Health and Human Services on the  
16 development of the shared savings program established by this section no later than March 1,  
17 2014.

18 **SECTION 12H.18.(d)** The Department of Health and Human Services shall use  
19 funds withheld from payments for drugs to develop with Community Care of North Carolina  
20 (CCNC) a program for Medicaid and Health Choice recipients based on the CheckMeds NC  
21 program. The program shall include the following:

- 22 (1) At least 50 community pharmacies by June 30, 2014.
- 23 (2) At least 500 community pharmacies in at least 70 counties by June 30, 2015.
- 24 (3) A per member per month (PMPM) payment for care coordination and  
25 population health services provided in conjunction with CCNC.
- 26 (4) A pay for performance payment.

27  
28 **MODIFY HOSPITAL PROVIDER ASSESSMENTS BY CHANGING AMOUNT**  
29 **RETAINED BY THE STATE**

30 **SECTION 12H.19.(a)** G.S. 108A-121(8) reads as rewritten:

31 "(8) State's annual Medicaid payment. – ~~Forty three million dollars~~  
32 ~~(\$43,000,000).~~ Ninety-five million dollars (\$95,000,000)."

33 **SECTION 12H.19.(b)** G.S. 108A-124 reads as rewritten:

34 "**§ 108A-124. Use of assessment proceeds.**

35 (a) Use. – The proceeds of the assessments imposed under this Article and all  
36 corresponding matching federal funds must be used to make the State annual Medicaid  
37 payment to the State and the Medicaid equity payments and UPL payments to hospitals.

38 (b) Quarterly Payments. – Within seven business days ~~of following~~ the due date for  
39 each quarterly assessment imposed under G.S. 108A-123, the Secretary must do the following:

- 40 ~~(1) Transfer to the State Controller twenty five percent (25%) of the State's~~  
41 ~~annual Medicaid payment amount.~~
- 42 ~~(2)~~(1) Pay to each hospital that has paid its equity assessment for the respective  
43 quarter twenty-five percent (25%) of its Medicaid equity payment amount. A  
44 hospital's Medicaid equity payment amount is the sum of the hospital's  
45 Medicaid inpatient and outpatient deficits after calculating all other  
46 Medicaid payments, excluding disproportionate share hospital payments and  
47 the UPL payment remitted to the hospital under subdivision ~~(3)~~(2) of this  
48 subsection.
- 49 ~~(3)~~(2) Pay to the primary affiliated teaching hospital for the East Carolina  
50 University Brody School of Medicine, to the critical access hospitals, and to  
51 each hospital that has paid its UPL assessment for the respective quarter



1 twenty-five percent (25%) of its UPL payment amount, as determined under  
2 subsection (c) of this section.

3 ...."

4 **SECTION 12H.19.(c)** Article 7 of Chapter 108A of the General Statutes is  
5 amended by adding a new section to read as follows:

6 **"§ 108A-128. Payment for providers formerly subject to this Article.**

7 If a hospital provider is made exempt from an assessment under this Article because of an  
8 acquisition of the hospital by another hospital provider that is exempt from an assessment under  
9 this Article, then the acquired hospital provider shall continue to make payments to the State  
10 for the acquired hospital provider's pro rata portion of the State's annual Medicaid payment.  
11 This pro rata portion shall be based on the acquired hospital provider's percentage contribution  
12 to the State's annual Medicaid payment at the time of acquisition."

13  
14 **MODIFY MEDICAID RATE METHODOLOGIES FOR RECENTLY ACQUIRED**  
15 **PROVIDERS; CREATE REGIONAL BASE RATES FOR HOSPITALS**

16 **SECTION 12H.20.(a)** The Department of Health and Human Services shall  
17 modify Medicaid rate methodologies to ensure that rates paid to hospital or physician providers  
18 that were acquired, merged, leased, or managed after December 31, 2011, do not exceed rates  
19 that would have been paid if the provider had not been acquired, merged, leased, or managed.

20 **SECTION 12H.20.(b)** The Department of Health and Human Services, Division of  
21 Medical Assistance, shall replace the existing base rates for individual hospitals with new  
22 regional base rates for all hospitals within a given region. The Department shall consult with  
23 hospitals to define the regions and to identify appropriate regional differences in order to  
24 establish regional base rates. The new regional base rates shall do the following:

- 25 (1) Maintain the same statewide total for the base rates for all hospitals as before  
26 the base rate revision, after first adjusting the statewide total based on the  
27 changes to rates made by subsection (a) of this section.  
28 (2) Ensure the sustainability of small rural hospitals, ensuring access to care.  
29

30 **COMMUNITY CARE OF NORTH CAROLINA COST-EFFECTIVENESS AND**  
31 **OUTCOMES STUDY; CONTINUED REPORTING**

32 **SECTION 12H.21.(a)** The Office of the State Auditor shall, as recommended in its  
33 January 2013 performance audit of the Medicaid Program, engage nationally recognized  
34 medical researchers to perform a scientifically valid study based upon actual data to determine  
35 whether the Community Care of North Carolina (CCNC) model saves money and improves  
36 health outcomes. This study shall begin during fiscal year 2013-2014 and shall, if possible, be  
37 completed by the end of that fiscal year. The Department of Health and Human Services shall,  
38 upon the direction of and in amounts specified by the Office of the State Auditor, make  
39 payments to the contractor hired by the Office of the State Auditor from the one hundred  
40 thousand dollars (\$100,000) appropriated elsewhere in this budget for this study as well as from  
41 federal Medicaid matching funds available for this study.

42 **SECTION 12H.21.(b)** During fiscal year 2014-2015, the Department of Health  
43 and Human Services shall submit a report from a qualified entity with proven experience in  
44 conducting actuarial and health care studies on the Medicaid cost-savings achieved by the  
45 CCNC networks, which shall include children, adults, and the aged, blind, and disabled, to the  
46 House of Representatives Appropriations Subcommittee on Health and Human Services, the  
47 Senate Appropriations Committee on Health and Human Services, and the Fiscal Research  
48 Division.

49 **SECTION 12H.21.(c)** North Carolina Community Care Networks, Inc. (NCCCN),  
50 shall report quarterly to the Department and to the Office of State Budget and Management  
51 (OSBM) on the development of the statewide Enhanced Primary Care Case Management

1 System and its defined goals and deliverables as agreed upon in the contract. NCCCN shall  
2 submit biannual reports to the Secretary of Health and Human Services, OSBM, the House of  
3 Representatives Appropriations Subcommittee on Health and Human Services, the Senate  
4 Appropriations Committee on Health and Human Services, and the Fiscal Research Division on  
5 the progress and results of implementing the quantitative, analytical, utilization, quality, cost  
6 containment, and access goals and deliverables set out in the contract. NCCCN shall conduct its  
7 own analysis of the CCNC system to identify any variations from the development plan for the  
8 Enhanced Primary Care Case Management System and its defined goals and deliverables set  
9 out in the contract between the Department of Health and Human Services, Division of Medical  
10 Assistance (DMA), and NCCCN. Upon identifying any variations, NCCCN shall develop and  
11 implement a plan to address the variations. NCCCN shall report the plan to DMA within 30  
12 days after taking any action to implement the plan.

13  
14 **COMMUNITY CARE OF NORTH CAROLINA TO SET AND PAY PER MEMBER**  
15 **PER MONTH PAYMENTS ON PERFORMANCE BASIS TO ENCOURAGE**  
16 **BETTER CARE MANAGEMENT**

17 **SECTION 12H.22.(a)** The Department of Health and Human Services shall  
18 contract with Community Care Networks, Inc. (NCCCN), to administer and distribute the funds  
19 currently allocated to per member per month (PMPM) payments for Community Care of North  
20 Carolina (CCNC) primary care providers. NCCCN shall distribute one hundred percent (100%)  
21 of the funds allocated to PMPM payments to primary care providers on a care management  
22 performance basis using criteria developed by NCCCN. In developing its pay for performance  
23 model, NCCCN shall (i) ensure an adequate statewide network of participating CCNC primary  
24 care providers and (ii) adopt a payment level of zero dollars (\$0.00) for providers who do not  
25 satisfactorily participate in CCNC care management initiatives. Performance-based payments  
26 shall begin on July 1, 2014.

27 **SECTION 12H.22.(b)** PMPM payments from the Department to CCNC primary  
28 care providers shall continue until the implementation of the performance-based payment  
29 system.

30 **SECTION 12H.22.(c)** The Department shall consult with the Joint Legislative  
31 Oversight Committee on Health and Human Services on the performance-based payment  
32 proposal from NCCCN to incentivize better care management from primary care providers. If  
33 the Department submits a report and requests a meeting for the consultation, but the Oversight  
34 Committee does not hear the consultation within 90 days of the request, then the consultation  
35 requirement shall be deemed waived by the Oversight Committee. The report submitted for  
36 consultation shall include the following:

- 37 (1) Measureable elements that will be used to differentiate care management  
38 performance-based payments from the existing PMPM payments.
- 39 (2) A comparison of the performance plan to other measures such as the  
40 Healthcare Effectiveness Data and Information Set (HEDIS) or other  
41 national performance or quality measures.
- 42 (3) The specific structure of when payments would be made.
- 43 (4) An impact calculation of prospective payments under the performance-based  
44 payment plan and the current PMPM rates.

45 **SECTION 12H.22.(d)** Subsection (a) of this section is contingent upon both of the  
46 following:

- 47 (1) The Department's successful renegotiation of and modification to the  
48 existing contract or entering into a new contract with NCCCN to administer  
49 and distribute performance-based payments, as provided in subsection (a) of  
50 this section.

- 1 (2) The consultation required under subsection (c) of this section or an implied  
2 waiver of the consultation requirement, as provided in subsection (c) of this  
3 section.  
4

#### 5 **ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

6 **SECTION 12H.24.(a)** Receivables reserved at the end of the 2013-2014 and  
7 2014-2015 fiscal years shall, when received, be accounted for as nontax revenue for each of  
8 those fiscal years.

9 **SECTION 12H.24.(b)** For the 2013-2014 fiscal year, the Department of Health  
10 and Human Services shall deposit from its revenues one hundred ten million dollars  
11 (\$110,000,000) with the Department of State Treasurer to be accounted for as nontax revenue.  
12 For the 2014-2015 fiscal year, the Department of Health and Human Services shall deposit  
13 from its revenues one hundred nine million dollars (\$109,000,000) with the Department of  
14 State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return  
15 of General Fund appropriations, nonfederal revenue, fund balances, or other resources from  
16 State-owned and State-operated hospitals which are used to provide indigent and non-indigent  
17 care services. The return from State-owned and State-operated hospitals to DHHS will be made  
18 from nonfederal resources in an amount equal to the amount of the payments from the Division  
19 of Medical Assistance for uncompensated care. The treatment of any revenue derived from  
20 federal programs shall be in accordance with the requirements specified in the Code of Federal  
21 Regulations, Title 2, Part 225.  
22

#### 23 **MEDICAID SPECIAL FUND TRANSFER**

24 **SECTION 12H.25.** Of the funds transferred to the Department of Health and  
25 Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from  
26 the Medicaid Special Fund to the Department of Health and Human Services the sum of  
27 forty-three million dollars (\$43,000,000) for the 2013-2014 fiscal year and the sum of  
28 forty-three million dollars (\$43,000,000) for the 2014-2015 fiscal year. These funds shall be  
29 allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the  
30 prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding,  
31 these funds shall replace the reduction in general revenue funding effected in this act.  
32

#### 33 **MEDICAID COST CONTAINMENT ACTIVITIES**

34 **SECTION 12H.26.(a)** The Department of Health and Human Services may use up  
35 to five million dollars (\$5,000,000) in the 2013-2014 fiscal year and up to five million dollars  
36 (\$5,000,000) in the 2014-2015 fiscal year in Medicaid funds budgeted for program services to  
37 support the cost of administrative activities when cost-effectiveness and savings are  
38 demonstrated. The funds shall be used to support activities that will contain the cost of the  
39 Medicaid Program, including contracting for services, hiring additional staff, funding pilot  
40 programs, Health Information Exchange and Health Information Technology (HIE/HIT)  
41 administrative activities, or providing grants through the Office of Rural Health and  
42 Community Care to plan, develop, and implement cost containment programs.

43 Medicaid cost containment activities may include prospective reimbursement  
44 methods, incentive-based reimbursement methods, service limits, prior authorization of  
45 services, periodic medical necessity reviews, revised medical necessity criteria, service  
46 provision in the least costly settings, plastic magnetic-stripped Medicaid identification cards for  
47 issuance to Medicaid enrollees, fraud detection software or other fraud detection activities,  
48 technology that improves clinical decision making, credit balance recovery and data mining  
49 services, and other cost containment activities. Funds may be expended under this section only  
50 after the Office of State Budget and Management has approved a proposal for the expenditure  
51 submitted by the Department. Proposals for expenditure of funds under this section shall

1 include the cost of implementing the cost containment activity and documentation of the  
2 amount of savings expected to be realized from the cost containment activity.

3 **SECTION 12H.26.(b)** The Department shall report annually on the expenditures  
4 under this section to the House of Representatives Appropriations Subcommittee on Health and  
5 Human Services, the Senate Appropriations Committee on Health and Human Services, and the  
6 Fiscal Research Division. The report shall include the methods used to achieve savings and the  
7 amount saved by these methods. The report is due to the House of Representatives  
8 Appropriations Subcommittee on Health and Human Services, the Senate Appropriations  
9 Committee on Health and Human Services, and the Fiscal Research Division not later than  
10 December 1 of each year for the activities of the previous State fiscal year.

## 11 12 **MISCELLANEOUS MEDICAID PROVISIONS**

13 **SECTION 12H.27.(a)** Volume Purchase Plans and Single Source Procurement. –  
14 The Department of Health and Human Services, Division of Medical Assistance, may, subject  
15 to the approval of a change in the State Medicaid Plan, contract for services, medical  
16 equipment, supplies, and appliances by implementation of volume purchase plans, single  
17 source procurement, or other contracting processes in order to improve cost containment.

18 **SECTION 12H.27.(b)** Cost Containment Programs. – The Department of Health  
19 and Human Services, Division of Medical Assistance, may undertake cost containment  
20 programs, including contracting for services, preadmissions to hospitals, and prior approval for  
21 certain outpatient surgeries before they may be performed in an inpatient setting.

22 **SECTION 12H.27.(c)** Posting of Notices on Web Site. – For any public notice of  
23 change required pursuant to the provisions of 42 C.F.R. § 447.205, the Department shall, no  
24 later than seven business days after the date of publication, publish the same notice on its Web  
25 site on the same Web page as it publishes State Plan amendments, and the notice shall remain  
26 on the Web site continuously for 90 days.

27 **SECTION 12H.27.(d)** Medicaid Identification Cards. – The Department shall  
28 issue Medicaid identification cards to recipients on an annual basis with updates as needed.

## 29 30 **CONTINUE A+KIDS REGISTRY AND ASAP INITIATIVE**

31 **SECTION 12H.28.** Community Care of North Carolina (CCNC) and the  
32 Department of Health and Human Services, Division of Medical Assistance, shall continue to  
33 do the following:

- 34 (1) Monitor the prescription and administration of atypical antipsychotic  
35 medications to Medicaid recipients under the age of 18 through the About  
36 the Antipsychotics – Keeping It Documented for Safety (A+KIDS) Registry.
- 37 (2) Utilize a prior authorization policy for off-label antipsychotic and safety  
38 monitoring for Medicaid recipients 18 and older through the Adult Safety  
39 with Antipsychotic Prescribing (ASAP) Initiative.

## 40 41 **SUBPART XII-I. MISCELLANEOUS**

### 42 43 **STUDY/ALLOW CERTIFIED NURSE-MIDWIVES GREATER FLEXIBILITY IN** 44 **PRACTICE OF MIDWIFERY**

45 **SECTION 12I.2.(a)** The Joint Legislative Oversight Committee on Health and  
46 Human Services shall appoint a subcommittee to study whether certified nurse-midwives  
47 should be given more flexibility in the practice of midwifery. In conducting the study, the  
48 subcommittee shall consider whether a certified nurse-midwife should be allowed to practice  
49 midwifery in collaboration with, rather than under the supervision of, a physician licensed to  
50 practice medicine under Article 1 of Chapter 90 of the General Statutes who is actively  
51 engaged in the practice of obstetrics.

1           **SECTION 12I.2.(b)** The subcommittee shall report its findings and  
 2 recommendations to the Joint Legislative Oversight Committee on Health and Human Services  
 3 on or before April 1, 2014, at which time it shall terminate.  
 4

5 **SUBPART XII-J. DHHS BLOCK GRANTS**

6  
 7 **DHHS BLOCK GRANTS**

8           **SECTION 12J.1.(a)** Except as otherwise provided, appropriations from federal  
 9 block grant funds are made for each year of the fiscal biennium ending June 30, 2015,  
 10 according to the following schedule:  
 11

12 **TEMPORARY ASSISTANCE TO NEEDY FAMILIES**  
 13 **(TANF) FUNDS**

14  
 15 Local Program Expenditures

16           Division of Social Services

17			
18			
19	01.	Work First Family Assistance	\$ 60,285,413
20			
21	02.	Work First County Block Grants	82,485,495
22			
23	03.	Work First Electing Counties	2,352,521
24			
25	04.	Adoption Services – Special Children's Adoption Fund	2,026,877
26			
27	05.	Child Protective Services – Child Welfare	
28		Workers for Local DSS	9,412,391
29			
30	06.	Child Welfare Collaborative	632,416
31			

32           Division of Child Development

33			
34	07.	Subsidized Child Care Program	52,060,846
35			
36	08.	Swap Child Care Subsidy	6,352,644
37			

38           Division of Public Health

39			
40	09.	Teen Pregnancy Initiatives	2,500,000
41			

42 **DHHS Administration**

43			
44	10.	Division of Social Services	2,482,260
45			
46	11.	Office of the Secretary	34,042
47			

48 **Transfers to Other Block Grants**

49           Division of Child Development  
 50  
 51

1	12.	Transfer to the Child Care and Development Fund	71,773,001
2			
3	13.	Transfer to Social Services Block Grant for Child	
4		Protective Services – Child Welfare Training in	
5		Counties	1,300,000
6			
7	14.	Transfer to Social Services Block Grant for Child	
8		Protective Services	5,040,000
9			
10	15.	Transfer to Social Services Block Grant for County	
11		Departments of Social Services for Children's Services	4,148,001
12			
13	<b>TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES</b>		
14	<b>(TANF) FUNDS</b>		<b>\$ 302,885,907</b>
15			
16	<b>TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)</b>		
17	<b>EMERGENCY CONTINGENCY FUNDS</b>		
18			
19	Local Program Expenditures		
20			
21	Division of Social Services		
22			
23	01.	Work First County Block Grants	\$ 5,580,925
24			
25	02.	Work First Electing Counties	25,692
26			
27	03.	Subsidized Child Care	6,549,469
28			
29	<b>TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)</b>		
30	<b>EMERGENCY CONTINGENCY FUNDS</b>		<b>\$ 12,156,086</b>
31			
32	<b>SOCIAL SERVICES BLOCK GRANT</b>		
33			
34	Local Program Expenditures		
35			
36	Divisions of Social Services and Aging and Adult Services		
37			
38	01.	County Departments of Social Services	
39		(Transfer from TANF \$4,148,001)	\$ 29,927,551
40			
41	02.	Child Protective Services (Transfer from TANF)	5,040,000
42			
43	03.	State In-Home Services Fund	1,977,379
44			
45	04.	Adult Protective Services	1,266,778
46			
47	05.	State Adult Day Care Fund	2,028,375
48			
49	06.	Child Protective Services/CPS Investigative Services –	
50		Child Medical Evaluation Program	573,564
51			

1	07.	Special Children Adoption Incentive Fund	470,555
2			
3	08.	Child Protective Services – Child Welfare Training	
4		for Counties (Transfer from TANF)	1,300,000
5			
6	09.	Home and Community Care Block Grant (HCCBG)	1,726,068
7			
8	10.	Child Advocacy Centers	345,450
9			
10	11.	Guardianship	4,046,773
11			
12	12.	UNC Cares Contract	229,376
13			
14	13.	Foster Care Services	1,408,971
15			
16		Division of Central Management and Support	
17			
18	14.	DHHS Funding for Nonprofits	3,021,323
19			
20		Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
21			
22	15.	Mental Health Services – Adult and Child/Developmental	
23		Disabilities Program/Substance Abuse Services – Adult	4,100,043
24			
25		DHHS Program Expenditures	
26			
27		Division of Services for the Blind	
28			
29	16.	Independent Living Program	3,419,125
30			
31		Division of Health Service Regulation	
32			
33	17.	Adult Care Licensure Program	381,087
34			
35	18.	Mental Health Licensure and Certification Program	190,284
36			
37		DHHS Administration	
38			
39	19.	Division of Aging and Adult Services	577,745
40			
41	20.	Division of Social Services	559,109
42			
43	21.	Office of the Secretary/Controller's Office	127,731
44			
45	22.	Division of Child Development	13,878
46			
47	23.	Division of Mental Health, Developmental	
48		Disabilities, and Substance Abuse Services	27,446
49			
50	24.	Division of Health Service Regulation	118,946
51			

1	<b>TOTAL SOCIAL SERVICES BLOCK GRANT</b>	<b>\$ 62,877,557</b>
2		
3	<b>LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT</b>	
4		
5	Local Program Expenditures	
6		
7	Division of Social Services	
8		
9	01.    Low-Income Energy Assistance Program (LIEAP)	\$ 50,876,440
10		
11	02.    Crisis Intervention Program (CIP)	33,866,195
12		
13	Local Administration	
14		
15	Division of Social Services	
16		
17	03.    County DSS Administration	6,757,731
18		
19	DHHS Administration	
20		
21	04.    Office of the Secretary/DIRM	412,488
22		
23	05.    Office of the Secretary/Controller's Office	18,378
24		
25	Transfers to Other State Agencies	
26		
27	Department of Environment and Natural Resources	
28		
29	06.    Weatherization Program	14,947,789
30		
31	07.    Heating Air Repair and Replacement	
32	Program (HARRP)	7,193,873
33		
34	08.    Local Residential Energy Efficiency Service	
35	Providers – Weatherization	37,257
36		
37	09.    Local Residential Energy Efficiency Service	
38	Providers – HARRP	338,352
39		
40	10.    Department of Commerce Administration –	
41	Weatherization	37,257
42		
43	11.    Department of Commerce Administration –	
44	HARRP	338,352
45		
46	Department of Administration	
47		
48	12.    N.C. Commission on Indian Affairs	87,736
49		
50	<b>TOTAL LOW-INCOME HOME ENERGY ASSISTANCE</b>	
51	<b>BLOCK GRANT</b>	<b>\$ 114,911,848</b>



1  
2 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

3  
4 Local Program Expenditures

5  
6 Division of Child Development

7  
8 01. Child Care Services  
9 (Smart Start \$7,000,000) \$ 158,328,747

10  
11 02. Electronic Tracking System 3,000,000

12  
13 03. Transfer from TANF Block Grant  
14 for Child Care Subsidies 71,773,001

15  
16 04. Quality and Availability Initiatives  
17 (TEACH Program \$3,800,000) 22,500,000

18  
19 DHHS Administration

20  
21 Division of Child Development

22  
23 05. DCDEE Administrative Expenses 6,000,000

24  
25 06. Local Subsidized Child Care Services Support 13,274,413

26  
27 Division of Central Administration

28  
29 07. DHHS Central Administration – DIRM  
30 Technical Services 775,000

31  
32 **TOTAL CHILD CARE AND DEVELOPMENT FUND**  
33 **BLOCK GRANT** \$ 275,651,161

34  
35 **MENTAL HEALTH SERVICES BLOCK GRANT**

36  
37 Local Program Expenditures

38  
39 01. Mental Health Services – Adult \$ 10,717,607

40  
41 02. Mental Health Services – Child 5,121,991

42  
43 03. Administration 200,000

44  
45 **TOTAL MENTAL HEALTH SERVICES BLOCK GRANT** \$ 16,039,598

46  
47 **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

48  
49 Local Program Expenditures

50  
51 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

1			
2	01.	Substance Abuse Services – Adult	\$ 14,960,371
3			
4	02.	Substance Abuse Treatment Alternative for Women	6,050,300
5			
6	03.	Substance Abuse – HIV and IV Drug	3,919,723
7			
8	04.	Substance Abuse Prevention – Child	7,186,857
9			
10	05.	Substance Abuse Services – Child	4,190,500
11			
12	06.	Administration	454,000
13			
14		Division of Public Health	
15			
16	07.	Risk Reduction Projects	575,654
17			
18	08.	Aid-to-Counties	190,295
19			
20		<b>TOTAL SUBSTANCE ABUSE PREVENTION</b>	
21		<b>AND TREATMENT BLOCK GRANT</b>	<b>\$ 37,527,700</b>
22			
23		<b>MATERNAL AND CHILD HEALTH BLOCK GRANT</b>	
24			
25		Local Program Expenditures	
26			
27		Division of Public Health	
28			
29	01.	Children's Health Services	
30		(Safe Sleep Campaign \$45,000)	\$ 8,042,531
31			
32	02.	Women's Health	
33		(March of Dimes \$350,000; Teen Pregnancy	
34		Prevention Initiatives \$650,000; Perinatal	
35		Quality Collaborative \$250,000; 17P Project \$52,000;	
36		Maternity Homes \$925,085; Carolina Pregnancy Care	
37		Fellowship \$250,000; ECU High Risk Maternity Clinic \$325,000	
38		Nurse-Family Partnership \$1,184,018)	8,532,935
39			
40	03.	Oral Health Preventive Services	44,901
41			
42		DHHS Program Expenditures	
43			
44		Division of Public Health	
45			
46	04.	Children's Health Services	1,301,504
47			
48	05.	Women's Health – Maternal Health	105,419
49			
50	06.	State Center for Health Statistics	164,487
51			

1	07. Health Promotion – Injury and Violence Prevention	89,374
2		
3	DHHS Administration	
4		
5	Division of Public Health	
6		
7	08. Division of Public Health Administration	573,108
8		
9	<b>TOTAL MATERNAL AND CHILD</b>	
10	<b>HEALTH BLOCK GRANT</b>	<b>\$ 18,854,259</b>
11		
12	<b>PREVENTIVE HEALTH SERVICES BLOCK GRANT</b>	
13		
14	Local Program Expenditures	
15		
16	Division of Public Health	
17		
18	01. Physical Activity and Prevention	\$ 1,331,961
19		
20	02. Injury and Violence Prevention (Services to Rape	
21	Victims – Set-Aside)	169,730
22		
23	DHHS Program Expenditures	
24		
25	Division of Public Health	
26		
27	03. HIV/STD Prevention and Community Planning	
28	(Transfer from Social Services Block Grant)	145,819
29		
30	04. Oral Health Preventive Services	46,302
31		
32	05. Laboratory Services – Testing, Training, and Consultation	10,980
33		
34	06. Injury and Violence Prevention (Services to Rape	
35	Victims – Set-Aside)	199,634
36		
37	07. Heart Disease and Stroke Prevention	162,249
38		
39	08. Performance Improvement and Accountability	213,971
40		
41	09. Physical Activity and Nutrition	38,000
42		
43	10. State Center for Health Statistics	61,406
44		
45	<b>TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT</b>	<b>\$ 2,380,052</b>
46		
47	<b>COMMUNITY SERVICES BLOCK GRANT</b>	
48		
49	Local Program Expenditures	
50		
51	Office of Economic Opportunity	

1		
2	01. Community Action Agencies	\$ 22,402,724
3		
4	02. Limited Purpose Agencies	1,244,596
5		
6	DHHS Administration	
7		
8	03. Office of Economic Opportunity	1,244,596
9		
10	<b>TOTAL COMMUNITY SERVICES BLOCK GRANT</b>	<b>\$ 24,891,916</b>

## 11 GENERAL PROVISIONS

12 **SECTION 12J.1.(b)** Information to Be Included in Block Grant Plans. – The  
 13 Department of Health and Human Services shall submit a separate plan for each Block Grant  
 14 received and administered by the Department, and each plan shall include the following:

- 15 (1) A delineation of the proposed allocations by program or activity, including  
 16 State and federal match requirements.
- 17 (2) A delineation of the proposed State and local administrative expenditures.
- 18 (3) An identification of all new positions to be established through the Block  
 19 Grant, including permanent, temporary, and time-limited positions.
- 20 (4) A comparison of the proposed allocations by program or activity with two  
 21 prior years' program and activity budgets and two prior years' actual program  
 22 or activity expenditures.
- 23 (5) A projection of current year expenditures by program or activity.
- 24 (6) A projection of federal Block Grant funds available, including unspent  
 25 federal funds from the current and prior fiscal years.

26 **SECTION 12J.1.(c)** Changes in Federal Fund Availability. – If the Congress of the  
 27 United States increases the federal fund availability for any of the Block Grants or contingency  
 28 funds and other grants related to existing Block Grants administered by the Department of  
 29 Health and Human Services from the amounts appropriated in this section, the Department  
 30 shall allocate the increase proportionally across the program and activity appropriations  
 31 identified for that Block Grant in this section. In allocating an increase in federal fund  
 32 availability, the Office of State Budget and Management shall not approve funding for new  
 33 programs or activities not appropriated in this section.

34 If the Congress of the United States decreases the federal fund availability for any of  
 35 the Block Grants or contingency funds and other grants related to existing Block Grants  
 36 administered by the Department of Health and Human Services from the amounts appropriated  
 37 in this section, the Department shall develop a plan to adjust the block grants based on reduced  
 38 federal funding.

39 Notwithstanding the provisions of this subsection, for fiscal years 2013-2014 and  
 40 2014-2015, increases in the federal fund availability for the Temporary Assistance to Needy  
 41 Families (TANF) Block Grant shall be used for the North Carolina Child Care Subsidy  
 42 Program to pay for child care in four- or five-star rated facilities for four-year-old children.

43 Prior to allocating the change in federal fund availability, the proposed allocation  
 44 must be approved by the Office of State Budget and Management. If the Department adjusts the  
 45 allocation of any Block Grant due to changes in federal fund availability, then a report shall be  
 46 made to the Joint Legislative Oversight Committee on Health and Human Services, the Joint  
 47 Legislative Commission on Governmental Operations, and the Fiscal Research Division.

48 **SECTION 12J.1.(d)** Except as otherwise provided, appropriations from federal  
 49 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2015,  
 50

1 according to the schedule enacted for State fiscal years 2013-2014 and 2014-2015 or until a  
2 new schedule is enacted by the General Assembly.

3 **SECTION 12J.1.(e)** All changes to the budgeted allocations to the Block Grants or  
4 contingency funds and other grants related to existing Block Grants administered by the  
5 Department of Health and Human Services that are not specifically addressed in this section  
6 shall be approved by the Office of State Budget and Management, and the Office of State  
7 Budget and Management shall consult with the Joint Legislative Commission on Governmental  
8 Operations for review prior to implementing the changes. The report shall include an itemized  
9 listing of affected programs, including associated changes in budgeted allocations. All changes  
10 to the budgeted allocations to the Block Grants shall be reported immediately to the Joint  
11 Legislative Oversight Committee on Health and Human Services and the Fiscal Research  
12 Division. This subsection does not apply to Block Grant changes caused by legislative salary  
13 increases and benefit adjustments.

#### 14 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

15 **SECTION 12J.1.(f)** The sum of eighty-two million four hundred eighty-five  
16 thousand four hundred ninety-five dollars (\$82,485,495) appropriated in this section in TANF  
17 funds to the Department of Health and Human Services, Division of Social Services, for each  
18 year of the 2013-2015 fiscal biennium shall be used for Work First County Block Grants. The  
19 Division shall certify these funds in the appropriate State-level services based on prior year  
20 actual expenditures. The Division has the authority to realign the authorized budget for these  
21 funds among the State-level services based on current year actual expenditures.

22 **SECTION 12J.1.(g)** The sum of two million four hundred eighty-two thousand  
23 two hundred sixty dollars (\$2,482,260) appropriated in this section in TANF funds to the  
24 Department of Health and Human Services, Division of Social Services, for each year of the  
25 2013-2015 fiscal biennium shall be used to support administration of TANF-funded programs.

26 **SECTION 12J.1.(h)** The sum of nine million four hundred twelve thousand three  
27 hundred ninety-one dollars (\$9,412,391) appropriated in this section to the Department of  
28 Health and Human Services, Division of Social Services, in TANF funds for each year of the  
29 2013-2015 fiscal biennium for child welfare improvements shall be allocated to the county  
30 departments of social services for hiring or contracting staff to investigate and provide services  
31 in Child Protective Services cases; to provide foster care and support services; to recruit, train,  
32 license, and support prospective foster and adoptive families; and to provide interstate and  
33 post-adoption services for eligible families.

34 Counties shall maintain their level of expenditures in local funds for Child  
35 Protective Services' workers. Of the block grant funds appropriated for Child Protective  
36 Services' workers, the total expenditures from State and local funds for fiscal years 2013-2014  
37 and 2014-2015 shall not be less than the total expended from State and local funds for the  
38 2012-2013 fiscal year.

39 **SECTION 12J.1.(i)** The sum of two million twenty-six thousand eight hundred  
40 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the  
41 Department of Health and Human Services, Special Children Adoption Fund, for each year of  
42 the 2013-2015 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division  
43 of Social Services, in consultation with the North Carolina Association of County Directors of  
44 Social Services and representatives of licensed private adoption agencies, shall develop  
45 guidelines for the awarding of funds to licensed public and private adoption agencies upon the  
46 adoption of children described in G.S. 108A-50 and in foster care. Payments received from the  
47 Special Children Adoption Fund by participating agencies shall be used exclusively to enhance  
48 the adoption services program. No local match shall be required as a condition for receipt of  
49 these funds.  
50

1           **SECTION 12J.1.(j)** The sum of six hundred thirty-two thousand four hundred  
2 sixteen dollars (\$632,416) appropriated in this section to the Department of Health and Human  
3 Services in TANF funds for each year of the 2013-2015 fiscal biennium shall be used to  
4 continue support for the Child Welfare Collaborative.

5  
6 **SOCIAL SERVICES BLOCK GRANT**

7           **SECTION 12J.1.(k)** The sum of twenty-nine million nine hundred twenty-seven  
8 thousand five hundred fifty-one dollars (\$29,927,551) appropriated in this section in the Social  
9 Services Block Grant to the Department of Health and Human Services, Division of Social  
10 Services, for each year of the 2013-2015 fiscal biennium shall be used for County Block  
11 Grants. The Division shall certify these funds in the appropriate State-level services based on  
12 prior year actual expenditures. The Division has the authority to realign the authorized budget  
13 for these funds among the State-level services based on current year actual expenditures.

14           **SECTION 12J.1.(l)** The sum of one million three hundred thousand dollars  
15 (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department  
16 of Health and Human Services, Division of Social Services, for each year of the 2013-2015  
17 fiscal biennium shall be used to support various child welfare training projects as follows:

- 18           (1) Provide a regional training center in southeastern North Carolina.
- 19           (2) Provide training for residential child caring facilities.
- 20           (3) Provide for various other child welfare training initiatives.

21           **SECTION 12J.1.(m)** The Department of Health and Human Services is  
22 authorized, subject to the approval of the Office of State Budget and Management, to transfer  
23 Social Services Block Grant funding allocated for departmental administration between  
24 divisions that have received administrative allocations from the Social Services Block Grant.

25           **SECTION 12J.1.(n)** Social Services Block Grant funds appropriated for the  
26 Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

27           **SECTION 12J.1.(o)** The sum of five million forty thousand dollars (\$5,040,000)  
28 appropriated in this section in the Social Services Block Grant for each year of the 2013-2015  
29 fiscal biennium shall be allocated to the Department of Health and Human Services, Division  
30 of Social Services. The Division shall allocate these funds to local departments of social  
31 services to replace the loss of Child Protective Services State funds that are currently used by  
32 county government to pay for Child Protective Services staff at the local level. These funds  
33 shall be used to maintain the number of Child Protective Services workers throughout the State.  
34 These Social Services Block Grant funds shall be used to pay for salaries and related expenses  
35 only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five  
36 percent (25%).

37           **SECTION 12J.1.(p)** The sum of three million twenty-one thousand three hundred  
38 twenty-three dollars (\$3,021,323) appropriated in this section in the Social Services Block  
39 Grant to the Department of Health and Human Services, Division of Central Management and  
40 Support, shall be used for funding for nonprofits pursuant to Section 12A.2 of this act for each  
41 year of the 2013-2015 fiscal biennium. These funds are exempt from the provisions of 10A  
42 NCAC 71R .0201(3).

43           **SECTION 12J.1.(q)** The sum of three hundred forty-five thousand four hundred  
44 fifty dollars (\$345,450) appropriated in this section in the Social Services Block Grant for each  
45 year of the 2013-2015 fiscal biennium to the Department of Health and Human Services,  
46 Division of Social Services, shall be used to continue support for the Child Advocacy Centers,  
47 and these funds are exempt from the provisions of 10A NCAC 71R .0201(3).

48           **SECTION 12J.1.(r)** The sum of four million forty-six thousand seven hundred  
49 seventy-three dollars (\$4,046,773) appropriated in this section in the Social Services Block  
50 Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human  
51 Services, Divisions of Social Services and Aging and Adult Services, shall be used for

1 guardianship services pursuant to Chapter 35A of the General Statutes. The Department may  
2 expend funds appropriated in this section to support (i) existing corporate guardianship  
3 contracts during the 2013-2014 and 2014-2015 fiscal years and (ii) guardianship contracts  
4 transferred to the State from local management entities or managed care organizations during  
5 the 2013-2014 and 2014-2015 fiscal years.

#### 6 7 **LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT**

8 **SECTION 12J.1.(s)** Additional emergency contingency funds received may be  
9 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior  
10 consultation with the Joint Legislative Commission on Governmental Operations. Additional  
11 funds received shall be reported to the Joint Legislative Commission on Governmental  
12 Operations and the Fiscal Research Division upon notification of the award. The Department of  
13 Health and Human Services shall not allocate funds for any activities, including increasing  
14 administration, other than assistance payments, without prior consultation with the Joint  
15 Legislative Commission on Governmental Operations.

16 **SECTION 12J.1.(t)** The sum of fifty million eight hundred seventy-six thousand  
17 four hundred forty dollars (\$50,876,440) appropriated in this section in the Low-Income Home  
18 Energy Assistance Block Grant for each year of the 2013-2015 fiscal biennium to the  
19 Department of Health and Human Services, Division of Social Services, shall be used for  
20 energy assistance payments for the households of (i) elderly persons age 60 and above with  
21 income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled  
22 persons eligible for services funded through the Division of Aging and Adult Services. County  
23 departments of social services shall submit to the Division of Social Services an outreach plan  
24 for targeting households with 60 year-old household members no later than August 1 of each  
25 year.

#### 26 27 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

28 **SECTION 12J.1.(u)** Payment for subsidized child care services provided with  
29 federal TANF funds shall comply with all regulations and policies issued by the Division of  
30 Child Development for the subsidized child care program.

31 **SECTION 12J.1.(v)** If funds appropriated through the Child Care and  
32 Development Fund Block Grant for any program cannot be obligated or spent in that program  
33 within the obligation or liquidation periods allowed by the federal grants, the Department may  
34 move funds to child care subsidies, unless otherwise prohibited by federal requirements of the  
35 grant, in order to use the federal funds fully.

#### 36 37 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

38 **SECTION 12J.1.(w)** If federal funds are received under the Maternal and Child  
39 Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193  
40 (42 U.S.C. § 710), for the 2013-2014 fiscal year or the 2014-2015 fiscal year, then those funds  
41 shall be transferred to the State Board of Education to be administered by the Department of  
42 Public Instruction. The Department of Public Instruction shall use the funds to establish an  
43 abstinence until marriage education program and shall delegate to one or more persons the  
44 responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department  
45 of Public Instruction shall carefully and strictly follow federal guidelines in implementing and  
46 administering the abstinence education grant funds.

47 **SECTION 12J.1.(x)** The Department of Health and Human Services shall ensure  
48 that there will be follow-up testing in the Newborn Screening Program.

#### 49 50 **PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

**INCREASE CERTAIN AGRONOMIC TESTING FEES**

**SECTION 13.1.(a)** G.S. 106-22 reads as rewritten:

**"§ 106-22. Joint duties of Commissioner and Board.**

The Commissioner of Agriculture, by and with the consent and advice of the Board of Agriculture shall:

...  
(17) Agronomic Testing. – Provide agronomic testing services and charge reasonable fees for plant analysis, nematode testing, in-State soil testing during peak season, out-of-state soil testing, and expedited soil testing. The Board shall charge at least four dollars (\$4.00) for plant analysis, at least two dollars (\$2.00) for nematode testing, at least four dollars (\$4.00) for in-State soil testing during peak season, at least five dollars (\$5.00) for out-of-state soil testing, and at least ~~one hundred dollars (\$100.00)~~ two hundred dollars (\$200.00) for expedited soil testing. As used in this subdivision, "peak season" includes at a minimum the four-month period beginning no later than December 1 of any year and extending until at least March 31 of the following year. The Board may modify the meaning of peak season by starting a peak season earlier in any year or ending it later the following year or both.

...."

**SECTION 13.1.(b)** It is the intent of the General Assembly that receipts generated from the new fee for in-State soil testing during peak season under G.S. 106-22(17), as amended by this section, are to be used to alleviate testing delays in the peak testing season. Any receipts generated as a result of the new fee for in-State soil testing during peak season are appropriated to the Department of Agriculture and Consumer Services for the 2013-2014 fiscal year and for the 2014-2015 fiscal year and shall be available to the Department in addition to any other existing funding sources.

**SECTION 13.1.(c)** This section becomes effective July 1, 2013, and applies to submissions received by the Department for testing or analysis on or after that date.

**TVA SETTLEMENT FUNDS**

**SECTION 13.3.(a)** In each fiscal year of the 2013-2015 biennium, the Department of Agriculture and Consumer Services shall apply for two million two hundred forty thousand dollars (\$2,240,000) from the Tennessee Valley Authority Settlement Agreement in compliance with the requirements of paragraphs 122 through 128 of the Consent Decree entered into by the State in *State of Alabama et al. v. Tennessee Valley Authority*, Civil Action 3:11-cv-00170 in the United States District Court for the Eastern District of Tennessee, and Appendix C to the Compliance Agreement. The funds received by the State under this section shall be allocated as follows:

- (1) One million dollars (\$1,000,000) for each fiscal year of the 2013-2015 biennium to award grants for "Environmental Mitigation Projects" of the types specified in paragraph 128 of the Consent Decree in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, Yancey.
- (2) One million dollars (\$1,000,000) for each fiscal year of the 2013-2015 biennium to North Carolina Agricultural Development and Farmland Preservation Trust Fund to be used, notwithstanding G.S. 106-744, to award funds in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, Yancey.



(3) Two hundred forty thousand dollars (\$240,000) for each fiscal year of the 2013-2015 biennium to Appalachian Energy Center at Appalachian State University.

**SECTION 13.3(b)** Funds allocated under subdivision (1) of subsection (a) of this section shall not be used to acquire land.

**BOB MARTIN EASTERN AGRICULTURAL CENTER**

**SECTION 13.6.** If the Senator Bob Martin Eastern Agricultural Center is not at least fifty percent (50%) receipt supported by the end of the 2014-2015 fiscal year, no additional appropriations from the General Fund shall be provided to the Senator Bob Martin Eastern Agricultural Center, and no funds shall be included for this purpose in the continuation budget of the Department of Agriculture and Consumer Services.

**FUTURE FARMERS OF AMERICA PROGRAM FUNDS/REPORTING REQUIREMENTS**

**SECTION 13.7.(a)** Up to forty thousand dollars (\$40,000) of the funds appropriated to the Department of Agriculture and Consumer Services for the 2013-2014 fiscal year and up to one hundred forty thousand dollars (\$140,000) of the funds appropriated to the Department of Agriculture and Consumer Services for the 2014-2015 fiscal year may be used as a grant-in-aid to the North Carolina Agricultural Foundation, Inc., for the Future Farmers of America program for each of these fiscal years.

**SECTION 13.7.(b)** North Carolina Agricultural Foundation – FFA Foundation (hereinafter "FFA Foundation") shall do the following if the Department of Agriculture and Consumer Services allocates funds to the entity:

- (1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.
- (2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

**ALLOW BOARD TO ESTABLISH EXAMINATION FEE/SOIL SCIENTISTS**

**SECTION 13.8.** G.S. 89F-25 reads as rewritten:

**"§ 89F-25. Fees.**

(a) The Board shall determine fees for the following services that shall not exceed the amounts specified in this section:

Application	\$ 50.00
Examination	<del>125.00</del>
License	85.00
Renewal	85.00
Restoration	110.00
Replacement license	50.00
Seal	30.00.

(b) The Board may charge the applicant the actual cost of preparation, administration, and grading of examinations for soil scientists, in addition to its other fees."

**INCREASE CERTAIN COMMERCIAL FERTILIZER FEES FOR PACKAGES OF FIVE POUNDS OR LESS**

**SECTION 13.9.(a)** G.S. 106-660(a) reads as rewritten:

1       "(a) Each brand of commercial fertilizer for tobacco, specialty fertilizer, fertilizer  
2 materials, manipulated manure and fortified mulch shall be registered by the person whose  
3 name appears upon the label before being offered for sale, sold or distributed in this State,  
4 except those brands expressly produced for experimental and demonstration purposes only.  
5 Other fertilizers may be manufactured and sold without registration after obtaining a license as  
6 required in G.S. 106-661(a). The application for registration shall be submitted in duplicate to  
7 the Commissioner for his approval on forms furnished by the Commissioner, and shall include  
8 a fee of five dollars (\$5.00) per brand and grade for all packages greater than five pounds. The  
9 registration fee for packages of five pounds or less shall be ~~thirty dollars (\$30.00)~~fifty-five  
10 dollars (\$55.00). All approved registrations expire on June 30 of each year. The application  
11 shall include such information as deemed necessary by the Board of Agriculture."

12           **SECTION 13.9.(b)** G.S. 106-671(a) reads as rewritten:

13       "(a) For the purpose of defraying expenses on the inspection and of otherwise  
14 determining the value of commercial fertilizers in this State, there shall be paid to the  
15 Department of Agriculture and Consumer Services a charge of fifty cents (50¢) per ton on all  
16 commercial fertilizers other than packages of five pounds or less. Inspection fees shall be paid  
17 on all tonnage distributed into North Carolina to any person not having a valid reporting permit.  
18 ~~On an individual~~Individual packages of five pounds or less ~~there shall be paid in lieu of the~~  
19 ~~tonnage fee an annual registration fee of twenty-five dollars (\$25.00) for each brand offered for~~  
20 ~~sale, sold, or distributed;~~shall be exempt from the tonnage fee; provided that any per annum  
21 (fiscal) tonnage of any brand sold in excess of one hundred tons ~~may~~shall be subject to the  
22 charge of fifty cents (50¢) per ton on any amount in excess of one hundred tons as provided  
23 herein. Whenever any manufacturer of commercial fertilizer shall have paid the charges  
24 required by this section his goods shall not be liable to further tax, whether by city, town, or  
25 county; provided, this shall not exempt the commercial fertilizers from an ad valorem tax."

## 26 27 **PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

### 28 29 **DEVELOP PLAN FOR AQUARIUMS TO RAISE PRIVATE FUNDS FOR SUPPORT** 30 **ASSISTANCE**

31           **SECTION 14.1.** No later than April 1, 2014, the Division of North Carolina  
32 Aquariums of the Department of Environment and Natural Resources shall develop a plan for  
33 the North Carolina Aquariums established under Article 5C of Chapter 143B of the General  
34 Statutes to increase the amount of private funds raised through the direct efforts of each North  
35 Carolina Aquarium in order to make the North Carolina Aquariums become more financially  
36 self-sustaining. No later than April 1, 2014, the Division of North Carolina Aquariums of the  
37 Department of Environment and Natural Resources shall report its plan under this section to the  
38 Senate Appropriations Committee on Natural and Economic Resources, the House of  
39 Representatives Appropriations Subcommittee on Natural and Economic Resources, and the  
40 Fiscal Research Division.

### 41 42 **EARLY SUNSET FOR NC SUSTAINABLE COMMUNITIES TASK FORCE**

43           **SECTION 14.2.** Section 13.5(e) of S.L. 2010-31 reads as rewritten:

44       "**SECTION 13.5.(e)** Sunset. – This section expires June 30, ~~2016~~2013."

### 45 46 **CLEAN WATER MANAGEMENT TRUST FUND UNDER DENR; NHTF REPEALED;** 47 **CWMTF CHANGES**

48           **SECTION 14.3.(a)** All staff that are supported by the Clean Water Management  
49 Trust Fund and employed by the Clean Water Management Trust Fund Board of Trustees are  
50 transferred to the Department of Environment and Natural Resources and shall continue to be  
51 supported by the Clean Water Management Trust Fund, established in G.S. 113A-253, and

1 shall be employed by the Department of Environment and Natural Resources. The Clean Water  
2 Management Trust Fund shall be administered by the Department of Environment and Natural  
3 Resources.

4 **SECTION 14.3.(b)** Article 5A of Chapter 113 of the General Statutes is repealed.

5 **SECTION 14.3.(c)** G.S. 20-79.7(b) reads as rewritten:

6 "(b) Distribution of Fees. – The Special Registration Plate Account and the Collegiate  
7 and Cultural Attraction Plate Account are established within the Highway Fund. The Division  
8 must credit the additional fee imposed for the special registration plates listed in subsection (a)  
9 of this section among the Special Registration Plate Account (SRPA), the Collegiate and  
10 Cultural Attraction Plate Account (CCAPA), the ~~Natural Heritage Trust Fund (NHTF)~~, Clean  
11 Water Management Trust Fund (CWMTF), which is established under  
12 ~~G.S. 113-77.7~~, G.S. 113A-253, and the Parks and Recreation Trust Fund, which is established  
13 under G.S. 113-44.15, as follows:

14	<u>Special Plate</u>	<u>SRPA</u>	<u>CCAPA</u>	<del>NHTF</del>	<u>CWMTF</u>	<u>PRTF</u>
15	...."					

16 **SECTION 14.3.(d)** G.S. 113A-253 reads as rewritten:

17 "**§ 113A-253. Clean Water Management Trust Fund.**

18 (a) Fund Established. – The Clean Water Management Trust Fund is established as a  
19 special revenue fund ~~fund~~ to be administered by the Department of Environment and Natural  
20 Resources. The Fund receives revenue from the following sources and may receive revenue  
21 from other sources:

- 22 (1) Annual appropriations.
- 23 (2) ~~Seenie River special~~ Special registration plates under G.S. 20-81.12.
- 24 (3) Other special registration plates under G.S. 20-79.7.
- 25 (4) Deed stamp tax proceeds under G.S. 105-228.30.

26 (b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund  
27 separate and apart from all other moneys, funds, and accounts. Investment earnings credited to  
28 the assets of the Fund shall become part of the Fund. Any balance remaining in the Fund at the  
29 end of any fiscal year shall be carried forward in the Fund for the next succeeding fiscal year.  
30 Payments from the Fund shall be made on the warrant of the Chair of the Board of Trustees.

31 (c) Fund Purposes. – Moneys from the Fund are appropriated annually to finance  
32 projects to clean up or prevent surface water pollution and for land preservation in accordance  
33 with this Article. Revenue in the Fund may be used for any of the following purposes:

- 34 (1) To acquire land for riparian buffers for the purposes of providing  
35 environmental protection for surface waters and urban drinking water  
36 supplies and establishing a network of riparian greenways for environmental,  
37 educational, and recreational uses and to retire debt incurred for this purpose  
38 under Article 9 of Chapter 142 of the General Statutes.
- 39 (2) To acquire conservation easements or other interests in real property for the  
40 purpose of protecting and conserving surface waters and enhancing drinking  
41 water supplies, including the development of water supply reservoirs, and to  
42 retire debt incurred for this purpose under Article 9 of Chapter 142 of the  
43 General Statutes.
- 44 (3) To coordinate with other public programs involved with lands adjoining  
45 water bodies to gain the most public benefit while protecting and improving  
46 water quality and to retire debt incurred for this purpose under Article 9 of  
47 Chapter 142 of the General Statutes.
- 48 (4) To restore previously degraded lands to reestablish their ability to protect  
49 water quality and to retire debt incurred for this purpose under Article 9 of  
50 Chapter 142 of the General Statutes.

- 1 (5) To repair failing wastewater collection systems and wastewater treatment  
2 works if the repair is a reasonable remedy for resolving an existing waste  
3 treatment problem and the repair is not for the purpose of expanding the  
4 system to accommodate future anticipated growth of a community.
- 5 (6) To repair and eliminate failing septic tank systems, to eliminate illegal  
6 drainage connections, and to expand a wastewater collection system or  
7 wastewater treatment works if the expansion eliminates failing septic tank  
8 systems or illegal drainage connections.
- 9 (7) To finance stormwater quality projects.
- 10 (8) To facilitate planning that targets reductions in surface water pollution.
- 11 (8a) To finance innovative efforts, including pilot projects, to improve  
12 stormwater management, to reduce pollutants entering the State's waterways,  
13 to improve water quality, and to research alternative solutions to the State's  
14 water quality problems.
- 15 (8b) To provide buffers around military bases or for State matching funds for the  
16 Readiness and Environmental Protection Initiative, a federal funding  
17 initiative that provides funds for military buffers.
- 18 (8c) To acquire land that represents the ecological diversity of North Carolina,  
19 including natural features such as riverine, montane, coastal, and geologic  
20 systems and other natural areas to ensure their preservation and conservation  
21 for recreational, scientific, educational, cultural, and aesthetic purposes, and  
22 to retire debt incurred for this purpose under Article 9 of Chapter 142 of the  
23 General Statutes.
- 24 (8d) To acquire land that contributes to the development of a balanced State  
25 program of historic properties.
- 26 (9) To fund operating expenses of the Board of Trustees and its staff.

27 (d) ~~Limit on Operating and Administrative Expenses. – No more than two percent (2%)~~  
28 ~~of the annual balance of the Fund on 1 July or a total sum of one million two hundred fifty~~  
29 ~~thousand dollars (\$1,250,000), whichever is greater, may be used each fiscal year for~~  
30 ~~administrative and operating expenses of the Board of Trustees and its staff.~~For the fiscal year  
31 beginning July 1, 2013, the limit on operating and administrative expenses of the Board of  
32 Trustees and its staff is one million five hundred thousand dollars (\$1,500,000). For fiscal years  
33 beginning on or after July 1, 2014, the limit on operating and administrative expenses of the  
34 Board of Trustees and its staff is the amount for the preceding year, adjusted to include any  
35 change in the distribution of Statewide salary and benefits reserves."

36 **SECTION 14.3.(e)** G.S. 113A-254 is amended by adding a new subsection to read:

37 "(g) Limit on Land Acquisition Grants. – During any fiscal year, the total amount of  
38 grants awarded under this Article for land acquisition shall not exceed the total amount of  
39 revenue credited to the Fund during the previous fiscal year from the following sources:

40 (1) Special registration plates under G.S. 20-81.12.

41 (2) Other special registration plates under G.S. 20-79.7."

42 **SECTION 14.3.(f)** G.S. 113A-255 reads as rewritten:

43 **"§ 113A-255. Clean Water Management Trust Fund: Board of Trustees established;**  
44 **membership qualifications; vacancies; meetings and meeting facilities.**

45 (a) Board of Trustees Established. – There is established the Clean Water Management  
46 Trust Fund Board of Trustees. The Clean Water Management Trust Fund Board of Trustees  
47 shall be administratively located within the Department of Environment and Natural Resources  
48 ~~but shall be independent of the Department.~~Resources.

49 ...  
50 ~~(g) Meeting Facilities. – The Secretary of Environment and Natural Resources shall~~  
51 ~~provide meeting facilities for the Board of Trustees and its staff as requested by the Chair."~~

1           **SECTION 14.3.(g)** G.S. 113A-256(j) reads as rewritten:

2           "(j) Debt. – Of the funds credited annually to the Fund, the Trustees may authorize  
3 expenditure of a portion to reimburse the General Fund for debt service on special indebtedness  
4 to be issued or incurred under Article 9 of Chapter 142 of the General Statutes for the purposes  
5 ~~provided in G.S. 113A-253(c)(1) through (4).Statutes.~~ In order to authorize expenditure of  
6 funds for debt service reimbursement, the Trustees must identify to the State Treasurer and the  
7 Department of Administration the specific capital projects for which they would like special  
8 indebtedness to be issued or incurred and the annual amount they intend to make available, and  
9 request the State Treasurer to issue or incur the indebtedness. After special indebtedness has  
10 been issued or incurred for a capital project requested by the Trustees, the Trustees must direct  
11 the State Treasurer to credit to the General Fund each year the actual aggregate principal and  
12 interest payments to be made in that year on the special indebtedness, as identified by the State  
13 Treasurer."

14           **SECTION 14.3.(h)** G.S. 113A-258 reads as rewritten:

15 **"§ 113A-258. Clean Water Management Trust Fund: Executive Director and staff.**

16 ~~The Clean Water Management Trust Fund Board of Trustees, as soon as practicable after its~~  
17 ~~organization,~~The Secretary of Environment and Natural Resources shall select and appoint a  
18 competent person in accordance with this section as Executive Director of the Clean Water  
19 Management Trust Fund Board of Trustees. The Executive Director shall be charged with the  
20 supervision of all activities under the jurisdiction of the Trustees and shall serve as the chief  
21 administrative officer of the Trustees. Subject to the approval of ~~the Trustees and the Director~~  
22 ~~of the Budget,~~ the Secretary of Environment and Natural Resources, the Executive Director  
23 may employ such clerical and other assistants as may be deemed necessary.

24           The person selected as Executive Director shall have had training and experience in  
25 conservation, protection, and management of surface water resources. The salary of the  
26 Executive Director shall be fixed by the ~~Trustees,~~Secretary of Environment and Natural  
27 Resources, and the Executive Director shall be allowed travel and subsistence expenses in  
28 accordance with G.S. 138 6. The Executive Director's salary and expenses shall be paid from  
29 the Fund. The term of office of the Executive Director shall be at the pleasure of the  
30 ~~Trustees.~~Secretary of Environment and Natural Resources.

31           These employees shall be exempt from the State Personnel Act, as provided in  
32 G.S. 126-5(c1)."

33           **SECTION 14.3.(i)** G.S. 106-887(a) reads as rewritten:

34           "(a) DuPont State Forest is designated as a State Recreational Forest. The Department  
35 shall manage DuPont State Recreational Forest: (i) primarily for natural resource preservation,  
36 scenic enjoyment and recreational purposes, including horseback riding, hiking, bicycling,  
37 hunting, and fishing; (ii) so as to provide an exemplary model of scientifically sound,  
38 ecologically based natural resource management for the social and economic benefit of the  
39 forest's diverse community of users; and (iii) consistent with the grant agreement ~~between the~~  
40 ~~Natural Heritage Trust Fund and the Division of Forest Resources, which grant that~~ designates a  
41 portion of the forest as a North Carolina Nature Preserve. In addition, the Department may use  
42 the forest for the demonstration of different forest management and resource protection  
43 techniques for local landowners, natural resource professionals, students, and other forest  
44 visitors."

45           **SECTION 14.3.(j)** G.S. 120-123 reads as rewritten:

46 **"§ 120-123. Service by members of the General Assembly on certain boards and**  
47 **commissions.**

48           No member of the General Assembly may serve on any of the following boards or  
49 commissions:

50           ...

1           ~~(67) The Board of Trustees of the Natural Heritage Trust Fund, as established by~~  
2           ~~G.S. 113-77.8.~~

3           ~~...."~~

4           **SECTION 14.3.(k)** G.S. 143B-279.3(b)(18) and G.S. 143B-344.38(a)(8)d. are  
5 repealed.

6           **SECTION 14.3.(l)** The Natural Heritage Trust Fund shall be closed and the  
7 remaining fund balance in the Fund shall be transferred to the Clean Water Management Trust  
8 Fund established in G.S. 113A-253 as provided in this subsection. It is the intent of the General  
9 Assembly to honor the obligations from the Natural Heritage Trust Fund that were authorized  
10 prior to the effective date of this section and to ensure that any tax proceeds credited to the  
11 Natural Heritage Trust Fund are used for the purposes for which they were collected. Any  
12 encumbered funds transferred from the Natural Heritage Trust Fund to the Clean Water  
13 Management Trust Fund shall be used for the purpose for which the grant was awarded. The  
14 funds transferred from the Natural Heritage Trust Fund to the Clean Water Management Trust  
15 Fund that are unencumbered and any funds transferred from the Natural Heritage Trust Fund to  
16 the Clean Water Management Trust Fund that were encumbered but become unencumbered  
17 after the effective date of this section shall be used to acquire land under G.S. 113A-253(c)(8c)  
18 or G.S. 113A-253(c)(8d), as amended by subsection (d) of this section, or shall be used for the  
19 continued payment of debt service authorized before the effective date of this section to  
20 reimburse the General Fund for debt service on special indebtedness issued or incurred under  
21 Article 9 of Chapter 142 of the General Statutes for a natural heritage purpose.

22           **SECTION 14.3.(m)** Subsection (e) of this section applies to land acquired on or  
23 after the effective date of this section.

24           **SECTION 14.3.(n)** The Revisor of Statutes may conform names and titles changed  
25 by this section, and may correct statutory references as required by this section, throughout the  
26 General Statutes. In making the changes authorized by this section, the Revisor may also adjust  
27 subject and verb agreement and the placement of conjunctions.

## 28 **SPECIAL LICENSE PLATE REVENUE FOR FRIENDS OF STATE PARKS, INC.**

29           **SECTION 14.3A.** G.S. 20-81.12(b2)(5) reads as rewritten:

30           "~~(5) North Carolina State Parks. – One half of the revenue derived from the~~  
31           ~~special plate shall be transferred quarterly to Natural Heritage Trust Fund~~  
32           ~~established under G.S. 113-77.7, and the remaining revenue shall be~~  
33           ~~transferred quarterly to the Parks and Recreation Trust Fund established~~  
34           ~~under G.S. 113-44.15. The revenue derived from the special plate shall be~~  
35           transferred quarterly to Friends of State Parks, Inc., for its educational,  
36           conservation, and other programs in support of the operations of the State  
37           Parks System established in Article 2C of Chapter 113 of the General  
38           Statutes."  
39

## 40 **PORTION OF DEED STAMP TAX PROCEEDS CREDITED TO CWMTF; PART** 41 **TECHNICAL CHANGE**

42           **SECTION 14.4.(a)** G.S. 105-228.30(b) reads as rewritten:

43           "(b) The register of deeds of each county must remit the proceeds of the tax levied by  
44 this section to the county finance officer. The finance officer of each county must credit  
45 one-half of the proceeds to the county's general fund and remit the remaining one-half of the  
46 proceeds, less taxes refunded and the county's allowance for administrative expenses, to the  
47 Department of Revenue on a monthly basis. A county may retain two percent (2%) of the  
48 amount of tax proceeds allocated for remittance to the Department of Revenue as compensation  
49 for the county's cost in collecting and remitting the State's share of the tax. Of the funds  
50 remitted to it pursuant to this section, the Department of Revenue must credit seventy-five  
51

1 percent (75%) to the Parks and Recreation Trust Fund established under G.S. 113-44.15 and  
2 twenty-five percent (25%) to the ~~Natural Heritage Trust Fund established under~~  
3 ~~G.S. 113-77.7.Clean Water Management Trust Fund established under G.S. 113A-253."~~

4 **SECTION 14.4.(b)** G.S. 113-44.15(a) reads as rewritten:

5 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State  
6 Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund consisting of  
7 gifts and grants to the Trust Fund, monies credited to the Trust Fund pursuant to  
8 G.S. 105-228.30(b), revenue credited to the Trust Fund from the additional fee for special  
9 registration plates under G.S. 20-79.7, and other monies appropriated to the Trust Fund by the  
10 General Assembly. Investment earnings credited to the assets of the Fund shall become part of  
11 the Fund."  
12

### 13 **PARKS AND RECREATION AUTHORITY**

14 **SECTION 14.5.(a)** G.S. 143B-313.2 reads as rewritten:

15 "**§ 143B-313.2. North Carolina Parks and Recreation Authority; members; selection;**  
16 **compensation; meetings.**

17 (a) Membership. – The North Carolina Parks and Recreation Authority shall consist of  
18 ~~15~~nine members. The members shall include persons who are knowledgeable about park and  
19 recreation issues in North Carolina or with expertise in finance. In making appointments, each  
20 appointing authority shall specify under which subdivision of this subsection the person is  
21 appointed. Members shall be appointed as follows:

22 (1) One member appointed by the Governor.

23 (2) One member appointed by the Governor.

24 (3) One member appointed by the Governor.

25 ~~(3a) One member appointed by the Governor.~~

26 ~~(3b) One member appointed by the Governor.~~

27 (4) One member appointed by the General Assembly upon the recommendation  
28 of the Speaker of the House of Representatives, as provided in G.S. 120-121.

29 (5) One member appointed by the General Assembly upon the recommendation  
30 of the Speaker of the House of Representatives, as provided in G.S. 120-121.

31 (6) One member appointed by the General Assembly upon the recommendation  
32 of the Speaker of the House of Representatives, as provided in G.S. 120-121.

33 ~~(7) One member appointed by the General Assembly upon the recommendation~~  
34 ~~of the Speaker of the House of Representatives, as provided in G.S. 120-121.~~

35 ~~(7a) One member appointed by the General Assembly upon the recommendation~~  
36 ~~of the Speaker of the House of Representatives, as provided in G.S. 120-121.~~

37 (8) One member appointed by the General Assembly upon the recommendation  
38 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.

39 (9) One member appointed by the General Assembly upon the recommendation  
40 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.

41 (10) One member appointed by the General Assembly upon the recommendation  
42 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.

43 ~~(11) One member appointed by the General Assembly upon the recommendation~~  
44 ~~of the President Pro Tempore of the Senate, as provided in G.S. 120-121.~~

45 ~~(12) One member appointed by the General Assembly upon the recommendation~~  
46 ~~of the President Pro Tempore of the Senate, as provided in G.S. 120-121.~~

47 (b) Terms. – Members shall serve staggered terms of office of three years. Members  
48 shall serve no more than two consecutive three-year terms. After serving two consecutive  
49 three-year terms, a member is not eligible for appointment to the Authority for at least one year  
50 after the expiration date of that member's most recent term. Upon the expiration of a three-year  
51 term, a member may continue to serve until a successor is appointed and duly qualified as

1 provided by G.S. 128-7. The terms of members appointed under subdivision (1), ~~(3a)~~, (5), ~~(7)~~,  
2 or (9) of subsection (a) of this section shall expire on July 1 of years that are evenly divisible by  
3 three. The terms of members appointed under subdivision (2), ~~(3b)~~, (4), ~~(8)~~, ~~or (11)~~ or (8) of  
4 subsection (a) of this section shall expire on July 1 of years that follow by one year those years  
5 that are evenly divisible by three. The terms of members appointed under subdivision (3), (6),  
6 ~~(7a)~~, ~~(10)~~, ~~or (12)~~ or (10) of subsection (a) of this section shall expire on July 1 of years that  
7 precede by one year those years that are evenly divisible by three.

8 (c) Chair. – The Governor shall appoint one member of the North Carolina Parks and  
9 Recreation Authority to serve as Chair.

10 (d) Vacancies. – A vacancy on the North Carolina Parks and Recreation Authority shall  
11 be filled by the appointing authority responsible for making the appointment to that position as  
12 provided in subsection (a) of this section. An appointment to fill a vacancy shall be for the  
13 unexpired balance of the term.

14 (e) Removal. – The Governor may remove, as provided in Article 10 of Chapter 143C  
15 of the General Statutes any member of the North Carolina Parks and Recreation Authority  
16 appointed by the Governor for misfeasance, malfeasance, or nonfeasance. The General  
17 Assembly may remove any member of the North Carolina Parks and Recreation Authority  
18 appointed by the General Assembly for misfeasance, malfeasance, or nonfeasance.

19 (f) Compensation. – The members of the North Carolina Parks and Recreation  
20 Authority shall receive per diem and necessary travel and subsistence expenses according to the  
21 provisions of G.S. 138-5.

22 (g) Meetings. – The North Carolina Parks and Recreation Authority shall meet at least  
23 quarterly at a time and place designated by the Chair.

24 (h) Quorum. – A majority of the North Carolina Parks and Recreation Authority shall  
25 constitute a quorum for the transaction of business.

26 (i) Staff. – All clerical and other services required by the North Carolina Parks and  
27 Recreation Authority shall be provided by the Secretary of Environment and Natural  
28 Resources."

29 **SECTION 14.5.(b)** The terms of all members of the North Carolina Parks and  
30 Recreation Authority shall expire on June 30, 2013. A new Authority consisting of nine  
31 members shall be appointed as provided in G.S. 143B-313.2, as amended by subsection (a) of  
32 this section. This subsection becomes effective on June 30, 2013.

### 33 **FISHERY RESOURCE GRANT PROGRAM REPEAL**

34 **SECTION 14.7.(a)** G.S. 113-200 is repealed.

35 **SECTION 14.7.(b)** G.S. 143B-289.54(c) reads as rewritten:

36 "(c) Additional Considerations. – In making appointments to the Commission, the  
37 Governor shall provide for appropriate representation of women and minorities on the  
38 Commission. ~~The Governor shall make appointments to the Commission consistent with the~~  
39 ~~restrictions of G.S. 113-200(g).~~"

### 40 **MARINE FISHERIES LICENSE AND PERMIT FEES; LICENSE AND PERMIT** 41 **REQUIREMENTS; FEE INCREASES FUND DMF AT-SEA OBSERVER** 42 **PROGRAM**

43 **SECTION 14.8.(a)** G.S. 113-168.1(h) reads as rewritten:

44 "(h) Replacement Licenses and Endorsements. – The Division shall issue a replacement  
45 license, including any endorsements, to a licensee for a license that has not been suspended or  
46 revoked. A licensee may apply for a replacement license for a license that has been lost, stolen,  
47 or destroyed and shall apply for a replacement license within 30 days of a change in the  
48 licensee's name or address. A licensee may apply for a replacement license in person at any  
49 office of the Division or by mail to the Morehead City office of the Division. A licensee may  
50  
51



1 use a copy of the application for a replacement license that has been filed with the Division as a  
2 temporary license until the licensee receives the replacement license. The Commission may  
3 establish a fee for each type of replacement license, not to exceed ~~ten dollars (\$10.00), twelve~~  
4 dollars and fifty cents (\$12.50), that compensates the Division for the administrative costs  
5 associated with issuing the replacement license."

6 **SECTION 14.8.(b)** G.S. 113-168.2 reads as rewritten:

7 **"§ 113-168.2. Standard Commercial Fishing License.**

8 (a) Requirement. – Except as otherwise provided in this Article, it is unlawful for any  
9 person to engage in a commercial fishing operation in the coastal fishing waters without  
10 holding a SCFL issued by the Division. A person who works as a member of the crew of a  
11 vessel engaged in a commercial fishing operation under the direction of a person who holds a  
12 valid SCFL is not required to hold a SCFL. A person who holds a SCFL is not authorized to  
13 take shellfish unless the SCFL is endorsed as provided in ~~G.S. 113-168.5(d) or the person holds~~  
14 a shellfish license issued pursuant to G.S. 113-169.2.G.S. 113-168.5.

15 (a1) Use of Vessels. – The holder of a SCFL is authorized to use only one vessel in a  
16 commercial fishing operation at any given time. The Commission may adopt a rule to exempt  
17 from this requirement a person in command of a vessel that is auxiliary to a vessel engaged in a  
18 pound net operation, long-haul operation, beach seine operation, or menhaden operation. A  
19 person who works as a member of the crew of a vessel engaged in a mechanical shellfish  
20 operation under the direction of a person who holds a valid SCFL with a shellfish endorsement  
21 is not required to hold a shellfish license.

22 (b) through (d) Repealed by Session Laws 1998-225, s. 4.11.

23 (e) Fees. – The annual SCFL fee for a resident of this State shall be ~~two hundred dollars~~  
24 (\$200.00)two hundred fifty dollars (\$250.00). The annual SCFL fee for a person who is not a  
25 resident of this State shall be ~~eight hundred dollars (\$800.00) or the amount charged to a~~  
26 resident of this State in the nonresident's ~~state, whichever is less.~~state. In no event, however,  
27 may the fee be less than ~~two hundred dollars (\$200.00)~~two hundred fifty dollars (\$250.00). For  
28 purposes of this subsection, a "resident of this State" is a person who is a resident within the  
29 meaning of:

- 30 (1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State  
31 income tax return as a resident of North Carolina for the previous calendar  
32 or tax year, or  
33 (2) G.S. 113-130(4)e.

34 (f) Assignment. – The holder of a SCFL may assign the SCFL to any individual who is  
35 eligible to hold a SCFL under this Article. It is unlawful for the holder of an SCFL to assign a  
36 shellfish endorsement of an SCFL to any individual who is not a resident of this State. The  
37 assignment shall be in writing on a form provided by the Division and shall include the name of  
38 the licensee, the license number, any endorsements, the assignee's name, mailing address,  
39 physical or residence address, and the duration of the assignment. If a notarized copy of an  
40 assignment is not filed with the Morehead City office of the Division within five days of the  
41 date of the assignment, the assignment shall expire. It is unlawful for the assignee of a SCFL to  
42 assign the SCFL. The assignment shall terminate:

- 43 (1) Upon written notification by the assignor to the assignee and the Division  
44 that the assignment has been terminated.  
45 (2) Upon written notification by the estate of the assignor to the assignee and the  
46 Division that the assignment has been terminated.  
47 (3) If the Division determines that the assignee is operating in violation of the  
48 terms and conditions applicable to the assignment.  
49 (4) If the assignee becomes ineligible to hold a license under this Article.  
50 (5) Upon the death of the assignee.  
51 (6) If the Division suspends or revokes the assigned SCFL.

- 1 (7) At the end of the license year.
- 2 (g) Transfer. – A SCFL may be transferred only by the Division. A SCFL may be  
3 transferred pursuant to rules adopted by the Commission or upon the request of:
- 4 (1) A licensee, from the licensee to a member of the licensee's immediate family  
5 who is eligible to hold a SCFL under this Article.
- 6 (2) The administrator or executor of the estate of a deceased licensee, to the  
7 administrator or executor of the estate if a surviving member of the deceased  
8 licensee's immediate family is eligible to hold a SCFL under this Article.  
9 The administrator or executor must request a transfer under this subdivision  
10 within six months after the administrator or executor qualifies under Chapter  
11 28A of the General Statutes. An administrator or executor who holds a  
12 SCFL under this subdivision may, for the benefit of the estate of the  
13 deceased licensee:
- 14 a. Engage in a commercial fishing operation under the SCFL if the  
15 administrator or executor is eligible to hold a SCFL under this  
16 Article.
- 17 b. Assign the SCFL as provided in subsection (f) of this section.
- 18 c. Renew the SCFL as provided in G.S. 113-168.1.
- 19 (3) An administrator or executor to whom a SCFL was transferred pursuant to  
20 subdivision (2) of this subsection, to a surviving member of the deceased  
21 licensee's immediate family who is eligible to hold a SCFL under this  
22 Article.
- 23 (4) The surviving member of the deceased licensee's immediate family to whom  
24 a SCFL was transferred pursuant to subdivision (3) of this subsection, to a  
25 third-party purchaser of the deceased licensee's fishing vessel.
- 26 (5) A licensee who is retiring from commercial fishing, to a third-party  
27 purchaser of the licensee's fishing vessel.
- 28 (h) Identification as Commercial Fisherman. – The receipt of a current and valid SCFL  
29 or shellfish license issued by the Division shall serve as proper identification of the licensee as  
30 a commercial fisherman.
- 31 (i) Record-Keeping Requirements. – The fish dealer shall record each transaction at the  
32 time and place of landing on a form provided by the Division. The transaction form shall  
33 include the information on the SCFL or shellfish license, the quantity of the fish, the identity of  
34 the fish dealer, and other information as the Division deems necessary to accomplish the  
35 purposes of this Subchapter. The person who records the transaction shall provide a completed  
36 copy of the transaction form to the Division and to the other party of the transaction. The  
37 Division's copy of each transaction form shall be transmitted to the Division by the fish dealer  
38 on or before the tenth day of the month following the transaction."

39 **SECTION 14.8.(c)** G.S. 113-168.3(b) reads as rewritten:

40 "(b) Eligibility; Fees. – Any individual who is 65 years of age or older and who is  
41 eligible for a SCFL under G.S. 113-168.2 may apply for either a SCFL or RSCFL. An applicant  
42 for a RSCFL shall provide proof of age at the time the application is made. The annual fee for a  
43 RSCFL for a resident of this State shall be ~~one hundred dollars (\$100.00)~~ one hundred  
44 twenty-five dollars (\$125.00). The annual fee for a RSCFL for a person who is not a resident of  
45 this State shall be ~~eight hundred dollars (\$800.00)~~ or the amount charged to a resident of this  
46 State in the nonresident's state, whichever is less. In no event, however, shall the fee be less  
47 than one hundred dollars (\$100.00) one hundred sixty-two dollars and fifty cents (\$162.50). For  
48 purposes of this subsection, a "resident of this State" is a person who is a resident within the  
49 meaning of:

1 (1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State  
2 income tax return as a resident of North Carolina for the previous calendar  
3 or tax year, or

4 (2) G.S. 113-130(4)e."

5 **SECTION 14.8.(d)** G.S. 113-168.4(c) reads as rewritten:

6 "(c) A person who organizes a recreational fishing tournament may sell fish taken in  
7 connection with the tournament pursuant to a recreational fishing tournament license to sell  
8 fish. A person who organizes a recreational fishing tournament may obtain a recreational  
9 fishing tournament license to sell fish upon application to the Division and payment of a fee of  
10 ~~one hundred dollars (\$100.00)~~ one hundred twenty-five dollars (\$125.00). It is unlawful for any  
11 person licensed under this subsection to sell fish to any person other than a fish dealer licensed  
12 under G.S. 113-169.3 unless the seller is also a licensed fish dealer. A recreational fishing  
13 tournament is an organized fishing competition occurring within a specified time period not to  
14 exceed one week and that is not a commercial fishing operation. Gross proceeds from the sale  
15 of fish may be used only for charitable, religious, educational, civic, or conservation purposes  
16 and shall not be used to pay tournament expenses."

17 **SECTION 14.8.(e)** G.S. 113-168.6 reads as rewritten:

18 "**§ 113-168.6. Commercial fishing vessel registration.**

19 (a) As used in this subsection, a North Carolina vessel is a vessel that has its primary  
20 situs in the State. A vessel has its primary situs in the State if:

21 (1) A certificate of number has been issued for the vessel under Article 1 of  
22 Chapter 75A of the General Statutes;

23 (2) A certificate of title has been issued for the vessel under Article 4 of Chapter  
24 75A of the General Statutes; or

25 (3) A certification of documentation has been issued for the vessel that lists a  
26 home port in the State under 46 U.S.C. § 12101, et seq., as amended.

27 (b) The owner of a vessel used in a commercial fishing operation in the coastal fishing  
28 waters of the State or a North Carolina vessel used to land or sell fish in the State shall register  
29 the vessel with the Division. It is unlawful to use a vessel that is not registered with the  
30 Division in a commercial fishing operation or a for-hire operation in the coastal fishing waters  
31 of the State. It is unlawful to use a North Carolina vessel that is not registered with the Division  
32 to land or sell fish in the State. No registration is required for a vessel of any length that does  
33 not have a motor if the vessel is used only in connection with another vessel that is properly  
34 registered.

35 (b1) The vessel owner at the time of application for registration under subsection (b) of  
36 this section shall obtain either a commercial vessel endorsement if the vessel is intended to be  
37 used primarily for the harvest of fish for sale, a for-hire endorsement if the vessel is intended to  
38 be used primarily for for-hire activities, or both endorsements if the vessel is intended to be  
39 engaged in both activities. The owner of a vessel applying for a commercial fishing vessel  
40 registration with a for-hire endorsement must affirm liability coverage and knowledge of  
41 applicable United States Coast Guard safety requirements.

42 (c) The annual fee for a commercial fishing vessel registration shall be determined by  
43 the length of the vessel and shall be in addition to the fee for other licenses issued under this  
44 Article. The length of a vessel shall be determined by measuring the distance between the ends  
45 of the vessel along the deck and through the cabin, excluding the sheer. The annual fee for a  
46 commercial fishing vessel registration is:

47 (1) ~~One dollar (\$1.00)~~ One dollar and twenty-five cents (\$1.25) per foot for a  
48 vessel not over 18 feet in length.

49 (2) ~~One dollar and fifty cents (\$1.50)~~ One dollar and ninety cents (\$1.90) per  
50 foot for a vessel over 18 feet but not over 38 feet in length.

1 (3) ~~Three dollars (\$3.00)~~ Three dollars and seventy-five cents (\$3.75) per foot  
2 for a vessel over 38 feet but not over 50 feet in length.

3 (4) ~~Six dollars (\$6.00)~~ Seven dollars and fifty cents (\$7.50) per foot for a vessel  
4 over 50 feet in length.

5 (d) A vessel may be registered at any office of the Division. A commercial fishing  
6 vessel registration expires on the last day of the license year.

7 (e) Within 30 days of the date on which the owner of a registered vessel transfers  
8 ownership of the vessel, the new owner of the vessel shall notify the Division of the change in  
9 ownership and apply for a replacement commercial fishing vessel registration. An application  
10 for a replacement commercial fishing vessel registration shall be accompanied by proof of the  
11 transfer of the vessel. The provisions of G.S. 113-168.1(h) apply to a replacement commercial  
12 fishing vessel registration."

13 **SECTION 14.8.(f)** G.S. 113-169.1 reads as rewritten:

14 "**§ 113-169.1. Permits for gear, equipment, and other specialized activities authorized.**

15 (a) The Commission may adopt rules to establish permits for gear, equipment, and  
16 specialized activities, including commercial fishing operations that do not involve the use of a  
17 vessel and transplanting oysters or clams. The Commission may establish a fee for each permit  
18 established pursuant to this subsection in an amount that compensates the Division for the  
19 administrative costs associated with the permit but that does not exceed one hundred dollars  
20 (\$100.00) per permit.

21 (b) The Commission may adopt rules to establish gear specific permits to take striped  
22 bass from the Atlantic Ocean and to limit the number and type of these permits that may be  
23 issued to a person. The Commission may establish a fee for each permit established pursuant to  
24 this subsection in an amount that compensates the Division for the administrative costs  
25 associated with the permit but that does not exceed ~~ten dollars (\$10.00)~~ thirty dollars (\$30.00)  
26 per permit.

27 (c) To ensure an orderly transition from one permit year to the next, the Division may  
28 issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the  
29 Division receives for the issuance of a permit prior to the beginning of a permit year shall not  
30 revert at the end of the fiscal year in which the revenue is received and shall be credited and  
31 available to the Division for the permit year in which the permit is valid."

32 **SECTION 14.8.(g)** G.S. 113-169.2 reads as rewritten:

33 "**§ 113-169.2. Shellfish license for North Carolina residents without a SCFL.**

34 (a) License or Endorsement Necessary to Take or Sell ~~Shellfish~~ Shellfish Taken by  
35 Hand Methods. – It is unlawful for an individual to take shellfish from the public or private  
36 grounds of the State ~~by mechanical means or as part of a commercial fishing operation by any~~  
37 ~~means~~ hand methods without holding either a shellfish license or a shellfish endorsement of a  
38 SCFL. A North Carolina resident who seeks only to take shellfish by hand methods and sell  
39 such shellfish shall be eligible to obtain a shellfish license without holding a SCFL. The  
40 shellfish license authorizes the licensee to sell shellfish.

41 (a1) License Necessary to Take or Sell Shellfish Taken by Mechanical Means. – Subject  
42 to subsection (i) of this section, an individual who takes shellfish from the public or private  
43 grounds of the State by mechanical means must obtain an SCFL under the provisions of  
44 G.S. 113-168.2.

45 (b) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

46 (c) Fees. – Shellfish licenses issued under this section shall be issued annually upon  
47 payment of a fee of ~~twenty five dollars (\$25.00)~~ thirty-one dollars and twenty-five cents  
48 (\$31.25) upon proof that the license applicant is a North Carolina resident.

49 (d) License Available for Inspection. – It is unlawful for any individual to take shellfish  
50 as part of a commercial fishing operation from the public or private grounds of the State  
51 without having ready at hand for inspection a current and valid shellfish license issued to the

1 licensee personally and bearing the licensee's correct name and address. It is unlawful for any  
2 individual taking or possessing freshly taken shellfish to refuse to exhibit the individual's  
3 license upon the request of an officer authorized to enforce the fishing laws.

4 (e) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

5 (f) Name or Address Change. – In the event of a change in name or address or upon  
6 receipt of an erroneous shellfish license, the licensee shall, within 30 days, apply for a  
7 replacement shellfish license bearing the correct name and address. Upon a showing by the  
8 individual that the name or address change occurred within the past 30 days, the trial court or  
9 prosecutor shall dismiss any charges brought pursuant to this subsection.

10 (g) Transfer Prohibited. – It is unlawful for an individual issued a shellfish license to  
11 transfer or offer to transfer the license, either temporarily or permanently, to another. It is  
12 unlawful for an individual to secure or attempt to secure a shellfish license from a source not  
13 authorized by the Commission.

14 (h) Exemption. – Persons under 16 years of age are exempt from the license  
15 requirements of this section if accompanied by a parent, grandparent, or guardian who is in  
16 compliance with the requirements of this section or if in possession of a parent's, grandparent's  
17 or guardian's shellfish license.

18 (i) Taking Shellfish Without a License for Personal Use. – Shellfish may be taken  
19 without a license for personal use in quantities established by rules of the Marine Fisheries  
20 Commission."

21 **SECTION 14.8.(h)** G.S. 113-169.3(e) reads as rewritten:

22 "(e) Application Fee for New Fish Dealers. – An applicant for a new fish dealer license  
23 shall pay a nonrefundable application fee of ~~fifty dollars (\$50.00)~~sixty-two dollars and fifty  
24 cents (\$62.50) in addition to the license category fees set forth in this section."

25 **SECTION 14.8.(i)** G.S. 113-169.3(f) reads as rewritten:

26 "(f) License Category Fees. – Every fish dealer subject to licensing requirements shall  
27 secure an annual license at each established location for each of the following activities  
28 transacted there, upon payment of the fee set out:

29 (1) Dealing in oysters: ~~\$50.00;~~\$62.50.

30 (2) Dealing in scallops: ~~\$50.00;~~\$62.50.

31 (3) Dealing in clams: ~~\$50.00;~~\$62.50.

32 (4) Dealing in hard or soft crabs: ~~\$50.00;~~\$62.50.

33 (5) Dealing in shrimp, including bait: ~~\$50.00;~~\$62.50.

34 (6) Dealing in finfish, including bait: ~~\$50.00;~~\$62.50.

35 (7) Operating menhaden or other fish-dehydrating or oil-extracting processing  
36 plants: ~~\$50.00; or~~\$62.50.

37 (8) Consolidated license (all categories): ~~\$300.00.~~\$375.00."

38 **SECTION 14.8.(j)** G.S. 113-169.4 reads as rewritten:

39 **"§ 113-169.4. Licensing of ocean fishing piers; fees.**

40 (a) The owner or operator of an ocean fishing pier within the coastal fishing waters who  
41 charges the public a fee to fish in any manner from the pier shall secure a current and valid pier  
42 license from the Division. An application for a pier license shall disclose the names of all  
43 parties involved in the pier operations, including the owner of the property, owner of the pier if  
44 different, and all leasehold or other corporate arrangements, and all persons with a substantial  
45 financial interest in the pier.

46 (b) Within 30 days following a change of ownership of a pier, or a change as to the  
47 manager, the manager or new manager shall secure a replacement pier license as provided in  
48 G.S. 113-168.1(h).

49 (c) Pier licenses are issued upon payment of ~~fifty cents (50¢)~~four dollars and fifty cents  
50 (\$4.50) per linear foot, to the nearest foot, that the pier extends into coastal fishing waters

1 beyond the mean high waterline. The length of the pier shall be measured to include all  
2 extensions of the pier.

3 (d) The manager who secures the pier license shall be the individual with the duty of  
4 executive-level supervision of pier operations.

5 (e) The pier license issued under this section authorizes any individual who does not  
6 hold a Coastal Recreational Fishing License under Article 14B or Article 25A of this Chapter  
7 to engage in recreational fishing while on the pier."

8 **SECTION 14.8.(k)** G.S. 113-169.5(b) reads as rewritten:

9 "(b) The fee for a land or sell license for a vessel not having its primary situs in North  
10 Carolina is ~~two hundred dollars (\$200.00)~~, two hundred fifty dollars (\$250.00), or an amount  
11 equal to the nonresident fee charged by the nonresident's state, whichever is greater. Persons  
12 aboard vessels having a primary situs in a jurisdiction that would allow North Carolina vessels  
13 without restriction to land or sell their catch, taken outside the jurisdiction, may land or sell  
14 their catch in the State without complying with this section if the persons are in possession of a  
15 valid license from their state of residence."

16 **SECTION 14.8.(l)** G.S. 113-171.1(b) reads as rewritten:

17 "(b) License. – Before an aircraft is used as a spotter plane in a commercial fishing  
18 operation, the owner or operator of the aircraft must obtain a license for the aircraft from the  
19 Division. The fee for a license for a spotter plane is ~~one hundred dollars (\$100.00)~~, one hundred  
20 twenty-five dollars (\$125.00). An applicant for a license for a spotter plane shall include in the  
21 application the identity, either by boat or by company, of the specific commercial fishing  
22 operations in which the spotter plane will be used during the license year. If, during the course  
23 of the license year, the aircraft is used as a spotter plane in a commercial fishing operation that  
24 is not identified in the original license application, the owner or operator of the aircraft shall  
25 amend the license application to add the identity of the additional commercial fishing  
26 operation."

27 **SECTION 14.8.(m)** G.S. 113-173(f) reads as rewritten:

28 "(f) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of  
29 purchase. The fee for a RCGL for a North Carolina resident shall be ~~thirty-five dollars~~  
30 ~~(\$35.00)~~, forty-three dollars and seventy-five cents (\$43.75). The fee for a RCGL for an  
31 individual who is not a North Carolina resident shall be ~~two hundred fifty dollars~~  
32 ~~(\$250.00)~~, three hundred twelve dollars and fifty cents (\$312.50)."

33 **SECTION 14.8.(n)** G.S. 113-174(2a) reads as rewritten:

34 "(2a) 'For Hire ~~Boat~~'Vessel' means a charter boat, head boat, dive boat, or other  
35 ~~boat-vessel~~ hired to allow individuals to engage in recreational fishing."

36 **SECTION 14.8.(o)** G.S. 113-174.3 reads as rewritten:

37 "**§ 113-174.3. For Hire Blanket CRFL.**For Hire Licenses.

38 (a) License. — A person who operates a for hire boat may purchase a For Hire Blanket  
39 CRFL issued by the Division for the for hire boat. A For Hire Blanket CRFL authorizes all  
40 individuals on the for hire boat who do not hold a license issued under this Article or Article  
41 25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint  
42 fishing waters. A For Hire Blanket CRFL does not authorize individuals to engage in  
43 recreational fishing in joint fishing waters or inland fishing waters. A For Hire Blanket CRFL is  
44 valid for a period of one year from the date of issuance. The fee for a For Hire Blanket CRFL  
45 is:

46 (1) ~~Two hundred fifty dollars (\$250.00)~~ for a vessel that will carry six or fewer  
47 passengers.

48 (2) ~~Three hundred fifty dollars (\$350.00)~~ for a vessel that will carry greater than  
49 six passengers.

50 (b) Implementation. — ~~Except as provided in this section and G.S. 113-174.2(d), each~~  
51 ~~individual on board a for hire boat engaged in recreational fishing, other than crew members~~

1 ~~who do not engage in recreational fishing, must hold a license issued under this Article or~~  
2 ~~Article 25A of this Chapter. An owner, operator, or crew member of a for hire boat is not~~  
3 ~~responsible for the licensure of a customer fishing from the boat.~~

4 (c) License. – It is unlawful for a person to engage in a for-hire operation without  
5 having obtained one of the following licenses issued by the Division:

6 (1) Blanket For-Hire Captain's CRFL. – This license allows individuals properly  
7 licensed by the United States Coast Guard to carry passengers on any vessel  
8 with a commercial vessel registration with a for-hire endorsement. A  
9 Blanket For-Hire Captain's CRFL authorizes all individuals on the for-hire  
10 vessel who do not hold a license issued under this Article or Article 25A of  
11 this Chapter to engage in recreational fishing in coastal fishing waters that  
12 are not joint fishing waters. The resident fees for a Blanket For-Hire  
13 Captain's CRFL are two hundred fifty dollars (\$250.00) for a vessel carrying  
14 six or fewer passengers and three hundred fifty dollars (\$350.00) for a vessel  
15 carrying more than six passengers. The nonresident fees for a Blanket  
16 For-Hire Captain's CRFL are three hundred twelve dollars and fifty cents  
17 (\$312.50) for a vessel carrying six or fewer passengers and four hundred  
18 thirty-seven dollars and fifty cents (\$437.50) for a vessel carrying more than  
19 six passengers. Any vessel whose operator is licensed under this subdivision  
20 and that is engaged in for-hire fishing must obtain a Commercial Fishing  
21 Vessel Registration with a for-hire endorsement.

22 (2) Blanket For-Hire Vessel CRFL. – This license allows any United States  
23 Coast Guard licensed operator to carry passengers aboard the licensed  
24 vessel. A Blanket For-Hire Vessel CRFL authorizes all individuals on the  
25 for-hire vessel who do not hold a license issued under this Article or Article  
26 25A of this Chapter to engage in recreational fishing in coastal fishing  
27 waters that are not joint fishing waters. The resident fees for a Blanket  
28 For-Hire Vessel CRFL are two hundred fifty dollars (\$250.00) for a vessel  
29 carrying six or fewer passengers and three hundred fifty dollars (\$350.00)  
30 for a vessel carrying more than six passengers. The nonresident fees for a  
31 Blanket For-Hire Vessel CRFL are three hundred twelve dollars and fifty  
32 cents (\$312.50) for a vessel carrying six or fewer passengers and four  
33 hundred thirty-seven dollars and fifty cents (\$437.50) for a vessel carrying  
34 more than six passengers. Any vessel whose operator is licensed under this  
35 subdivision and that is engaged in for-hire fishing is not required to obtain a  
36 Commercial Fishing Vessel Registration with a for-hire endorsement.

37 (3) Non-Blanket For-Hire Vessel License. – This license allows any United  
38 States Coast Guard licensed operator to carry passengers aboard the licensed  
39 vessel. This license does not authorize individuals aboard the vessel to  
40 engage in recreational fishing unless they hold an individual CRFL issued  
41 under this Article or Article 25A of this Chapter. The fee for the  
42 Non-Blanket For-Hire Vessel License is twenty-five dollars (\$25.00) for a  
43 vessel operated by a resident operator and thirty-seven dollars and fifty cents  
44 (\$37.50) for a vessel operated by a nonresident operator. Any vessel whose  
45 operator is licensed under this subdivision and that is engaged in for-hire  
46 fishing is not required to obtain a Commercial Fishing Vessel Registration  
47 with a for-hire endorsement.

48 (d) A license issued under this section does not authorize individuals to engage in  
49 recreational fishing in joint fishing waters or inland fishing waters. All for-hire licenses expire  
50 on the last day of the license year.

1       (e) Each individual who obtains a for-hire license shall submit to the Division logbooks  
2 summarizing catch and effort statistical data to the Division. The Commission may adopt rules  
3 that determine the means and methods to satisfy the requirements of this subsection."

4       **SECTION 14.8.(p)** G.S. 113-174.4 is repealed.

5       **SECTION 14.8.(q)** G.S. 113-174.5(a) reads as rewritten:

6       (a) The owner of a vessel that is 23 feet or more in length and that is either documented  
7 with the United States Coast Guard or registered with the Wildlife Resources Commission  
8 pursuant to G.S. 75A-4 may purchase a block of 10 Ten-Day CRFLs issued by the Division. A  
9 vessel owner who wishes to obtain a block of 10 Ten-Day CRFLs shall provide the Division  
10 with all information required by the Division, including information identifying the vessel on  
11 which the Ten-Day CRFLs will be used. Each individual Ten-Day CRFL shall identify the  
12 vessel for which the block of 10 Ten-Day CRFLs is issued. An individual Ten-Day CRFL  
13 issued as part of a block of 10 Ten-Day CRFLs may only be used on the vessel for which it was  
14 issued. An individual Ten-Day CRFL issued as part of a block of 10 Ten-Day CRFLs may not  
15 be used on a for hire ~~boat~~vessel. A block of 10 Ten-Day CRFLs shall expire two years from  
16 the date of purchase."

17       **SECTION 14.8.(r)** G.S. 113-182.1(b) reads as rewritten:

18       (b) The goal of the plans shall be to ensure the long-term viability of the State's  
19 commercially and recreationally significant species or fisheries. Each plan shall be designed to  
20 reflect fishing practices so that one plan may apply to a specific fishery, while other plans may  
21 be based on gear or geographic areas. Each plan shall:

22       ...

23       (5) Specify a time period, not to exceed two years from the date of the adoption  
24 of the plan, ~~for ending to end~~ overfishing. ~~This subdivision shall only apply~~  
25 to a plan for a fishery that is not producing a sustainable harvest. This  
26 subdivision shall not apply if the Fisheries Director determines that the  
27 biology of the fish, environmental conditions, or lack of sufficient data make  
28 implementing the requirements of this subdivision incompatible with  
29 professional standards for fisheries management.

30       ...."

31       **SECTION 14.8.(s)** G.S. 113-203 is amended by adding two new subsections to  
32 read:

33       (f) The Commission may establish a fee for each permit established pursuant to this  
34 subsection in an amount that compensates the Division for the administrative costs associated  
35 with the permit but that does not exceed one hundred dollars (\$100.00) per permit.

36       (g) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from  
37 one permit year to the next, the Division may issue a permit prior to July 1 of the permit year  
38 for which the permit is valid. Revenue that the Division receives for the issuance of a permit  
39 prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the  
40 revenue is received and shall be credited and available to the Division for the permit year in  
41 which the permit is valid."

42       **SECTION 14.8.(t)** G.S. 113-210 is amended by adding two new subsections to  
43 read:

44       (l) Fees. – Under Dock Oyster Culture Permit shall be issued annually upon payment of  
45 a fee of one hundred dollars (\$100.00).

46       (m) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from  
47 one permit year to the next, the Division may issue a permit prior to July 1 of the permit year  
48 for which the permit is valid. Revenue that the Division receives for the issuance of a permit  
49 prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the  
50 revenue is received and shall be credited and available to the Division for the permit year in  
51 which the permit is valid."



1           **SECTION 14.8.(u)** G.S. 113–221.2 reads as rewritten:

2   "**§ 113-221.2. Additional rules to establish sanitation requirements for scallops, shellfish,**  
3   **and ~~erustacea~~, crustacea; permits and permit fees authorized.**

4       (a) Authority to Adopt Certain Rules and Establish Permits. – For the protection of the  
5 public health, the Marine Fisheries Commission shall adopt rules establishing sanitation  
6 requirements for the harvesting, processing and handling of scallops, shellfish, and crustacea of  
7 in-State origin. The rules of the Marine Fisheries Commission may also regulate scallops,  
8 shellfish, and crustacea shipped into North Carolina. The Department is authorized to enforce  
9 the rules and may issue and revoke permits according to the rules. The Department is  
10 authorized to establish a fee for each permit not to exceed one hundred dollars (\$100.00).

11       (b) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from  
12 one permit year to the next, the Division may issue a permit prior to July 1 of the permit year  
13 for which the permit is valid. Revenue that the Division receives for the issuance of a permit  
14 prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the  
15 revenue is received and shall be credited and available to the Division for the permit year in  
16 which the permit is valid."

17           **SECTION 14.8.(v)** G.S. 143B-289.52(d1) reads as rewritten:

18       "(d1) The Commission may regulate participation in a fishery that is subject to a federal  
19 fishery management plan if that plan imposes a quota on the State for the harvest or landing of  
20 fish in the fishery. ~~If the Commission regulates participation in a fishery under this subsection,~~  
21 ~~the Division may issue a license to participate in the fishery to a person who:~~

- 22           (1) ~~Held a valid license issued by the Division to harvest, land, or sell fish~~  
23 ~~during at least two of the three license years immediately preceding the date~~  
24 ~~adopted by the Commission to determine participation in the fishery; and~~  
25           (2) ~~Participated in the fishery during at least two of those license years by~~  
26 ~~landing in the State at least the minimum number of pounds of fish adopted~~  
27 ~~by the Commission to determine participation in the fishery. The~~  
28 Commission may use any additional criteria aside from holding a Standard  
29 Commercial Fishing License to develop limited-entry fisheries. The  
30 Commission may establish a fee for each license established pursuant to this  
31 subsection in an amount that does not exceed five hundred dollars  
32 (\$500.00)."

33           **SECTION 14.8.(w)** G.S. 143B-289.52 is amended by adding a new subsection to  
34 read:

35       "(d2) To ensure an orderly transition from one permit year to the next, the Division may  
36 issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the  
37 Division receives for the issuance of a permit prior to the beginning of a permit year shall not  
38 revert at the end of the fiscal year in which the revenue is received and shall be credited and  
39 available to the Division for the permit year in which the permit is valid."

40           **SECTION 14.8.(x)** The Division of Marine Fisheries of the Department of  
41 Environment and Natural Resources shall seek the involvement of the commercial fishing  
42 industry in North Carolina in the Division's development of a plan to determine a source of  
43 funding necessary to support the Marine Fisheries At-Sea Observer Program that is in addition  
44 to the fee increases under this section. As part of this effort, the Division of Marine Fisheries  
45 shall conduct at least three public hearings in different coastal county locations to seek the  
46 input of, and receive comments of potential additional recurring funding sources from, the  
47 individuals involved in the commercial fishing industry. The Division shall receive written  
48 comments at the public hearings and take minutes of the public hearings. The minutes shall be  
49 made available to the public on the Department's Internet Web site.

50           **SECTION 14.8.(y)** Following the public hearings under subsection (x) of this  
51 section and the Division's consideration of written and oral comments resulting from the public

1 hearings, the Division of Marine Fisheries shall submit its plan for an additional recurring  
2 funding source to support the Marine Fisheries At-Sea Observer Program to the Marine  
3 Fisheries Commission. The Marine Fisheries Commission shall vote on whether it endorses the  
4 plan.

5 **SECTION 14.8.(z)** No later than March 1, 2014, the Marine Fisheries Commission  
6 shall submit a report to the Senate Appropriations Committee on Natural and Economic  
7 Resources, the House of Representatives Appropriations Subcommittee on Natural and  
8 Economic Resources, and the Fiscal Research Division. This report shall include the results of  
9 the Commission's vote under subsection (y) of this section and its findings and  
10 recommendations for an additional source of funding necessary to support the Marine Fisheries  
11 At-Sea Observer Program in the event the Commission votes against endorsing the plan.

12 **SECTION 14.8.(aa)** The Division of Marine Fisheries shall use the proceeds it  
13 receives as a result of the fee increases under this section to provide support for the 2014-2015  
14 fiscal year for the Marine Fisheries At-Sea Observer Program. In addition, the Division of  
15 Marine Fisheries shall provide available funds for the 2014-2015 fiscal year to provide any  
16 additional support that is needed to continue the Marine Fisheries At-Sea Observer Program.  
17

## 18 **MARINE RESOURCES FUND AND MARINE RESOURCES ENDOWMENT FUND** 19 **DISBURSEMENTS**

20 **SECTION 14.9.(a)** G.S. 113-175.1(b) reads as rewritten:

21 "(b) The State Treasurer shall hold the Marine Resources Fund separate and apart from  
22 all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Marine  
23 Resources Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, and all  
24 marine resources investment income shall be deposited to the credit of the Marine Resources  
25 Fund. The State Treasurer shall disburse the principal of the Marine Resources Fund and  
26 marine resources investment income only upon the written direction of ~~both~~ the Marine  
27 Fisheries Commission and the Wildlife Resources Commission." Commission."

28 **SECTION 14.9.(b)** G.S. 113-175.1(c) reads as rewritten:

29 "(c) The Marine Fisheries Commission ~~and the Wildlife Resources Commission~~ may  
30 authorize the disbursement of the principal of the Marine Resources Fund and marine resources  
31 investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance  
32 the marine resources of the State. The Marine Fisheries Commission ~~and the Wildlife~~  
33 ~~Resources Commission~~ are is encouraged to consider supporting the Oyster Sanctuary Program  
34 managed by the Division of Marine Fisheries. The Marine Fisheries Commission ~~and the~~  
35 ~~Wildlife Resources Commission~~ may not authorize the disbursement of the principal of the  
36 Marine Resources Fund and marine resources investment income to establish positions without  
37 specific authorization from the General Assembly. All proposals to the Marine Fisheries  
38 Commission ~~and the Wildlife Resources Commission~~ for the disbursement of funds from the  
39 Marine Resources Fund shall be made by and through the Fisheries Director. Prior to  
40 authorizing disbursements from the Marine Resources Fund, the Marine Fisheries Commission  
41 shall consult with the Wildlife Resources Commission about these proposals. Expenditure of  
42 the assets of the Marine Resources Fund shall be made through the State budget accounts of the  
43 Division of Marine Fisheries in accordance with the provisions of the Executive Budget Act.  
44 The Marine Resources Fund is subject to the oversight of the State Auditor pursuant to Article  
45 5A of Chapter 147 of the General Statutes."

46 **SECTION 14.9.(c)** G.S. 113-175.5(b) reads as rewritten:

47 "(b) The State Treasurer shall hold the Endowment Fund separate and apart from all  
48 other moneys, funds, and accounts. The State Treasurer shall invest the assets of the  
49 Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The  
50 State Treasurer shall disburse the endowment investment income only upon the written

1 direction of both the Marine Fisheries Commission and the Wildlife Resources  
2 Commission.Commission."

3 **SECTION 14.9.(d)** G.S. 113-175.5(c) reads as rewritten:

4 "(c) Subject to the limitations set out in subsection (d) of this section, the Marine  
5 Fisheries Commission and the Wildlife Resources Commission may authorize the disbursement  
6 of endowment investment income only to manage, protect, restore, develop, cultivate,  
7 conserve, and enhance the marine resources of the State. The Marine Fisheries Commission  
8 and the Wildlife Resources Commission may not authorize the disbursement of endowment  
9 investment income to establish positions without specific authorization from the General  
10 Assembly. All proposals to the Marine Fisheries Commission and the Wildlife Resources  
11 Commission for the disbursement of funds from the Endowment Fund shall be made by and  
12 through the Fisheries Director. Prior to authorizing disbursements from the Marine Resources  
13 Endowment Fund, the Marine Fisheries Commission shall consult with the Wildlife Resources  
14 Commission about these proposals."

## 15 16 **MARINE FISHERIES ENDOWMENT FUND REPEALED**

17 **SECTION 14.10.** G.S. 143B-289.58 is repealed.

## 18 19 **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**

20 **SECTION 14.14.** G.S. 87-98 reads as rewritten:

21 "**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

22 (a) The Bernard Allen Memorial Emergency Drinking Water Fund is established under  
23 the control and direction of the Department. The Fund shall be a nonreverting, interest-bearing  
24 fund consisting of monies appropriated by the General Assembly or made available to the Fund  
25 from any other source and investment interest credited to the Fund.

26 (b) The Fund may be used to pay ~~for notification, for:~~

27 (1) Notification, to the extent practicable, of persons aged 18 and older who  
28 reside in any dwelling unit, and the senior official in charge of any business,  
29 at which drinking water is supplied from a private drinking water well or  
30 improved spring that is located within 1,500 feet of, and at risk from, known  
31 groundwater contamination. The senior official in charge of the business  
32 shall take reasonable measures to notify all employees of the business of the  
33 groundwater contamination, including posting a notice of the contamination  
34 in a form and at a location that is readily accessible to the employees of the  
35 business. ~~The Fund may also be used by the Department to pay the~~

36 (2) The costs of testing of private drinking water wells and improved springs for  
37 suspected contamination up to once every three years upon request by a  
38 person who uses the well and for the well, or more frequent testing if the  
39 concentration of one or more contaminants in a private drinking water well  
40 is increasing over time and there is a significant risk that the concentration of  
41 a contaminant will exceed the drinking water action levels set forth in  
42 subsection (c) of this section within a three-year period.

43 (3) Additional testing to confirm the results of a previous test.

44 (4) The temporary or permanent provision of alternative drinking water supplies  
45 to persons whose drinking water well or improved spring is contaminated.  
46 Under this subsection, section, an alternative drinking water supply includes  
47 the repair, such as use of a filtration system, or replacement of a  
48 contaminated well or the connection to a public water supply.

49 (5) Monitoring of filtration systems used in connection with temporary or  
50 permanent alternative drinking water supplies provided pursuant to this  
51 section.

1 (c) The Department shall disburse monies from the Fund based on financial need and  
2 on the risk to public health posed by groundwater contamination and shall give priority to the  
3 provision of services under this section to instances when an alternative source of funds is not  
4 available. The Fund shall not be used to provide alternative water supply to households with  
5 incomes greater than three hundred percent (300%) of the current federal poverty level. The  
6 Fund may be used to provide alternative drinking water supplies if the Department determines  
7 that the concentration of one or more contaminants in the private drinking water well or  
8 improved spring exceeds the federal maximum contaminant level, or the federal drinking water  
9 action level as defined in 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July  
10 2007) and 40 Code of Federal Regulations § 143.3 (1 July 2007). For a contaminant for which  
11 a federal maximum contaminant level or drinking water action level has not been established,  
12 the State groundwater standard established by the Environmental Management Commission for  
13 the concentration of that contaminant shall be used to determine whether the Fund may be used  
14 to provide alternative drinking water supplies. The Fund may also be used to provide  
15 alternative drinking water supplies as provided in this section if the Department determines that  
16 the concentration of one or more contaminants in a private drinking water well is increasing  
17 over time and that there is a significant risk that the concentration of a contaminant will exceed  
18 the federal maximum contaminant level or drinking water action level, or the State groundwater  
19 standard. A determination of the concentration of a contaminant shall be based on a sample of  
20 water collected from the private drinking water well within the past 12 months.

21 (c1) In disbursing monies from the Fund, the Department shall give preference to  
22 provision of permanent replacement water supplies by connection to public water supplies and  
23 repair or replacement of contaminated wells over the provision of temporary water supplies. In  
24 providing alternative drinking water supplies, the Department shall give preference to  
25 connection to a public water supply system or to construction of a new private drinking water  
26 well over the use of a filtration system if the Department determines that the costs of periodic  
27 required maintenance of the filtration system would be cost-prohibitive for users of the  
28 alternative drinking water supply.

29 (c2) If the Department provides an alternative drinking water supply by extension of a  
30 waterline, the Department may disburse from the Fund no more than ~~ten~~fifty thousand dollars  
31 ~~(\$10,000)~~(\$50,000) per household or other service connection. For projects where more than 10  
32 residences are eligible for alternative water supplies under this section, no ~~No~~ more than  
33 one-third of the total cost of the project may be paid from the Fund. The Department may  
34 combine monies from the Fund with monies from other sources in order to pay the total cost of  
35 the project.

36 (c3) The Fund shall be used to provide alternative drinking water supplies only if the  
37 Department determines that the person or persons who are responsible for the contamination of  
38 the private drinking water well is or are not financially viable or cannot be identified or located  
39 and if the Department determines that one of the following applies:

- 40 (1) The contamination of the private drinking water well is naturally occurring.
- 41 (2) The owner of the property on which the private drinking water well is  
42 located did not cause or contribute to the contamination or control the source  
43 of the contamination.
- 44 (3) The source of the contamination is the application or disposal of a hazardous  
45 substance or pesticide that occurred without the consent of the owner of the  
46 property on which the private drinking water well is located.

47 (c4) The Department may use up to one hundred thousand dollars (\$100,000) annually of  
48 the monies in the Fund to pay the personnel and other direct costs associated with the  
49 implementation of this section.

50 (c5) The Fund shall not be used for remediation of groundwater contamination.

1 (c6) Nothing in this section expands, contracts, or modifies the obligation of responsible  
2 parties under Article 9 or 10 of Chapter 130A of the General Statutes, this Article, or Article  
3 21A of this Chapter to assess contamination, identify receptors, or remediate groundwater or  
4 soil contamination.

5 (c7) In disbursing monies from the Fund for replacement water supplies, the Department  
6 shall give priority to circumstances in which a well is contaminated as the result of  
7 nonnaturally occurring groundwater contamination in the area over circumstances in which a  
8 well has naturally occurring contamination.

9 (d) The Department shall establish criteria by which the Department is to evaluate  
10 applications and disburse monies from this Fund and may adopt any rules necessary to  
11 implement this section.

12 (e) The Department, in consultation with the Commission for Public Health and local  
13 health departments, shall report no later than ~~1 October~~October 1 of each year to the  
14 Environmental Review Commission, the House of Representatives Appropriations  
15 Subcommittee on Natural and Economic Resources, Senate Appropriations Committee on  
16 Natural and Economic Resources, and the Fiscal Research Division on the implementation of  
17 this section. The report shall include the purpose and amount of all expenditures from the Fund  
18 during the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of  
19 the section, and may also include recommendations for any legislative action."  
20

## 21 **NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK** 22 **CLEANUP FUND; DENR STUDY**

23 **SECTION 14.15.(a)** G.S. 143-215.94D(b1) reads as rewritten:

24 "(b1) The Noncommercial Fund shall be used for the payment of the costs of:

25 (1) ~~The~~For releases discovered or reported to the Department prior to July 1,  
26 2013, the cleanup of environmental damage as required by  
27 G.S. 143-215.94E(a).

28 (1a) For releases discovered or reported to the Department on or after July 1,  
29 2013, the cleanup of environmental damage as required by  
30 G.S.143-215.94E(a) in excess of two thousand dollars (\$2,000) or the sum of  
31 the following amounts, whichever is less:

32 a. A deductible of one thousand dollars (\$1,000) per occurrence.

33 b. A co-payment equal to ten percent (10%) of the costs of the cleanup  
34 of environmental damage, per occurrence.

35 (2) Compensation to third parties for bodily injury and property damage in  
36 excess of one hundred thousand dollars (\$100,000) per occurrence.

37 (3) Reimbursing the State for damages or other costs incurred as a result of a  
38 loan from the Loan Fund. The per occurrence limit does not apply to  
39 reimbursements to the State under this subdivision.

40 (4) Recordation of residual petroleum as required by G.S. 143B-279.11 if the  
41 Noncommercial Fund is responsible for the payment of costs under  
42 subdivisions (1) through (3) of this subsection and subsection (b) of this  
43 section."

44 **SECTION 14.15.(b)** The Department of Environment and Natural Resources  
45 (Department) shall study the costs and benefits of the noncommercial underground storage tank  
46 program and explore options for continued use of the Noncommercial Leaking Petroleum  
47 Underground Storage Tank Cleanup Fund (Fund) and ways to improve the solvency of the  
48 Fund. The study shall consider all of the following:

49 (1) The usual, average, historic costs of various phases of assessment and  
50 cleanup of noncommercial UST releases in order to determine areas of  
51 potential costs savings.

- 1 (2) The feasibility of determining levels of soil and groundwater contamination  
2 at noncommercial UST releases earlier in the assessment and cleanup  
3 process in order to identify lower risks sites and limit reimbursement of costs  
4 of initial abatement actions.
- 5 (3) The feasibility of assigning risk to noncommercial UST releases earlier in  
6 the assessment and cleanup process in order to limit reimbursement of costs  
7 of initial abatement actions.
- 8 (4) The feasibility of partial cleanup at lower priority noncommercial UST  
9 releases.
- 10 (5) The feasibility of issuing notices similar to the Notices of No Further Action  
11 for partially cleaned up, stabilized, lower priority noncommercial UST sites  
12 in order to facilitate property transfers.
- 13 (6) Methods to strengthen liability protections for buyers and lenders of  
14 residential properties that have known noncommercial UST releases in order  
15 to facilitate property transfers.
- 16 (7) Methods to employ land-use restrictions on residential properties where  
17 petroleum contamination remains at lower risk sites in order to limit cleanup  
18 at these sites, while still informing the public of risk, and facilitating  
19 property transfers.
- 20 (8) Methods to increase the participation of noncommercial UST owners in the  
21 costs of assessments and cleanups.
- 22 (9) Any other matter the Department deems relevant to improve the solvency of  
23 the Fund.

24 **SECTION 14.15.(c)** The Department shall report its findings and  
25 recommendations, including any legislative proposals, to the Environmental Review  
26 Commission, the Senate Appropriations Committee on Natural and Economic Resources, the  
27 House of Representatives Appropriations Subcommittee on Natural and Economic Resources,  
28 and the Fiscal Research Division no later than April 1, 2014.

## 30 DRINKING WATER STATE REVOLVING FUND

31 **SECTION 14.20.** Notwithstanding G.S. 159G-22, the Department of Environment  
32 and Natural Resources may transfer State funds from the Drinking Water Reserve to the  
33 Drinking Water State Revolving Fund for the 2013-2014 fiscal year and shall use any such  
34 funds to match maximum available federal grant monies authorized by section 1453 of the  
35 federal Safe Drinking Water Act of 1996, 42 U.S.C. § 300j-12, as amended.

## 37 INCREASE FUNDING FOR DREDGING

38 **SECTION 14.22.(a)** G.S. 105-449.126 reads as rewritten:

39 "**§ 105-449.126. Distribution of part of Highway Fund allocation to Wildlife Resources**  
40 **Fund, Fund and Shallow Draft Navigation Channel Dredging Fund.**

41 (a) The Secretary shall credit to the Wildlife Resources Fund one-sixth of one percent  
42 (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is  
43 from the excise tax on motor fuel. Revenue credited to the Wildlife Resources Fund under this  
44 section may be used only for the boating and water safety activities described in G.S. 75A-3(c).  
45 The Secretary must credit revenue to the Wildlife Resources Fund on an annual basis.

46 (b) The Secretary shall credit to the Shallow Draft Navigation Channel Dredging Fund  
47 one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under  
48 G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Shallow  
49 Draft Navigation Channel Dredging Fund under this section may be used only for the dredging  
50 activities described in G.S. 143-215.73F. The Secretary shall credit revenue to the Shallow  
51 Draft Navigation Channel Dredging Fund on an annual basis."

1           **SECTION 14.22.(b)** Article 21 of Chapter 143 of the General Statutes is amended  
2 by adding a new Part to read:

3           "Part 8B. Shallow Draft Navigation Channel Dredging Fund.  
4 **§ 143-215.73F. Shallow Draft Navigation Channel Dredging Fund.**

5           The Shallow Draft Navigation Channel Dredging Fund is established as a special revenue  
6 fund. The Fund consists of monies appropriated by the General Assembly or made available to  
7 the Fund from any other source. Revenue in the Fund may only be used to provide the State's  
8 share of the costs associated with any dredging project designed to keep a shallow draft  
9 navigation channel located in State waters navigable and safe. Any project funded by revenue  
10 from the Fund must be cost-shared with non-State dollars on a one-to-one basis. For purposes  
11 of this section, "shallow draft navigation channel" means (i) a waterway connection with a  
12 maximum depth of 16 feet between the Atlantic Ocean and a bay or the Atlantic Intracoastal  
13 Waterway, (ii) a river entrance to the Atlantic Ocean through which tidal and other currents  
14 flow, or (iii) other interior coastal waterways. "Shallow draft navigation channel" includes the  
15 Atlantic Intracoastal Waterway and its side channels, Beaufort Harbor, Bogue Inlet, Carolina  
16 Beach Inlet, the channel from Back Sound to Lookout Back, channels connected to federal  
17 navigation channels, Lockwoods Folly River, Manteo/Shallowbag Bay, including Oregon Inlet,  
18 Masonboro Inlet, New River, New Topsail Inlet, Rodanthe, Rollinson, Shallotte River, Silver  
19 Lake Harbor, and the waterway connecting Pamlico Sound and Beaufort Harbor."

20           **SECTION 14.22.(c)** This section authorizes a Long-Term Dredging Memorandum  
21 of Agreement with the U.S. Army Corps of Engineers which may last beyond the current fiscal  
22 biennium and which shall provide for all of the following:

- 23           (1) Prioritization of projects through joint consultation with the State, applicable  
24 units of local government, and the U.S. Army Corps of Engineers.
- 25           (2) Compliance with G.S. 143-215.73F. Funds in the Shallow Draft Navigation  
26 Channel Dredging Fund shall be used in accordance with that section.
- 27           (3) Annual reporting by the Department on the use of funds provided to the U.S.  
28 Army Corps of Engineers under the Long-Term Dredging Memorandum of  
29 Agreement. These reports shall be made to the Joint Legislative Commission  
30 on Governmental Operations, the Fiscal Research Division, and the Office of  
31 State Budget and Management and shall include all of the following:
  - 32           a. A list of all projects commenced.
  - 33           b. The estimated cost of each project.
  - 34           c. The date that work on each project commenced or is expected to  
35 commence.
  - 36           d. The date that work on each project was completed or is expected to  
37 be completed.
  - 38           e. The actual cost of each project.

39           **SECTION 14.22.(d)** The Department of Environment and Natural Resources may  
40 use available funds for the 2013-2014 fiscal year and the 2014-2015 fiscal year in the Shallow  
41 Draft Navigation Channel Dredging Fund established in G.S. 143-215.73F, as enacted by  
42 subsection (a) of this section, to provide the State's share of costs associated with projects that  
43 comply with that section. These funds are hereby appropriated for that purpose, but the  
44 Department of Environment and Natural Resources shall approve a project before it is eligible  
45 to receive any funds under this section.

## 46 **PART XV. DEPARTMENT OF COMMERCE**

### 47 **SET REGULATORY FEE FOR UTILITIES COMMISSION**

48           **SECTION 15.1.(a)** The percentage rate to be used in calculating the public utility  
49 regulatory fee under G.S. 62-302(b)(2) is thirteen one-hundredths of one percent (0.13%) for  
50  
51

1 each public utility's North Carolina jurisdictional revenues earned during each quarter that  
2 begins on or after July 1, 2013, and on or after July 1, 2014.

3 **SECTION 15.1.(b)** The electric membership corporation regulatory fee imposed  
4 under G.S. 62-302(b1) for the 2013-2014 and the 2014-2015 fiscal year is two hundred  
5 thousand dollars (\$200,000).

6  
7 **REPEAL UWHARRIE REGIONAL RESOURCES ACT**

8 **SECTION 15.1A.** Chapter 153C of the General Statutes is repealed.  
9

10 **INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT**

11 **SECTION 15.2.** For the 2013-2014 fiscal year and the 2014-2015 fiscal year, the  
12 Industrial Commission may, in consultation with the State Chief Information Officer, use up to  
13 one million eight hundred thousand dollars (\$1,800,000) of available funds in Budget Code  
14 24611 to replace the Electronic Document Management System (EDMS).  
15

16 **UNEMPLOYMENT INSURANCE FUND**

17 **SECTION 15.3.(a)** The Office of State Budget and Management, in conjunction  
18 with the Office of the State Controller and the Department of Commerce, shall transfer and  
19 allocate to the Unemployment Insurance Fund any unencumbered cash balance as of June 30,  
20 2013, of each of the following special funds within the Department and then close each of these  
21 special funds:

22 (1) Worker Training Trust Fund (Special Fund Code 64654-6400).

23 (2) Training and Employment Account (Special Fund Code 64655-6601).

24 **SECTION 15.3.(b)** There is appropriated from the Special Employment Security  
25 Administration Fund to the Unemployment Insurance Fund the sum of ten million dollars  
26 (\$10,000,000) for the 2013-2014 fiscal year to be used to make principal payments on advances  
27 made by the federal government under Title XII of the Social Security Act to the  
28 Unemployment Insurance Fund to pay unemployment compensation benefits.  
29

30 **EMPLOYMENT SECURITY RESERVE FUND**

31 **SECTION 15.4.(a)** There is appropriated from the Employment Security Reserve  
32 Fund to the Department of Commerce, Division of Employment Security, the amount needed  
33 for the 2014-2015 fiscal year to fund the interest payment due to the federal government for the  
34 debt owed to the U.S. Treasury for unemployment benefits.

35 **SECTION 15.4.(b)** Of the funds credited to and held in the State of North  
36 Carolina's account in the Unemployment Trust Fund by the Secretary of the Treasury of the  
37 United States pursuant to and in accordance with section 903 of the Social Security Act and  
38 pursuant to Title II of Division B of P.L. 111-5, the Assistance for Unemployed Workers and  
39 Struggling Families Act, the Department of Commerce, Division of Employment Security, may  
40 expend the sum of two hundred five million sixty-three thousand five hundred fifty-two dollars  
41 (\$205,063,552) to design and build the integrated unemployment insurance benefit and tax  
42 accounting system.  
43

44 **WORKFORCE INVESTMENT ACT FUNDS/TRANSFER OF FUNDS TO**  
45 **DEPARTMENT OF LABOR**

46 **SECTION 15.5.** Of the Workforce Investment Act funds awarded to the  
47 Department of Commerce by the United States Department of Labor, the sum of three hundred  
48 fifty thousand dollars (\$350,000) shall be transferred to the Department of Labor for the  
49 Apprenticeship Program on a recurring basis for the 2013-2015 biennium.  
50



1 **SPECIAL FUNDS TRANSFER/OFFSET COMMERCE ADMINISTRATION**  
2 **GENERAL FUND APPROPRIATION**

3 **SECTION 15.6.(a)** The Office of State Budget and Management, in conjunction  
4 with the Office of the State Controller and the Department of Commerce, shall transfer the  
5 unencumbered cash balances in the following funds as of June 30, 2013, to Commerce  
6 Administration (Budget Code 14600-1111):

- 7 (1) 24609-2537 – Energy Research Grants
- 8 (2) 24609-2535 – NC Green Business Fund

9 **SECTION 15.6.(b)** The Office of State Budget and Management, in conjunction  
10 with the Office of the State Controller and the Department of Commerce, shall transfer the  
11 unencumbered cash balance in the International Trade Show Special Fund (Budget Code  
12 24610-2431) as of June 30, 2013, to Commerce Administration (Budget Code 14600-1111)  
13 and, upon the transfer, close the Fund.

14 **SECTION 15.6.(c)** The transfers in subsections (a) and (b) of this section are to  
15 offset General Fund appropriations to the Department of Commerce for administration.  
16

17 **SECRETARY DESIGNATE SUPERVISOR OF BLNC EMPLOYEES**

18 **SECTION 15.7.** The Secretary of Commerce shall designate the person or persons  
19 who shall supervise the employees in Business Link North Carolina (BLNC). The person or  
20 persons designated under this section shall have the powers and duties authorized by the  
21 Secretary.  
22

23 **COMMERCE FLEXIBILITY TO REORGANIZE DEPARTMENT TO ESTABLISH**  
24 **PUBLIC-PRIVATE PARTNERSHIP**

25 **SECTION 15.7A.(a)** Notwithstanding any other provision of law, and consistent  
26 with the authority granted in G.S. 143B-10, the Secretary of the Department of Commerce may  
27 reorganize positions and related operational costs within the Department to establish a public-  
28 private partnership which includes cost containment measures. Actions under this section may  
29 only be implemented after the Office of State Budget and Management has approved a proposal  
30 submitted by the Department. Proposals under this section shall include, at a minimum, the  
31 positions involved and strategies to achieve efficiencies.

32 **SECTION 15.7A.(b)** Not later than April 1, 2014, the Department shall report on  
33 any actions under this section to the House of Representatives Appropriations Subcommittee on  
34 Natural and Economic Resources, the Senate Appropriations Committee on Natural and  
35 Economic Resources, and the Fiscal Research Division.  
36

37 **COMMON FOLLOW-UP/CONTINUATION REVIEW**

38 **SECTION 15.8.(a)** The Department of Commerce, Labor and Economic Analysis  
39 Division (LEAD), shall conduct a continuation review of the Common Follow-Up Information  
40 Management System (hereinafter "Common Follow-Up") created pursuant to G.S. 96-32.  
41 LEAD shall report the preliminary findings of the continuation review to the Fiscal Research  
42 Division no later than December 1, 2013, and shall submit a final report to the Joint Legislative  
43 Commission on Governmental Operations, the Senate Appropriations Committee on Natural  
44 and Economic Resources, and the House Appropriations Subcommittee on Natural and  
45 Economic Resources no later than March 1, 2014.

46 **SECTION 15.8.(b)** The continuation review report required by subsection (a) of  
47 this section shall include the following information:

- 48 (1) A description of Common Follow-Up and the goals of the program.
- 49 (2) The statutory objectives for Common Follow-Up and the problem or need  
50 addressed.

- 1 (3) The extent to which the objectives of Common Follow-Up have been  
2 achieved.
- 3 (4) Any functions or programs of Common Follow-Up performed without  
4 specific statutory authority.
- 5 (5) The performance measures for Common Follow-Up and the process by  
6 which the performance measures determine efficiency and effectiveness.
- 7 (6) Recommendations for statutory, budgetary, or administrative changes  
8 needed to improve efficiency and effectiveness of services delivered to the  
9 public.
- 10 (7) The consequences of discontinuing funding.
- 11 (8) Recommendations for improving services or reducing costs or duplication.
- 12 (9) The identification of policy issues that should be brought to the attention of  
13 the General Assembly.  
14

### 15 LEAD/DEVELOP STANDARDIZED PERFORMANCE METRIC FOR NONPROFITS

16 **SECTION 15.12.** The Department of Commerce, Labor and Economic Analysis  
17 Division (LEAD), shall develop a standardized performance metric to evaluate whether a  
18 nonprofit allocated State funds by the Department in the 2013-2015 biennium has achieved its  
19 own goals or performance standards. The metric shall include standards for determining  
20 whether jobs were actually created, grants were awarded, or loans were made. The information  
21 obtained as a result of the metric shall be used by the General Assembly in determining  
22 whether to fund the nonprofits in future fiscal years. In order to be eligible to receive State  
23 funds, each nonprofit surveyed shall provide to LEAD any information requested to help  
24 develop the metric provided for in this section.  
25

### 26 NER BLOCK GRANTS/2014 AND 2015 PROGRAM YEARS

27 **SECTION 15.14.(a)** Appropriations from federal block grant funds are made for  
28 the fiscal years ending June 30, 2014, and June 30, 2015, according to the following schedule:

#### 29 COMMUNITY DEVELOPMENT BLOCK GRANT

30		
31	01. State Administration	\$ 1,275,000
32		
33	02. Economic Development	10,737,500
34		
35	03. Infrastructure	30,937,500
36		

#### 37 TOTAL COMMUNITY DEVELOPMENT

38 **BLOCK GRANT – 2014 Program Year** **\$ 42,950,000**

39 **2015 Program Year** **\$ 42,950,000**

40 **SECTION 15.14.(b)** Decreases in Federal Fund Availability. – If federal funds are  
41 reduced below the amounts specified above after the effective date of this act, then every  
42 program in each of these federal block grants shall be reduced by the same percentage as the  
43 reduction in federal funds.

44 **SECTION 15.14.(c)** Increases in Federal Fund Availability for Community  
45 Development Block Grant. – Any block grant funds appropriated by the Congress of the United  
46 States in addition to the funds specified in this section shall be expended as follows: each  
47 program category under the Community Development Block Grant shall be increased by the  
48 same percentage as the increase in federal funds.

49 **SECTION 15.14.(d)** Limitations on Community Development Block Grant Funds.  
50 – Of the funds appropriated in this section for the Community Development Block Grant, the  
51 following shall be allocated in each category for each program year: up to one million two

1 hundred seventy-five thousand dollars (\$1,275,000) may be used for State Administration; up  
2 to ten million seven hundred thirty-seven thousand five hundred dollars (\$10,737,500) may be  
3 used for Economic Development; and up to thirty million nine hundred thirty-seven thousand  
4 five hundred dollars (\$30,937,500) may be used for Infrastructure. If federal block grant funds  
5 are reduced or increased by the Congress of the United States after the effective date of this act,  
6 then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of  
7 this section, as applicable.

8 **SECTION 15.14.(e)** The Department of Commerce shall consult with the Joint  
9 Legislative Commission on Governmental Operations prior to reallocating Community  
10 Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever  
11 the Director of the Budget finds that:

12 (1) A reallocation is required because of an emergency that poses an imminent  
13 threat to public health or public safety, the Director of the Budget may  
14 authorize the reallocation without consulting the Commission. The  
15 Department of Commerce shall report to the Commission on the reallocation  
16 no later than 30 days after it was authorized and shall identify in the report  
17 the emergency, the type of action taken, and how it was related to the  
18 emergency.

19 (2) The State will lose federal block grant funds or receive less federal block  
20 grant funds in the next fiscal year unless a reallocation is made, the  
21 Department of Commerce shall provide a written report to the Commission  
22 on the proposed reallocation and shall identify the reason that failure to take  
23 action will result in the loss of federal funds. If the Commission does not  
24 hear the issue within 30 days of receipt of the report, the Department may  
25 take the action without consulting the Commission.

26 **SECTION 15.14.(f)** By September 1, 2013, and September 1, 2014, the Division  
27 of Community Assistance, Department of Commerce, shall report to the Joint Legislative  
28 Commission on Governmental Operations and the Fiscal Research Division on the use of  
29 Community Development Block Grant Funds appropriated in the prior fiscal year. The report  
30 shall include the following:

31 (1) A discussion of each of the categories of funding and how the categories  
32 were selected, including information on how a determination was made that  
33 there was a statewide need in each of the categories.

34 (2) Information on the number of applications that were received in each  
35 category and the total dollar amount requested in each category.

36 (3) A list of grantees, including the grantee's name, county, category under  
37 which the grant was funded, the amount awarded, and a narrative description  
38 of the project.

39 **SECTION 15.14.(g)** For purposes of this section, eligible activities under the  
40 category of Infrastructure in subsection (a) of this section are limited to the installation of  
41 public water or sewer lines and improvements to water or sewer treatment plants that have  
42 specific problems such as being under moratoriums or special orders of consent.  
43 Notwithstanding the provisions of subsection (e) of this section, funds allocated to the  
44 Infrastructure category in subsection (a) of this section shall not be reallocated to any other  
45 category.

#### 46 **NER BLOCK GRANTS/2013 PROGRAM YEAR**

47 **SECTION 15.15.(a)** Section 14.1 of S.L. 2011-145, as amended by Section 13.1 of  
48 S.L. 2012-142, reads as rewritten:

49 "SECTION 14.1.(a) Appropriations from federal block grant funds are made for the fiscal  
50 year ending June 30, 2013, according to the following schedule:  
51

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	\$1,000,000	<u>\$1,275,000</u>
<del>03.</del>	<del>Scattered Site Housing</del>		<del>7,200,000</del>
04.	Economic Development	7,000,000	<u>10,625,000</u>
<del>05.</del>	<del>Small Business/Entrepreneurship</del>		<del>2,500,000</del>
<del>06.</del>	<del>NC Catalyst</del>		<del>4,500,000</del>
07.	Infrastructure	<del>20,300,000</del>	<u>30,600,000</u>

TOTAL COMMUNITY DEVELOPMENT

BLOCK GRANT – 2013 Program Year \$42,500,000

"SECTION 14.1.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

"SECTION 14.1.(c) Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

"SECTION 14.1.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to ~~one million dollars (\$1,000,000)~~ one million two hundred seventy-five thousand dollars (\$1,275,000) may be used for State Administration; ~~up to seven million two hundred thousand dollars (\$7,200,000)~~ up to seven million dollars (\$7,000,000) may be used for ~~Scattered Site Housing~~; ~~up to seven million dollars (\$7,000,000)~~ ten million six hundred twenty-five thousand dollars (\$10,625,000) may be used for Economic Development; ~~up to two million five hundred thousand dollars (\$2,500,000)~~ up to two million five hundred thousand dollars (\$2,500,000) may be used for ~~Small Business/Entrepreneurship~~; ~~up to four million five hundred thousand dollars (\$4,500,000)~~ up to four million five hundred thousand dollars (\$4,500,000) shall be used for ~~NC Catalyst~~; ~~and up to twenty million three hundred thousand dollars (\$20,300,000)~~ thirty million six hundred thousand dollars (\$30,600,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

"SECTION 14.1.(e) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

- (1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

- 1 (2) The State will lose federal block grant funds or receive less federal block  
2 grant funds in the next fiscal year unless a reallocation is made, the  
3 Department of Commerce shall provide a written report to the Commission  
4 on the proposed reallocation and shall identify the reason that failure to take  
5 action will result in the loss of federal funds. If the Commission does not  
6 hear the issue within 30 days of receipt of the report, the Department may  
7 take the action without consulting the Commission.

8 **"SECTION 14.1.(f)** By ~~September 1, 2012,~~ September 1, 2013, the Division of  
9 Community Assistance, Department of Commerce, shall report to the Joint Legislative  
10 Commission on Governmental Operations and the Fiscal Research Division on the use of  
11 Community Development Block Grant Funds appropriated in the prior fiscal year. The report  
12 shall include the following:

- 13 (1) A discussion of each of the categories of funding and how the categories  
14 were selected, including information on how a determination was made that  
15 there was a statewide need in each of the categories.  
16 (2) Information on the number of applications that were received in each  
17 category and the total dollar amount requested in each category.  
18 (3) A list of grantees, including the grantee's name, county, category under  
19 which the grant was funded, the amount awarded, and a narrative description  
20 of the project.

21 **"SECTION 14.1.(g)** For purposes of this section, eligible activities under the category of  
22 Infrastructure in subsection (a) of this section are limited to the installation of public water or  
23 sewer lines and improvements to water or sewer treatment plants that have specific problems  
24 such as being under moratoriums or special orders of consent. Notwithstanding the provisions  
25 of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a)  
26 of this section shall not be reallocated to any other category."

27 **SECTION 15.15.(b)** This section becomes effective June 30, 2013.  
28

## 29 ONE NORTH CAROLINA FUND

30 **SECTION 15.16.** Of the funds appropriated in this act to the One North Carolina  
31 Fund for the 2013-2015 biennium, the Department of Commerce may use up to two hundred  
32 fifty thousand dollars (\$250,000) in each year of the biennium to cover its expenses in  
33 administering the One North Carolina Fund and other economic development incentive grant  
34 programs. The Department of Commerce shall not use more than two hundred fifty thousand  
35 dollars (\$250,000) for administrative costs in any one fiscal year.  
36

## 37 MODIFY ONE NC FUND AWARDS

38 **SECTION 15.16A.** G.S. 143B-437.71(b1) reads as rewritten:

39 "(b1) Awards. – The amounts committed in Governor's Letters issued in a single fiscal  
40 ~~year—biennium~~ may not exceed ~~fourteen—twenty-eight~~ million dollars  
41 ~~(\$14,000,000)-(\$28,000,000)."~~  
42

## 43 MODIFY INDUSTRIAL DEVELOPMENT FUND AND UTILITY ACCOUNT

44 **SECTION 15.18.(a)** G.S. 143B-437.01 reads as rewritten:

45 **"§ 143B-437.01. Industrial Development ~~Fund~~ Fund Utility Account.**

46 (a) Creation and Purpose of Fund. – There is created in the Department of Commerce  
47 ~~the Industrial Development Fund~~ a special account to be known as the Industrial Development  
48 Fund Utility Account ("Utility Account") to provide funds to assist the local government units  
49 of the most economically distressed counties in the State in creating ~~and retaining jobs in~~  
50 ~~certain industries~~ jobs. The Department of Commerce shall adopt rules providing for the

1 administration of the program. Those rules shall include the following provisions, which shall  
2 apply to each grant from the ~~fund~~account:

- 3 (1) The funds shall be used for ~~(i) installation of or purchases of equipment for~~  
4 ~~eligible industries, (ii) structural repairs, improvements, or renovations of~~  
5 ~~existing buildings to be used for expansion of eligible industries, or~~  
6 ~~(iii) construction of or improvements to new or existing water, sewer, gas,~~  
7 ~~telecommunications, high-speed broadband, electrical utility distribution~~  
8 ~~lines or equipment, or transportation infrastructure for existing or new or~~  
9 ~~proposed industrial buildings to be used for eligible industries.~~buildings. To  
10 be eligible for funding, the water, gas, telecommunications, high-speed  
11 broadband, electrical utility lines or facilities, or transportation infrastructure  
12 shall be located on the site of the building or, if not located on the site, shall  
13 be directly related to the operation of the ~~specific eligible industrial~~job  
14 creation activity. To be eligible for funding, the sewer infrastructure shall be  
15 located on the site of the building or, if not located on the site, shall be  
16 directly related to the operation of the ~~specific eligible industrial~~job  
17 creation activity, even if the sewer infrastructure is located in a county other than the  
18 county in which the building is located.
- 19 (1a) The funds shall be used for projects located in economically distressed  
20 counties except that the Secretary of Commerce may use up to one hundred  
21 thousand dollars (\$100,000) to provide emergency economic development  
22 assistance in any county that is documented to be experiencing a major  
23 economic dislocation.
- 24 (2) The funds shall be used by the city and county governments for projects that  
25 ~~will directly~~are reasonably anticipated to result in the creation or retention of  
26 ~~new jobs. The funds shall be expended at a maximum rate of ten thousand~~  
27 ~~dollars (\$10,000) per new job created or per job retained up to a maximum~~  
28 ~~of five hundred thousand dollars (\$500,000) per project.~~There shall be no  
29 maximum funding amount per new job to be created or per project.
- 30 (3) There shall be no local match requirement if the project is located in a  
31 county that has one of the 25 highest rankings under ~~G.S. 143B-437.08~~ or  
32 ~~that has a population of less than 50,000 and more than nineteen percent~~  
33 ~~(19%) of its population below the federal poverty level according to the most~~  
34 ~~recent federal decennial census.~~G.S. 143B-437.08.
- 35 (4) The Department may authorize a local government that receives funds under  
36 this section to use up to two percent (2%) of the funds, if necessary, to verify  
37 that the funds are used only in accordance with law and to otherwise  
38 administer the grant or loan.
- 39 (5) No project subject to the Environmental Policy Act, Article 1 of Chapter  
40 113A of the General Statutes, shall be funded unless the Secretary of  
41 Commerce finds that the proposed project will not have a significant adverse  
42 effect on the environment. The Secretary of Commerce shall not make this  
43 finding unless the Secretary has first received a certification from the  
44 Department of Environment and Natural Resources that concludes, after  
45 consideration of avoidance and mitigation measures, that the proposed  
46 project will not have a significant adverse effect on the environment.
- 47 (6) The funds shall not be used for any nonmanufacturing project that does not  
48 meet the wage standard set out in ~~G.S. 105-129.4(b).~~G.S. 105-129.4(b) or for  
49 any retail, entertainment, or sports projects.
- 50 (7) Priority for the use of funds shall be given to eligible industries.
- 51 (a1) Definitions. – The following definitions apply in this section:

- 1 (1) ~~Air courier services. – Defined in G.S. 105-129.81. The furnishing of air~~  
2 ~~delivery of individually addressed letters and packages for compensation, in~~  
3 ~~interstate commerce, except by the United States Postal Service.~~
- 4 (2) Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.
- 5 (2a) ~~Company headquarters. – Defined in G.S. 105-129.81. A corporate,~~  
6 ~~subsidiary, or regional managing office, as defined by NAICS in United~~  
7 ~~States industry 551114, that is responsible for strategic or organizational~~  
8 ~~planning and decision making for the business on an international, national,~~  
9 ~~or multistate regional basis.~~
- 10 (3) Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.
- 11 (4) ~~Economically distressed county. – A county that has one of the 65 highest~~  
12 ~~rankings is defined as a development tier one or two area under~~  
13 ~~G.S. 143B-437.08 after the adjustments of that section are applied.~~
- 14 (5) ~~Eligible industry. – A company headquarters or a person engaged in the~~  
15 ~~business of air courier services, information technology and services,~~  
16 ~~manufacturing, or warehousing and wholesale trade.~~
- 17 (6) ~~Information technology and services. – Defined in G.S. 105-129.81. An~~  
18 ~~industry in one of the following, as defined by NAICS:~~
- 19 a. ~~Data processing industry group 518.~~  
20 b. ~~Software publishers industry group 5112.~~  
21 c. ~~Computer systems design and related services industry group 5415.~~  
22 d. ~~An Internet activity included in industry group 519130.~~
- 23 (7) ~~Major economic dislocation. – The actual or imminent loss of 500 or more~~  
24 ~~manufacturing jobs in the county or of a number of manufacturing jobs equal~~  
25 ~~to at least ten percent (10%) of the existing manufacturing workforce in the~~  
26 ~~county.~~
- 27 (8) ~~Manufacturing. – Defined in G.S. 105-129.81. An industry in manufacturing~~  
28 ~~sectors 31 through 33, as defined by NAICS, but not including quick~~  
29 ~~printing or retail bakeries.~~
- 30 (9) Reserved.
- 31 (10) ~~Warehousing. – Defined in G.S. 105-129.81. An industry in warehousing and~~  
32 ~~storage subsector 493 as defined by NAICS.~~
- 33 (11) ~~Wholesale trade. – Defined in G.S. 105-129.81. An industry in wholesale~~  
34 ~~trade sector 42 as defined by NAICS.~~
- 35 (b) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5.
- 36 (b1) ~~There is created within the Industrial Development Fund a special account to be~~  
37 ~~known as the Utility Account to provide funds to assist the local government units of the~~  
38 ~~counties that have one of the 65 highest rankings under G.S. 143B-437.08 after the adjustments~~  
39 ~~of that section are applied in creating jobs in eligible industries. The Department of Commerce~~  
40 ~~shall adopt rules providing for the administration of the program. Except as otherwise provided~~  
41 ~~in this subsection, those rules shall be consistent with the rules adopted with respect to the~~  
42 ~~Industrial Development Fund. The rules shall provide that the funds in the Utility Account may~~  
43 ~~be used only for construction of or improvements to new or existing water, sewer, gas,~~  
44 ~~telecommunications, high-speed broadband, electrical utility distribution lines or equipment, or~~  
45 ~~transportation infrastructure for existing or new or proposed industrial buildings to be used for~~  
46 ~~eligible industrial operations. To be eligible for funding, the water, sewer, gas,~~  
47 ~~telecommunications, high-speed broadband, electrical utility lines or facilities, or transportation~~  
48 ~~infrastructure shall be located on the site of the building or, if not located on the site, shall be~~  
49 ~~directly related to the operation of the specific industrial activity. There shall be no maximum~~  
50 ~~funding amount per new job to be created or per project.~~
- 51 (c), (c1) Repealed by Session Laws 2012-142, s. 13.4(c), effective July 1, 2012.

(d) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5."

**SECTION 15.18.(b)** G.S. 105-129.81 reads as rewritten:

**"§ 105-129.81. Definitions.**

The following definitions apply in this Article:

...

(2) Air courier services. – ~~The furnishing of air delivery of individually addressed letters and packages for compensation, in interstate commerce, except by the United States Postal Service.~~Defined in G.S. 143B-437.01.

...

(5) Company headquarters. – ~~A corporate, subsidiary, or regional managing office, as defined by NAICS in United States industry 551114, that is responsible for strategic or organizational planning and decision making for the business on an international, national, or multistate regional basis.~~Defined in G.S. 143B-437.01.

...

(13) Information technology and services. – Defined in G.S. 143B-437.01.~~An industry in one of the following, as defined by NAICS:~~

a. ~~Data processing industry group 518.~~

b. ~~Software publishers industry group 5112.~~

c. ~~Computer systems design and related services industry group 5415.~~

d. ~~An Internet activity included in industry group 519130.~~

...

(15) Manufacturing. – ~~An industry in manufacturing sectors 31 through 33, as defined by NAICS, but not including quick printing or retail bakeries.~~Defined in G.S. 143B-437.01.

...

(25) Warehousing. – ~~An industry in warehousing and storage subsector 493 as defined by NAICS.~~Defined in G.S. 143B-437.01.

(26) Wholesale trade. – ~~An industry in wholesale trade sector 42 as defined by NAICS.~~Defined in G.S. 143B-437.01."

**SECTION 15.18.(c)** G.S. 143B-437.012(d) reads as rewritten:

"(d) Eligibility. – A business is eligible for consideration for a grant under this section if it satisfies the conditions of either subdivision (1) or (2) of this subsection and satisfies the conditions of both subdivisions (3) and (4) of this subsection:

...

(2) The business is a large manufacturing employer. A business is a large manufacturing employer if the business meets the following requirements:

a. The business is in manufacturing, as defined in ~~G.S. 105-129.81,~~G.S. 143B-437.01, and is converting its manufacturing process to change the product it manufactures.

b. The Department certifies that the business has invested or intends to invest at least sixty-five million dollars (\$65,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a three-year period beginning with the time the investment commences.

c. The business employs at least 320 full-time employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 320 full-time employees at the project for the full term of the grant.

...."

**SECTION 15.18.(d)** G.S. 143B-435.1(d) reads as rewritten:



1 "(d) Report. – By April 1 and October 1 of each year, the Department of Commerce shall  
2 report to the Revenue Laws Study Committee, the Joint Legislative Commission on  
3 Governmental Operations, the Senate Appropriations Committee on Natural and Economic  
4 Resources, the House of Representatives Appropriations Subcommittee on Natural and  
5 Economic Resources, and the Fiscal Research Division of the ~~General Assembly~~Legislative  
6 Services Commission on (i) all clawbacks that have been triggered under the One North  
7 Carolina Fund established pursuant to G.S. 143B-437.71, the Job Development Investment  
8 Grant Program established pursuant to G.S. 143B-437.52, Job Maintenance and Capital  
9 Development Fund established pursuant to G.S. 143B-437.012, the ~~Industrial Development~~  
10 ~~Fund and~~ Utility Account established pursuant to G.S. 143B-437.01, and the Site Infrastructure  
11 Fund established pursuant to G.S. 143B-437.02 and (ii) its progress on obtaining repayments.  
12 The report must include the name of each business, the event that triggered the clawback, and  
13 the amount forfeited or to be repaid."

14 **SECTION 15.18.(e)** G.S. 143B-437.07(c) reads as rewritten:

15 "(c) Economic Development Incentive. – An economic development incentive includes  
16 any grant from the following programs: Job Development Investment Grant Program; the Job  
17 Maintenance and Capital Development Fund; One North Carolina Fund; and the ~~Industrial~~  
18 ~~Development Fund, including the~~ Utility Account. The State also incents economic  
19 development through the use of tax expenditures in the form of tax credits and refunds. The  
20 Department of Revenue must report annually on these statutory economic development  
21 incentives, as required under G.S. 105-256."

22 **SECTION 15.18.(f)** G.S. 143B-437.55(c) reads as rewritten:

23 "(c) Annual Reports. – The Committee shall publish a report on the Job Development  
24 Investment Grant Program on or before April 30 of each year. The Committee shall submit the  
25 report electronically to the House of Representatives Finance Committee, the Senate Finance  
26 Committee, the House of Representatives Appropriations Subcommittee on Natural and  
27 Economic Resources, the Senate Appropriations Committee on Natural and Economic  
28 Resources, and the Fiscal Research Division. The report shall include the following:

29 ...

30 (13) The total amount transferred to the Utility Account ~~of the Industrial~~  
31 ~~Development Fund~~ under this Part during the preceding year."

32 **SECTION 15.18.(g)** G.S. 143B-437.61 reads as rewritten:

33 **"§ 143B-437.61. Transfer to Industrial Development ~~Fund~~ Fund Utility Account.**

34 At the time the Department of Commerce remits a check to a business under  
35 G.S. 143B-437.60, the Department of Commerce shall transfer to the Utility Account ~~of the~~  
36 ~~Industrial Development Fund~~ an amount equal to the amount certified by the Committee as the  
37 difference between the amount of the grant and the amount of the grant for which the business  
38 would be eligible without regard to G.S. 143B-437.56(d)."

39 **SECTION 15.18.(h)** The Department of Commerce, in conjunction with the Office  
40 of the State Controller, shall close the Industrial Development Fund and the Utility Account  
41 and shall transfer the remaining fund balances of each to the Industrial Development Fund  
42 Utility Account.

43 **SECTION 15.18.(i)** This section becomes effective July 1, 2013, and applies to  
44 projects for which funds are initially provided on or after that date.

#### 46 **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM MODIFICATIONS**

47 **SECTION 15.19.(a)** G.S. 143B-437.52 reads as rewritten:

48 **"§ 143B-437.52. Job Development Investment Grant Program.**

49 ...

1 (b) Priority. – In selecting between applicants, a project that is located in an  
2 Eco-Industrial Park certified under G.S. 143B-437.08 has priority over a comparable project  
3 that is not located in a certified Eco-Industrial Park.

4 (c) Awards. – The maximum amount of total annual liability for grants awarded in any  
5 single calendar year under this Part, including amounts transferred to the Utility Account  
6 pursuant to G.S. 143B-437.61, is fifteen million dollars (\$15,000,000). No agreement may be  
7 entered into that, when considered together with other existing agreements governing grants  
8 awarded during a single calendar year, could cause the State's potential total annual liability for  
9 grants awarded in a single calendar year to exceed this amount. The Department shall make  
10 every effort to ensure that the average percentage of withholdings of eligible positions for  
11 grants awarded under this Part does not exceed the average of the range provided in  
12 G.S. 143B-437.56(a).

13 ...."

14 **SECTION 15.19.(a1)** Notwithstanding G.S. 143B-437.52(c), for the 2013-2015  
15 fiscal biennium, the maximum total liability for grants awarded, including amounts transferred  
16 to the Utility Account pursuant to G.S. 143B-437.61, is twenty-two million five hundred  
17 thousand dollars (\$22,500,000) and, for the period from July 1, 2015, to December 31, 2015,  
18 the maximum total liability for grants awarded, including amounts transferred to the Utility  
19 Account pursuant to G.S. 143B-437.61, is seven million five hundred thousand dollars  
20 (\$7,500,000). No agreement may be entered into that, when considered together with other  
21 existing agreements governing grants awarded during an applicable time period provided in this  
22 subsection, could cause the State's potential total annual liability for grants awarded in that time  
23 period to exceed the designated maximum amount.

24 **SECTION 15.19.(b)** G.S. 143B-437.55(b) reads as rewritten:

25 "(b) Application Fee. – When filing an application under this section, the business must  
26 pay the Committee a fee of five thousand dollars (\$5,000). The fee is due at the time the  
27 application is filed. The Secretary of Commerce, the Secretary of Revenue, and the Director of  
28 the Office of State Budget and Management shall determine the allocation of the fee imposed  
29 by this section among their agencies. The proceeds of the fee are receipts of the agency to  
30 which they are credited. Within 30 days of receipt of an application under this section but prior  
31 to any award being made, the Department of Commerce shall notify each governing body of an  
32 area where a submitted application proposes locating a project of the information listed in this  
33 subsection, provided that the governing body agrees, in writing, to any confidentiality  
34 requirements imposed by the Department under G.S. 132-6(d). The information required by  
35 this subsection includes all of the following:

- 36 (1) The estimated amount of the grant anticipated to be awarded to the applicant  
37 for the project.  
38 (2) Any economic impact data submitted with the application or prepared by the  
39 Department.  
40 (3) Any economic impact estimated by the Department to result from the  
41 project."

42 **SECTION 15.19.(c)** This section becomes effective July 1, 2013, and applies to  
43 applications and awards made on or after that date.

#### 44 45 **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM APPLICATION FEE** 46 **INCREASE**

47 **SECTION 15.20.(a)** G.S. 143B-437.55(b) reads as rewritten:

48 "(b) Application Fee. – When filing an application under this section, the business must  
49 pay the Committee a fee of ~~five thousand dollars (\$5,000)~~ ten thousand dollars (\$10,000). The  
50 fee is due at the time the application is filed. The Secretary of Commerce, the Secretary of  
51 Revenue, and the Director of the Office of State Budget and Management shall determine the

1 allocation of the fee imposed by this section among their agencies. The proceeds of the fee are  
2 receipts of the agency to which they are credited."

3 **SECTION 15.20.(b)** This section becomes effective July 1, 2013, and applies to  
4 applications filed on or after that date.

## 5 6 **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM REPORTING FEE** 7 **INCREASE**

8 **SECTION 15.21.(a)** G.S. 143B-437.58(a) reads as rewritten:

9 "(a) No later than March 1 of each year, for the preceding grant year, every business that  
10 is awarded a grant under this Part shall submit to the Committee an annual payroll report  
11 showing withholdings as a condition of its continuation in the grant program and identifying  
12 eligible positions that have been created during the base period that remain filled at the end of  
13 each year of the grant. Annual reports submitted to the Committee shall include social security  
14 numbers of individual employees identified in the reports. Upon request of the Committee, the  
15 business shall also submit a copy of its State and federal tax returns. Payroll and tax  
16 information, including social security numbers of individual employees and State and federal  
17 tax returns, submitted under this subsection is tax information subject to G.S. 105-259.  
18 Aggregated payroll or withholding tax information submitted or derived under this subsection  
19 is not tax information subject to G.S. 105-259. When making a submission under this section,  
20 the business must pay the Committee a fee of ~~one thousand five hundred dollars (\$1,500)~~ the  
21 greater of two thousand five hundred dollars (\$2,500) or three one-hundredths of one percent  
22 (.03%) of an amount equal to the grant less the maximum amount to be transferred pursuant to  
23 G.S. 143B-437.61. The fee is due at the time the submission is made. The Secretary of  
24 Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and  
25 Management shall determine the allocation of the fee imposed by this section among their  
26 agencies. The proceeds of the fee are receipts of the agency to which they are credited."

27 **SECTION 15.21.(b)** This section becomes effective July 1, 2013, and applies to  
28 fees submitted for awards granted on or after that date.

## 29 30 **TRANSFER STATE ENERGY OFFICE FROM COMMERCE TO DENR**

### 31 32 **GENERAL**

33 **SECTION 15.22.(a)** The State Energy Office is hereby transferred from the  
34 Department of Commerce to the Department of Environment and Natural Resources. This  
35 transfer shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6.

### 36 37 **ENERGY LOAN FUND**

38 **SECTION 15.22.(b)** Part 2C of Article 10 of Chapter 143B of the General  
39 Statutes, G.S. 143B-437.14 through G.S. 143B-437.16, is recodified as Part 32 of Article 7 of  
40 Chapter 143B of the General Statutes, G.S. 143B-344.42 through G.S. 143B-344.44.

41 **SECTION 15.22.(c)** G.S. 143B-437.16, recodified as G.S. 143B-344.44 in  
42 subsection (b) of this section, reads as rewritten:

43 "**§ 143B-344.44. Lead agency; powers and duties.**

44 (a) For the purposes of this Part, the Department of ~~Commerce~~ Environment and  
45 Natural Resources, State Energy Office, is designated as the lead State agency in matters  
46 pertaining to energy efficiency.

47 "...."

### 48 49 **GUARANTEED ENERGY SAVINGS CONTRACTS**

50 **SECTION 15.22.(d)** G.S. 143-64.17F reads as rewritten:

51 "**§ 143-64.17F. State agencies to use contracts when feasible; rules; recommendations.**

1 ...  
2 (b) The Department of Administration, in consultation with the Department of  
3 ~~Commerce-Environment and Natural Resources~~, through the State Energy Office, shall adopt  
4 rules for: (i) agency evaluation of guaranteed energy savings contracts; (ii) establishing time  
5 periods for consideration of guaranteed energy savings contracts by the Office of State Budget  
6 and Management, the Office of the State Treasurer, and the Council of State, and (iii) setting  
7 measurements and verification criteria, including review, audit, and precertification. Prior to  
8 adopting any rules pursuant to this section, the Department shall consult with and obtain  
9 approval of those rules from the State Treasurer. The rules adopted pursuant to this subsection  
10 shall not apply to energy conservation measures implemented pursuant to G.S. 143-64.17L.

11 (c) The Department of Administration, and the Department of ~~Commerce-Environment~~  
12 ~~and Natural Resources~~ through the State Energy Office, may provide to the Council of State its  
13 recommendations concerning any energy savings contracts being considered."

14 **SECTION 15.22.(e)** G.S. 143-64.17G reads as rewritten:

15 **"§ 143-64.17G. Report on guaranteed energy savings contracts entered into by local**  
16 **governmental units.**

17 A local governmental unit that enters into a guaranteed energy savings contract must report  
18 the contract and the terms of the contract to the Local Government Commission and the State  
19 Energy Office of the Department of ~~Administration-Environment and Natural Resources~~. The  
20 Commission shall compile the information and report it biennially to the Joint Commission on  
21 Governmental Operations. In compiling the information, the Local Government Commission  
22 shall include information on the energy savings expected to be realized from a contract and,  
23 with the assistance of the Office of State Construction and the State Energy Office, shall  
24 evaluate whether expected savings have in fact been realized."

25 **SECTION 15.22.(f)** G.S. 143-64.17H reads as rewritten:

26 **"§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State**  
27 **governmental units.**

28 A State governmental unit that enters into a guaranteed energy savings contract or  
29 implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i)  
30 the contract and the terms of the contract or (ii) the implementation of the measure to the State  
31 Energy Office of the Department of ~~Commerce-Environment and Natural Resources~~ within 30  
32 days of the date the contract is entered into or the measure is implemented. In addition, within  
33 60 days after each annual anniversary date of a guaranteed energy savings contract, the State  
34 governmental unit must report the status of the contract to the State Energy Office, including  
35 any details required by the State Energy Office. The State Energy Office shall compile the  
36 information for each fiscal year and report it to the Joint Legislative Commission on  
37 Governmental Operations and to the Local Government Commission annually by December 1.  
38 In compiling the information, the State Energy Office shall include information on the energy  
39 savings expected to be realized from a contract or implementation and shall evaluate whether  
40 expected savings have in fact been realized."

## 41 **ENERGY ASSISTANCE FOR LOW-INCOME PERSONS**

42 **SECTION 15.22.(g)** The programs administered under the North Carolina Energy  
43 Assistance Act for Low-Income Persons, being the Weatherization Assistance Program for  
44 Low-Income Families and the Heating/Air Repair and Replacement Program, and any other  
45 energy-related assistance program for the benefit of low-income persons in existing housing,  
46 are transferred from the Department of Commerce to the State Energy Office in the Department  
47 of Environment and Natural Resources. The transfer under this subsection shall have all of the  
48 elements of a Type I transfer, as defined in G.S. 143A-6.  
49

1           **SECTION 15.22.(h)** Part 9 of Article 2 of Chapter 108A of the General Statutes,  
 2 G.S. 108A-70.30, is recodified as Part 33 of Article 7 of Chapter 143B of the General Statutes,  
 3 G.S. 143B-344.46.

4           **SECTION 15.22.(i)** G.S. 108A-70.30, recodified as G.S. 143B-344.46 in  
 5 subsection (h) of this section, reads as rewritten:

6 "**§ 143B-344.46. Weatherization Assistance Program and Heating/Air Repair and**  
 7 **Replacement Program.**

8           The State Energy Office within the Department may administer the Weatherization  
 9 Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement  
 10 Program functions. Nothing in this Part shall be construed as obligating the General Assembly  
 11 to appropriate funds for the Program or as entitling any person to services under the Program."

12           **SECTION 15.22.(j)** Part 21 of Article 10 of Chapter 143B of the General Statutes,  
 13 G.S. 143B-472.121 through 143B-472.123, is recodified as Part 34 of Article 7 of Chapter  
 14 143B of the General Statutes, G.S. 143B-344.48 through G.S. 143B-344.50.

15           **SECTION 15.22.(k)** G.S. 143B-472.122, recodified as G.S. 143B-344.49 in  
 16 subsection (j) of this section, and G.S. 143B-472.123, recodified as G.S. 143B-344.50 in  
 17 subsection (j) of this section, read as rewritten:

18 "**§ 143B-344.49. Definitions.**

19           The following definitions apply to this Part:

20           ...

21           (2) Department. – The Department of ~~Commerce~~Environment and Natural  
 22 Resources.

23           (3) Secretary. – The Secretary of ~~Commerce~~the Department of Environment  
 24 and Natural Resources.

25           ....

26 "**§ 143B-344.50. ~~The Office of Economic Opportunity~~State Energy Office designated**  
 27 **agency; powers and duties.**

28           (a) The ~~Office of Economic Opportunity of the Department~~State Energy Office in the  
 29 Department of Environment and Natural Resources shall administer the Weatherization  
 30 Assistance Program for Low-Income Families established by 42 U.S.C. § 6861, et seq., and 42  
 31 U.S.C. § 7101, et seq.; the Heating/Air Repair and Replacement Program established by the  
 32 Secretary under ~~G.S. 108A-70.30; G.S. 143B-344.46;~~ and any other energy-related assistance  
 33 program for the benefit of low-income persons in existing housing. The ~~Office of Economic~~  
 34 ~~Opportunity~~State Energy Office shall exercise the following powers and duties:

35           ...

36           (8) Create a Policy Advisory Council within the ~~Office of Economic~~  
 37 ~~Opportunity~~State Energy Office that shall advise the ~~Office of Economic~~  
 38 ~~Opportunity~~State Energy Office with respect to the development and  
 39 implementation of a Weatherization Program for Low-Income Families, the  
 40 Heating/Air Repair and Replacement Program, and any other energy-related  
 41 assistance program for the benefit of low-income persons in existing  
 42 housing.

43           ...."

## 44 **ENERGY POLICY COUNCIL**

45           **SECTION 15.22.(l)** G.S. 113B-2 reads as rewritten:

46 "**§ 113B-2. Creation of Energy Policy Council; purpose of Council.**

47           (a) There is hereby created a council to advise and make recommendations on energy  
 48 policy to the Governor and the General Assembly to be known as the Energy Policy Council  
 49 which shall be located within the Department of ~~Commerce~~Environment and Natural  
 50 Resources.

1 (b) Except as otherwise provided in this Chapter, the powers, duties and functions of  
2 the Energy Policy Council shall be as prescribed by the Secretary of ~~Commerce~~the Department  
3 of Environment and Natural Resources.

4 (c) The Energy Policy Council shall serve as the central energy policy planning body of  
5 the State and shall communicate and cooperate with federal, State, regional and local bodies  
6 and agencies to the end of effecting a coordinated energy policy."

7 **SECTION 15.22.(m)** G.S. 113B-11 reads as rewritten:

8 "**§ 113B-11. Powers and authority.**

9 ...

10 (c) The Council shall have authority to apply for and utilize grants, contributions and  
11 appropriations in order to carry out its duties as defined in Articles 1 and 2 of this Chapter,  
12 provided, however, that all such applications and requests are made through and administered  
13 by the Department of ~~Commerce~~Environment and Natural Resources.

14 ...

15 (e) The Department of ~~Commerce~~Environment and Natural Resources shall provide  
16 the staffing capability to the Energy Policy Council so as to fully and effectively develop  
17 recommendations for a comprehensive State energy policy as contained in the provisions of  
18 this Article. The Utilities Commission is hereby authorized to make its staff available to the  
19 Council to assist in the development of a State energy policy."

## 21 PURCHASES AND CONTRACTS

22 **SECTION 15.22.(n)** G.S. 143-58.4 reads as rewritten:

23 "**§ 143-58.4. Energy credit banking and selling program.**

24 (a) The following definitions apply in this section:

25 ...

26 (4) Department. – The Department of ~~Commerce~~The Department of  
27 Environment and Natural Resources.

28 ...

29 (c) Adopt Rules. – The Secretary of ~~Commerce~~Environment and Natural Resources  
30 shall adopt rules as necessary to implement this section."

## 32 ENERGY POLICY AND LIFE-CYCLE COST ANALYSIS

33 **SECTION 15.22.(o)** G.S. 143-64.11 reads as rewritten:

34 "**§ 143-64.11. Definitions.**

35 For purposes of this Article:

36 ...

37 (2a) "Energy Office" means the State Energy Office of the Department of  
38 ~~Commerce~~Environment and Natural Resources.

39 ...."

40 **SECTION 15.22.(p)** G.S. 143-64.12 reads as rewritten:

41 "**§ 143-64.12. Authority and duties of the Department; State agencies and State**  
42 **institutions of higher learning.**

43 (a) The Department of ~~Commerce~~Environment and Natural Resources through the  
44 State Energy Office shall develop a comprehensive program to manage energy, water, and  
45 other utility use for State agencies and State institutions of higher learning and shall update this  
46 program annually. Each State agency and State institution of higher learning shall develop and  
47 implement a management plan that is consistent with the State's comprehensive program under  
48 this subsection to manage energy, water, and other utility use, and that addresses any findings  
49 or recommendations resulting from the energy audit required by subsection (b1) of this section.  
50 The energy consumption per gross square foot for all State buildings in total shall be reduced  
51 by twenty percent (20%) by 2010 and thirty percent (30%) by 2015 based on energy

1 consumption for the 2002-2003 fiscal year. Each State agency and State institution of higher  
 2 learning shall update its management plan annually and include strategies for supporting the  
 3 energy consumption reduction requirements under this subsection. Each community college  
 4 shall submit to the State Energy Office an annual written report of utility consumption and  
 5 costs. Management plans submitted annually by State institutions of higher learning shall  
 6 include all of the following:

7 ....."

8 **SECTION 15.22.(q)** The Revisor of Statutes may conform names and titles  
 9 changed by this section, and may correct statutory references as required by this section,  
 10 throughout the General Statutes. In making the changes authorized by this section, the Revisor  
 11 may also adjust subject and verb agreement and the placement of conjunctions.

12  
 13 **COMMERCE NONPROFITS/REPORTING REQUIREMENTS**

14 **SECTION 15.25.** High Point Furniture Market Authority, Johnson & Wales  
 15 University, North Carolina's Eastern Region, North Carolina's Northeast Commission,  
 16 Southeastern North Carolina Regional Economic Development Commission, Western North  
 17 Carolina Regional Economic Development Commission, Charlotte Regional Partnership, Inc.,  
 18 Piedmont Triad Partnership, RTI International, Research Triangle Regional Partnership, and  
 19 The Support Center shall do the following:

- 20 (1) By September 1 of each year, and more frequently as requested, report to the  
 21 Joint Legislative Commission on Governmental Operations and the Fiscal  
 22 Research Division on prior State fiscal year program activities, objectives,  
 23 and accomplishments and prior State fiscal year itemized expenditures and  
 24 fund sources.  
 25 (2) Provide to the Fiscal Research Division a copy of the entity's annual audited  
 26 financial statement within 30 days of issuance of the statement.

27  
 28 **GRASSROOTS SCIENCE PROGRAM**

29 **SECTION 15.25A.(a)** Of the funds appropriated in this act to the Department of  
 30 Commerce for State-Aid, the sum of two million three hundred forty-seven thousand seven  
 31 hundred eighty-two dollars (\$2,347,782) for the 2013-2014 fiscal year and the sum of two  
 32 million three hundred forty-seven thousand seven hundred eighty-two dollars (\$2,347,782) for  
 33 the 2014-2015 fiscal year are allocated as grants-in-aid for each fiscal year as follows:

	<b>2013-2014</b>	<b>2014-2015</b>
35 Aurora Fossil Museum	\$61,821	\$61,821
36 Cape Fear Museum	\$85,248	\$85,248
37 Carolina Raptor Center	\$74,916	\$74,916
38 Catawba Science Center	\$93,041	\$93,041
39 Colburn Earth Science Museum, Inc.	\$62,547	\$62,547
40 Core Sound Waterfowl Museum	\$67,395	\$67,395
41 Discovery Place	\$261,617	\$261,617
42 Eastern NC Regional Science Center	\$59,587	\$59,587
43 Fascinate-U	\$65,616	\$65,616
44 Granville County Museum Commission,		
45 Inc.–Harris Gallery	\$60,651	\$60,651
46 Greensboro Children's Museum	\$83,575	\$83,575
47 The Health Adventure Museum of Pack		
48 Place Education, Arts and		
49 Science Center, Inc.	\$73,352	\$73,352
50 Highlands Nature Center	\$62,816	\$62,816
51 Imagination Station	\$67,588	\$67,588

1	The Iredell Museums, Inc.	\$61,013	\$61,013
2	Kidsenses	\$65,233	\$65,233
3	Museum of Coastal Carolina	\$65,454	\$65,454
4	The Natural Science Center		
5	of Greensboro, Inc.	\$116,532	\$116,532
6	North Carolina Estuarium	\$58,000	\$58,000
7	North Carolina Museum of Life		
8	and Science	\$203,545	\$203,545
9	Pisgah Astronomical Research Institute	\$74,925	\$74,925
10	Port Discover: Northeastern		
11	North Carolina's Center for		
12	Hands-On Science, Inc.	\$60,610	\$60,610
13	Rocky Mount Children's Museum	\$66,463	\$66,463
14	Schiele Museum of Natural History		
15	and Planetarium, Inc.	\$100,990	\$100,990
16	Sci Works Science Center and		
17	Environmental Park of Forsyth County	\$83,725	\$83,725
18	Sylvan Heights Waterfowl Park		
19	and Eco-Center	\$69,864	\$69,864
20	Western North Carolina Nature Center	\$74,973	\$74,973
21	Wilmington Children's Museum	\$66,684	\$66,684
22	<b>Total</b>	<b>\$2,347,782</b>	<b>\$2,347,782</b>

23 **SECTION 15.25A.(b)** No later than March 1, 2014, the Department of Commerce  
 24 shall report to the Fiscal Research Division all of the following information for each museum  
 25 that receives funds under this section:

- 26 (1) The actual operating budget for the 2012-2013 fiscal year.
- 27 (2) The proposed operating budget for the 2013-2014 fiscal year.
- 28 (3) The total attendance at the museum during the 2013 calendar year.

29 **SECTION 15.25A.(c)** No later than March 1, 2015, the Department of Commerce  
 30 shall report to the Fiscal Research Division all of the following information for each museum  
 31 that receives funds under this section:

- 32 (1) The actual operating budget for the 2013-2014 fiscal year.
- 33 (2) The proposed operating budget for the 2014-2015 fiscal year.
- 34 (3) The total attendance at the museum during the 2014 calendar year.

35 **SECTION 15.25A.(d)** As a condition for qualifying to receive funding under this  
 36 section, all of the following documentation shall, no later than November 1 of each year of the  
 37 2013-2015 fiscal biennium, be submitted for each museum under this section to the Department  
 38 of Commerce for the fiscal year that most recently ended, and only those costs that are properly  
 39 documented under this subsection are allowed by the Department in calculating the distribution  
 40 of funds under this section:

- 41 (1) Each museum under this section shall submit its IRS (Internal Revenue  
 42 Service) Form 990 to show its annual operating expenses, its annual report,  
 43 and a reconciliation that explains any differences between expenses as  
 44 shown on the IRS Form 990 and the annual report.
- 45 (2) Each friends association of a museum under this section shall submit its IRS  
 46 Form 990 to show its reported expenses for the museum, its annual report,  
 47 and a reconciliation that explains any differences between expenses as  
 48 shown on the IRS Form 990 and the annual report, unless the association  
 49 does not have both an IRS Form 990 and an annual report available; in  
 50 which case, it shall submit either an IRS Form 990 or an annual report.



1 (3) The chief financial officer of each county or municipal government that  
2 provides funds for the benefit of the museum shall submit a detailed signed  
3 statement of documented costs spent for the benefit of the museum that  
4 includes documentation of the name, address, title, and telephone number of  
5 the person making the assertion that the museum receives funds from the  
6 county or municipality for the benefit of the museum.

7 (4) The chief financial officer of each county or municipal government or each  
8 friends association that provides indirect or allocable costs that are not  
9 directly charged to a museum under this section but that benefit the museum  
10 shall submit in the form of a detailed statement enumerating each cost by  
11 type and amount that is verified by the financial officer responsible for the  
12 completion of the documentation and that includes the name, address, title,  
13 and telephone number of the person making the assertion that the county,  
14 municipality, or association provides indirect or allocable costs to the  
15 museum.

16 **SECTION 15.25A.(e)** As used in subsection (d) of this section, "friends  
17 association" means a nonprofit corporation established for the purpose of supporting and  
18 assisting a museum that receives funding under this section.

19 **SECTION 15.25A.(f)** Each museum listed in subsection (a) of this section shall do  
20 the following:

21 (1) By September 1 of each year, and more frequently as requested, report to the  
22 Joint Legislative Commission on Governmental Operations and the Fiscal  
23 Research Division on prior State fiscal year program activities, objectives,  
24 and accomplishments and prior State fiscal year itemized expenditures and  
25 fund sources.

26 (2) Provide to the Fiscal Research Division a copy of the organization's annual  
27 audited financial statement within 30 days of issuance of the statement.

28  
29 **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/STATUTES CREATING**  
30 **COMMISSIONS REPEALED EFFECTIVE JUNE 30, 2014**

31 **SECTION 15.28.(a)** Articles 2 and 4 of Chapter 158 of the General Statutes are  
32 repealed.

33 **SECTION 15.28.(b)** Upon the dissolution of North Carolina's Eastern Region, the  
34 North Carolina's Eastern Region Development Commission, the governing body of North  
35 Carolina's Eastern Region, shall liquidate the assets of the Region to the extent possible and  
36 distribute all Region assets to the counties of the Region in proportion to the amount of the  
37 vehicle registration tax levied by the Commission and collected in each county. The assets of  
38 the Region that exceed the amount of the vehicle registration tax collected by the counties and  
39 are attributable to an appropriation made to the Region by the General Assembly shall revert to  
40 the General Fund and may not be distributed to the counties. A county may use funds  
41 distributed to it pursuant to this subsection only for economic development projects and  
42 infrastructure construction projects. In calculating the amount to be refunded to each county,  
43 the Region shall first allocate amounts loaned and not yet repaid as follows:

44 (1) Amounts loaned for a project in a county will be allocated to that county to  
45 the extent of its beneficial ownership of the principal of the interest-bearing  
46 trust account in which the proceeds of the vehicle registration tax levied by  
47 the Commission were placed, and the county will become the owner of the  
48 right to repayment of the amount loaned to the extent of its beneficial  
49 ownership of the principal of the trust account.

50 (2) Amounts not allocated pursuant to subdivision (1) of this subsection shall be  
51 allocated among the remaining counties in proportion to the amount of the

1 vehicle registration tax collected in each county, and the remaining counties  
2 shall become the owners of the right to repayment of the amounts loaned in  
3 proportion to the amount of the vehicle registration tax collected in each  
4 county.

5 Notes and other instruments representing the right to repayment shall, upon  
6 dissolution of the Region, be held and collected by the State Treasurer, who shall disburse the  
7 collections to the counties as provided in this subsection.

8 The Commission shall distribute those assets that it is unable to liquidate among the  
9 Region counties insofar as practical on an equitable basis, as determined by the Commission.  
10 Upon dissolution, the State of North Carolina shall succeed to any remaining rights,  
11 obligations, and liabilities of the Region not assigned to the Region counties.

12 **SECTION 15.28.(c)** G.S. 120-123 reads as rewritten:

13 **"§ 120-123. Service by members of the General Assembly on certain boards and**  
14 **commissions.**

15 No member of the General Assembly may serve on any of the following boards or  
16 commissions:

17 ...

18 ~~(62) The North Carolina's Northeast Commission, as established by G.S. 158-8.2.~~

19 ....

20 **SECTION 15.28.(d)** G.S. 143-215.42 reads as rewritten:

21 **"§ 143-215.42. Acquisition of lands.**

22 ...

23 (h) This section shall not authorize acquisition by condemnation of interests in land  
24 within the boundaries of any project to be constructed by the Tennessee Valley Authority, its  
25 agents or subdivision or any project licensed by the Federal Power Commission or interests in  
26 land owned or held for use by a public utility, as defined in G.S. 62-3. ~~No commission created~~  
27 ~~pursuant to G.S. 158-8 shall condemn or acquire any property to be used by the Tennessee~~  
28 ~~Valley Authority, its agents or subdivision."~~

29 **SECTION 15.28.(e)** G.S. 153A-398 reads as rewritten:

30 **"§ 153A-398. Regional planning and economic development commissions.**

31 Two or more counties, cities, or counties and cities may create a regional planning and  
32 economic development commission by adopting identical concurrent resolutions to that effect.  
33 Such a commission has the powers granted by this ~~Article and the powers granted by Chapter~~  
34 ~~158, Article 2.~~Article. If such a commission is created, it shall maintain separate books of  
35 account for appropriations and expenditures made pursuant to this ~~Article and for~~  
36 ~~appropriations and expenditures made pursuant to Chapter 158, Article 2.~~Article."

37 **SECTION 15.28.(f)** The Revisor of Statutes may conform names and titles  
38 changed by this section and may correct statutory references as required by this section  
39 throughout the General Statutes. In making the changes authorized by this section, the Revisor  
40 may also adjust subject and verb agreement and the placement of conjunctions.

41 **SECTION 15.28.(g)** This section becomes effective June 30, 2014.

42  
43 **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/FUNDS FOR 2013-2014**  
44 **FISCAL YEAR**

45 **SECTION 15.28A.(a)** Funds appropriated in this act to the Department of  
46 Commerce for regional economic development commissions shall be allocated to the following  
47 commissions in accordance with subsection (b) of this section: North Carolina's Eastern  
48 Region, North Carolina's Northeast Commission, Southeastern North Carolina Regional  
49 Economic Development Commission, Western North Carolina Regional Economic  
50 Development Commission, Charlotte Regional Partnership, Inc., Piedmont Triad Partnership,  
51 and Research Triangle Regional Partnership.

1           **SECTION 15.28A.(b)** Funds appropriated pursuant to subsection (a) of this section  
2 shall be allocated to each regional economic development commission as follows:

- 3           (1) First, the Department shall establish each commission's allocation by  
4 determining the sum of allocations to each county that is a member of that  
5 commission. Each county's allocation shall be determined by dividing the  
6 county's development factor by the sum of the development factors for  
7 eligible counties and multiplying the resulting percentage by the amount of  
8 the appropriation. As used in this subdivision, the term "development factor"  
9 means a county's development factor as calculated under G.S. 143B-437.08;  
10 and  
11           (2) Next, the Department shall subtract from funds allocated to North Carolina's  
12 Eastern Region the sum of one hundred thirty-four thousand four hundred  
13 sixty-six dollars (\$134,466) in the 2013-2014 fiscal year, which sum  
14 represents (i) the total interest earnings in the prior fiscal year on the  
15 estimated balance of the seven million five hundred thousand dollars  
16 (\$7,500,000) appropriated to the Global TransPark Development Zone in  
17 Section 6 of Chapter 561 of the 1993 Session Laws and (ii) the total interest  
18 earnings in the prior fiscal year on loans made from the seven million five  
19 hundred thousand dollars (\$7,500,000) appropriated to the Global TransPark  
20 Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws;  
21 and  
22           (3) Next, the Department shall redistribute the sum of one hundred thirty-four  
23 thousand four hundred sixty-six dollars (\$134,466) in the 2013-2014 fiscal  
24 year to the seven regional economic development commissions named in  
25 subsection (a) of this section. Each commission's share of this redistribution  
26 shall be determined according to the development factor formula set out in  
27 subdivision (1) of this subsection. This redistribution shall be in addition to  
28 each commission's allocation determined under subdivision (1) of this  
29 subsection.

30           **SECTION 15.28A.(c)** The General Assembly finds that successful economic  
31 development requires the collaboration of the State, regions of the State, counties, and  
32 municipalities. Therefore, the regional economic development commissions are encouraged to  
33 seek supplemental funding from their county and municipal partners to continue and enhance  
34 their efforts to attract and retain business in the State.  
35

## 36 **SOUTHEASTERN NORTH CAROLINA REGIONAL ECONOMIC DEVELOPMENT** 37 **COMMISSION/MEMBER COUNTIES AMENDED**

38           **SECTION 15.28B.** G.S. 158-8.3(a) reads as rewritten:

39           "(a) There is created the Southeastern North Carolina Regional Economic Development  
40 Commission to serve Anson, Bladen, Brunswick, Columbus, Cumberland, Hoke, Montgomery,  
41 New Hanover, Pender, Richmond, Robeson, Sampson, and Scotland Counties, and any other  
42 county assigned to the Commission by the Department of Commerce as authorized by law. The  
43 Commission shall be located administratively in the Department of Commerce but shall  
44 exercise its statutory powers and duties independently of the Department of Commerce. Funds  
45 appropriated for the Commission by the General Assembly shall be disbursed directly to the  
46 Commission at the beginning of each fiscal year."  
47

## 48 **SURRY COUNTY/ECONOMIC DEVELOPMENT FUNDS**

49           **SECTION 15.28C.** Notwithstanding any other provision of this act, of the funds  
50 appropriated in this act to the Department of Commerce for the Piedmont Triad Partnership for

1 the 2013-2014 fiscal year, the sum of eighteen thousand dollars (\$18,000) in nonrecurring  
2 funds shall instead be appropriated to Surry County for the 2013-2014 fiscal year.

3  
4 **HIGH POINT MARKET AUTHORITY/HOUSE COMMERCE ECONOMIC**  
5 **DEVELOPER POSITION**

6 **SECTION 15.29.** To receive State funds, the High Point Market Authority shall  
7 provide suitable work space for a Department of Commerce economic developer position.

8  
9 **NC BIOTECHNOLOGY CENTER**

10 **SECTION 15.30.(a)** Of the funds appropriated in this act to the North Carolina  
11 Biotechnology Center (hereinafter "Center"), the sum of seventeen million two hundred  
12 thousand six hundred seventy-six dollars (\$17,200,676) for each fiscal year in the 2013-2015  
13 biennium shall be allocated as follows:

- 14 (1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development,  
15 and related activities – \$3,704,126;
- 16 (2) Science and Commercialization: Science and Technology Development,  
17 Centers of Innovation, Business and Technology Development, Education  
18 and Training, and related activities – \$11,133,486; and
- 19 (3) Center Operations: Administration, Professional and Technical Assistance  
20 and Oversight, Corporate Communications, Human Resource Management,  
21 Financial and Grant Administration, Legal, and Accounting – \$2,363,064.

22 **SECTION 15.30.(b)** Except to provide administrative flexibility, up to ten percent  
23 (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or  
24 more of the other allocations in subsection (a) of this section if, in the judgment of Center  
25 management, the reallocation will advance the mission of the Center.

26 **SECTION 15.30.(c)** The Center shall comply with the following reporting  
27 requirements:

- 28 (1) By September 1 of each year, and more frequently as requested, report to the  
29 Joint Legislative Commission on Governmental Operations and the Fiscal  
30 Research Division on prior State fiscal year program activities, objectives,  
31 and accomplishments and prior State fiscal year itemized expenditures and  
32 fund sources.
- 33 (2) Provide to the Fiscal Research Division a copy of the Center's annual audited  
34 financial statement within 30 days of issuance of the statement.

35  
36 **NORTH CAROLINA BIOTECHNOLOGY CENTER/EXAMINE CENTER**  
37 **OPERATIONS**

38 **SECTION 15.32.(a)** The Board of Directors (hereinafter "Board") of the North  
39 Carolina Biotechnology Center (hereinafter "Center") shall review and examine each aspect of  
40 the Center's operations to determine ways in which efficiencies and cost savings can be  
41 achieved. The review required by this section shall include evaluating:

- 42 (1) The activities conducted at the Center's headquarters in Research Triangle  
43 Park to determine how each and every activity is necessary to achieve the  
44 goals for which State funds are appropriated. Any unnecessary or duplicative  
45 activities shall be reduced or eliminated.
- 46 (2) The activities conducted at the Center's regional offices and how those  
47 activities can be consolidated and performed in fewer locations.
- 48 (3) Staffing requirements at the Center's headquarters and at the regional offices  
49 to determine whether some staff positions are duplicated and, if so, whether  
50 those duplications can be reduced or eliminated.

- (4) Whether State funds would be better used to provide additional grants and loans rather than to support current staffing levels and whether reducing current staffing levels to increase the amount of funds available for grants and loans would provide a positive return on investment. The Center shall determine the appropriate percentage of State funds that should be disbursed for grants, loans, and staff to maximize the return on State funds appropriated to the Center.
- (5) The administration of grant and loan programs funded in any way with State funds to ensure that the programs are conducted in a cost-efficient manner.
- (6) Any and all cash balances on hand to determine ways in which those cash balances can be used quickly to make grants and loans.
- (7) The size of the Board and the overall governance of the Center to determine whether changes in either or both can be made to make the Center more cost-efficient and effective in providing grants or loans.

**SECTION 15.32.(b)** By March 1, 2014, the Center shall report the findings of the review required by subsection (a) of this section to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. The report shall include the steps taken by the Center to implement any changes made to the Center's operations as a result of the review and shall include the Center's anticipated funding requirements from the General Assembly.

**SECTION 15.32.(c)** Remaining allotments after March 1, 2014, shall not be released to the Center if it does not conduct the review and report its findings as provided in this section.

**RURAL ECONOMIC DEVELOPMENT CENTER**

**SECTION 15.33.(a)** Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc., (Rural Center) the sum of two million two hundred four thousand six hundred ninety-seven dollars (\$2,204,697) for the 2013-2014 fiscal year and the sum of two million six hundred fifty-three thousand one hundred ninety-six dollars (\$2,653,196) for the 2014-2015 fiscal year shall be allocated as follows:

	<b>2013-2014</b>	<b>2014-2015</b>
Center Administration, Technical Assistance, Oversight, Rural Jobs Research, and Demonstration Grants	\$1,449,348	\$1,744,157
Microbusiness Loan & Entrepreneurship Development Program	212,917	256,226
Agricultural Advancement Consortium	96,623	116,313
Administration of Jobs Infrastructure Program	334,357	402,375
Administration of Critical Needs Infrastructure Program	111,452	134,125.

**SECTION 15.33.(b)** In awarding grants under this section, the Rural Center shall give preference to a project involving a resident company. For purposes of this section, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does not. A grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4.

**SECTION 15.33.(c)** By September 1 of each year, and more frequently as requested, the Rural Center shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities,

1 objectives, and accomplishments and prior State fiscal year itemized expenditures and fund  
2 sources.

3  
4 **RURAL ECONOMIC DEVELOPMENT CENTER/JOBS INFRASTRUCTURE**  
5 **PROGRAM**

6 **SECTION 15.34.(a)** Of the funds appropriated in this act to the North Carolina  
7 Rural Economic Development Center, Inc., (Rural Center), the sum of ten million eight  
8 hundred ten thousand eight hundred seventy-two dollars (\$10,810,872) for the 2013-2014 fiscal  
9 year and the sum of thirteen million ten thousand one hundred two dollars (\$13,010,102) for  
10 the 2014-2015 fiscal year shall be used for the Jobs Infrastructure Program and shall be  
11 allocated as follows:

- 12 (1) To provide matching grants or loans to local governments to construct  
13 critical water and wastewater facilities or to provide other infrastructure  
14 needs including, but not limited to, natural gas, broadband, and rail to sites  
15 where these facilities will generate private job-creating investment. The  
16 grants under this program shall not be subject to the provisions of  
17 G.S. 143-355.4.
- 18 (2) To provide matching grants or loans to local governments in distressed areas  
19 that will productively reuse vacant buildings and properties or construct or  
20 expand rural health care facilities, with priority given to towns or  
21 communities with populations of less than 5,000.
- 22 (3) To provide grants and technical assistance to reinvigorate the economies of  
23 towns with populations of less than 7,500, to invest in economic innovation  
24 that stimulates business and job growth in distressed areas, to provide  
25 scholarships and technical assistance to emerging entrepreneurs, and to  
26 provide grants and technical assistance to demand-driven workforce  
27 development projects that are local or regional in nature.
- 28 (4) Recipients of grant funds appropriated under this section shall contribute a  
29 cash match for the grant that is equivalent to at least five percent (5%) of the  
30 grant amount. The cash match shall come from local resources and may not  
31 be derived from other State or federal grant funds or from funds provided by  
32 the Rural Center.

33 **SECTION 15.34.(b)** In awarding grants under this section, the Rural Center shall  
34 give preference to a project involving a resident company. For purposes of this section, the  
35 term "resident company" means a company that has paid unemployment taxes or income taxes  
36 in this State and whose principal place of business is located in this State. An application for a  
37 project that serves an economically distressed area shall have priority over a project that does  
38 not. A grant to assist with water infrastructure needs is not subject to the provisions of  
39 G.S. 143-355.4.

40 **SECTION 15.34.(c)** By September 1 of each year, and more frequently as  
41 requested, the Rural Center shall report to the Joint Legislative Commission on Governmental  
42 Operations and the Fiscal Research Division concerning the progress of the Jobs Infrastructure  
43 Program in the prior State fiscal year.

44  
45 **RURAL ECONOMIC DEVELOPMENT CENTER/CRITICAL NEEDS**  
46 **INFRASTRUCTURE PROGRAM**

47 **SECTION 15.35.(a)** Appropriation. – Of the funds appropriated in this act to the  
48 North Carolina Rural Economic Development Center, Inc., (Rural Center), the sum of three  
49 million six hundred three thousand six hundred twenty-five dollars (\$3,603,625) for the  
50 2013-2014 fiscal year and the sum of four million three hundred thirty-six thousand seven  
51 hundred two dollars (\$4,336,702) for the 2014-2015 fiscal year shall be used for the Critical

1 Needs Infrastructure Program (Program). The purpose of the Program is to provide grants to  
2 local government units for wastewater-related projects, public water system-related projects,  
3 other critical needs infrastructure, and critical economic development needs as provided in this  
4 section. Funds may also be used to provide emergency water and sewer grants or loans.

5 **SECTION 15.35.(b)** Definitions. – The definitions provided in G.S. 159G-20  
6 apply in this section. In addition, the following definitions apply in this section, unless  
7 otherwise provided:

8 (1) Economically distressed area. – An economically distressed county as  
9 defined in G.S. 143B-437.01.

10 (2) Rural county. – Any of the 85 rural counties served by the Rural Center.

11 **SECTION 15.35.(c)** Eligible Applicants; Eligible Projects. – A local government  
12 unit is eligible for a grant under this section if it meets the eligibility requirements provided in  
13 subsection (e) of this section. The funds appropriated in this section may be used to provide a  
14 supplemental grant or loan that meets the requirements of subsections (d) and (e) of this  
15 section. The following projects are eligible for receiving a grant under this section:

16 (1) Wastewater collection system.

17 (2) Wastewater treatment works.

18 (3) Public water system.

19 (4) Other critical needs infrastructure.

20 (5) Critical economic development needs.

21 **SECTION 15.35.(d)** Supplemental Grants or Loans. – A supplemental grant or  
22 loan is available to match other funds to be applied to the construction costs of an eligible  
23 project and is not subject to the provisions of G.S. 143-355.4. Other funds include federal  
24 funds, State funds, and local funds. The Rural Center shall adopt rules governing the award of  
25 supplemental grants or loans under this subsection.

26 **SECTION 15.35.(e)** Criteria for Grants. – All projects must document a current  
27 critical water, wastewater, or other infrastructure need affecting human health or the  
28 environment or must document a critical economic development need. The criteria in  
29 G.S. 159G-23, this section, and any other criteria established by the Board of Directors of the  
30 Rural Center shall apply to a grant provided under this section. An application for a project that  
31 serves an economically distressed area shall have priority over a project that does not. The  
32 Board of Directors of the Rural Center may determine that a crisis need exists which merits  
33 special consideration and may establish one or more subcategories of this Program to address  
34 applications that will meet the needs identified.

35 **SECTION 15.35.(f)** Planning Grants. – The Board of Directors of the Rural Center  
36 may set aside up to five percent (5%) of the funds appropriated for critical water, wastewater,  
37 or other infrastructure needs and critical economic development needs grants to aid local  
38 governments in meeting the costs for preliminary project planning needed for an application  
39 addressing a critical need.

40 **SECTION 15.35.(g)** Grant Applications. – Any application for a grant under this  
41 section shall be submitted by the local government unit to the Rural Center. An application  
42 shall be submitted on a form prescribed by the Rural Center and shall contain the information  
43 required by or subsequently requested by the Rural Center in order to make a determination on  
44 the application. An application that does not contain information required for the application or  
45 requested by the Rural Center is incomplete and is not eligible for consideration.

46 **SECTION 15.35.(h)** Disbursement of Grants. – A grant awarded under this section  
47 shall be disbursed based upon the progress of the project for which the grant was awarded. To  
48 obtain a payment, a grant recipient shall submit a request for payment to the Rural Center and  
49 shall document the expenditures for which the payment is requested. The Rural Center shall  
50 review the payment request for compliance with all grant conditions.

1           **SECTION 15.35.(i)** Withdrawal of Grants. – An award for a supplemental grant  
2 for a project is withdrawn if the applicant fails to enter into a construction contract for the  
3 project within 18 months after the date of the award, unless the Board of Directors of the Rural  
4 Center finds that the applicant has good cause for the failure. If the Rural Center finds good  
5 cause for an applicant's failure, the Rural Center shall set a date by which the applicant must  
6 take action or forfeit the grant.

7           **SECTION 15.35.(j)** Reports. – By September 1 of each year, and more frequently  
8 as requested, the Rural Center shall report to the Joint Legislative Commission on  
9 Governmental Operations and the Fiscal Research Division concerning the progress of the  
10 Critical Needs Infrastructure Program authorized by this section.

## 11 12 **PART XVI. DEPARTMENT OF PUBLIC SAFETY**

### 13 14 **SUBPART XVI-A. GENERAL PROVISIONS**

#### 15 16 **GRANT REPORTING AND MATCHING FUNDS**

17           **SECTION 16A.1.(a)** The Department of Public Safety, the Department of Justice,  
18 and the Judicial Department shall report by May 1 of each year to the Joint Legislative  
19 Commission on Governmental Operations, the Chairs of the House of Representatives  
20 Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations  
21 Committee on Justice and Public Safety on grant funds received or preapproved for receipt by  
22 those departments. The report shall include information on the amount of grant funds received  
23 or preapproved for receipt by each department, the use of the funds, the State match expended  
24 to receive the funds, and the period to be covered by each grant. If the department intends to  
25 continue the program beyond the end of the grant period, the department shall report on the  
26 proposed method for continuing the funding of the program at the end of the grant period. Each  
27 department shall also report on any information it may have indicating that the State will be  
28 requested to provide future funding for a program presently supported by a local grant.

29           **SECTION 16A.1.(b)** Notwithstanding the provisions of G.S. 143C-6-9, the  
30 Department of Public Safety may use up to the sum of one million two hundred thousand  
31 dollars (\$1,200,000) during the 2013-2014 fiscal year and up to the sum of one million two  
32 hundred thousand dollars (\$1,200,000) during the 2014-2015 fiscal year from funds available to  
33 the Department to provide the State match needed in order to receive grant funds. Prior to using  
34 funds for this purpose, the Department shall report to the Chairs of the House of  
35 Representatives Subcommittee on Justice and Public Safety, the Chairs of the Senate  
36 Appropriations Committee on Justice and Public Safety, and the Joint Legislative Commission  
37 on Governmental Operations on the grants to be matched using these funds.

#### 38 39 **USE OF CLOSED FACILITIES**

40           **SECTION 16A.3.** In conjunction with the closing of prison facilities, youth  
41 detention centers, and youth development centers, the Department of Public Safety shall  
42 consult with the county or municipality in which the facility is located, with the elected State  
43 and local officials, and with State and federal agencies about the possibility of converting that  
44 facility to other use. The Department may also consult with any private for-profit or nonprofit  
45 firm about the possibility of converting the facility to other use. In developing a proposal for  
46 future use of each facility, the Department shall give priority to converting the facility to other  
47 criminal justice use. Consistent with existing law and the future needs of the Department of  
48 Public Safety, the State may provide for the transfer or the lease of any of these facilities to  
49 counties, municipalities, State agencies, federal agencies, or private firms wishing to convert  
50 them to other use. The Department of Public Safety may also consider converting some of the  
51 facilities recommended for closing from one security custody level to another, where that



1 conversion would be cost-effective. A prison unit under lease to a county pursuant to the  
2 provisions of this section for use as a jail is exempt for the period of the lease from any of the  
3 minimum standards adopted by the Secretary of Health and Human Services pursuant to  
4 G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater  
5 standards than those required of a unit of the State prison system.

#### 6 7 **LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS**

8 **SECTION 16A.4.** Notwithstanding any other provision of law, subject to the  
9 approval of the Director of the Budget, the Secretary of the Department of Public Safety may  
10 reclassify or eliminate existing administrative positions that are not specifically addressed in  
11 this act as needed for the efficient operation of the Department. The Secretary of the  
12 Department of Public Safety shall report any position reclassification undertaken pursuant to  
13 this section to the Chairs of the House of Representatives Appropriations Subcommittee on  
14 Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and  
15 Public Safety, and to the Fiscal Research Division, within 30 days of the reclassification. The  
16 report shall include the position number, original title, original fund code, original budgeted  
17 salary, new title, new fund code, and new budgeted salary for each reclassified position.

#### 18 19 **SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT**

#### 20 21 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW** 22 **ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

23 **SECTION 16B.1.(a)** Assets transferred to the Department of Justice or to the  
24 Department of Public Safety during the 2013-2015 fiscal biennium pursuant to applicable  
25 federal law shall be credited to the budgets of the respective departments and shall result in an  
26 increase of law enforcement resources for those departments. The Departments of Justice and  
27 Public Safety shall report to the Joint Legislative Commission on Governmental Operations,  
28 the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public  
29 Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety  
30 upon receipt of the assets and, before using the assets, shall report on the intended use of the  
31 assets and the departmental priorities on which the assets may be expended.

32 **SECTION 16B.1.(b)** The General Assembly finds that the use of assets transferred  
33 pursuant to federal law for new personnel positions, new projects, acquisition of real property,  
34 repair of buildings where the repair includes structural change, and construction of or additions  
35 to buildings may result in additional expenses for the State in future fiscal periods. Therefore,  
36 the Department of Justice and the Department of Public Safety are prohibited from using these  
37 assets for such purposes without the prior approval of the General Assembly.

38 **SECTION 16B.1.(c)** Nothing in this section prohibits North Carolina law  
39 enforcement agencies from receiving funds from the United States Department of Justice, the  
40 United States Department of the Treasury, and the United States Department of Health and  
41 Human Services.

#### 42 43 **ELIMINATE BUTNER PUBLIC SAFETY AUTHORITY**

44 **SECTION 16B.4.(a)** The Butner Public Safety Authority is abolished effective  
45 11:59:59 p.m. on June 30, 2013. All of the assets of the Authority, real, personal, and mixed,  
46 shall be distributed to and become vested in the Town of Butner. The town attorney for the  
47 Town of Butner shall file a notice of dissolution with the Secretary of State. Following the  
48 dissolution of the Authority, the chair of the Authority shall have such power and authority  
49 necessary to transfer any of the assets of the Authority to the Town of Butner and to otherwise  
50 wind up the affairs of the Authority.

51 **SECTION 16B.4.(b)** G.S. 122C-408 reads as rewritten:

1 "§ 122C-408. Former Butner Public Safety Authority; jurisdiction; fire and police  
2 district. protection.

3 (a) ~~Authority Established.~~—There is hereby created an authority known as the Butner  
4 Public Safety Authority, which is a body politic and corporate, to provide fire and police  
5 protection for the territory of the Camp Butner Reservation and the corporate limits of the  
6 Town of Butner.

7 (a1) ~~Membership.~~—The authority shall consist of seven voting members, three  
8 appointed by the Town of Butner, three appointed by the Secretary of Public Safety, and one  
9 appointed by the Granville County Board of Commissioners. The members shall be appointed  
10 within 30 days after the establishment of the authority. The initial Director of the authority shall  
11 be the Chief of the Butner Public Safety Division of the Department of Public Safety who is  
12 serving in that capacity on the day the authority is established. The Director shall be an ex  
13 officio, nonvoting member of the authority. No active member of the fire or police forces  
14 providing services to the authority may serve as a voting member of the authority. When the  
15 officers are elected as herein provided, the secretary of the authority shall certify to the  
16 Secretary of State the names and addresses of the officers as well as the address of the principal  
17 office of the authority, and such certification shall be filed by the Secretary of State in the same  
18 manner as articles of incorporation.

19 (a2) ~~Term of Membership.~~—One member appointed by the Town of Butner, one  
20 member appointed by the Secretary of Public Safety, and the member appointed by the  
21 Granville County Board of Commissioners shall serve an initial term of two years. The  
22 remaining members shall serve an initial term of four years. The beginning date of each initial  
23 term for purposes of reappointment is September 1, 2011. Thereafter, each member shall serve  
24 a term of four years.

25 (a3) ~~Transfer of Property.~~—Within 30 days after the establishment of the authority, the  
26 State shall transfer all real, personal, and mixed assets assigned to or used by the Butner Public  
27 Safety Division of the Department of Public Safety to the authority in fee simple absolute.

28 (a4) ~~Duties and Responsibilities.~~—The authority shall have the following duties and  
29 responsibilities:

- 30 (1) ~~To adopt bylaws for the regulation of its affairs and the conduct of its~~  
31 ~~business.~~
- 32 (2) ~~To elect officers from among its members in accordance with its bylaws.~~
- 33 (3) ~~To adopt an official seal and alter the same.~~
- 34 (4) ~~To maintain an office at such place or places as it may designate.~~
- 35 (5) ~~To sue and be sued in its own name, plead and be impleaded.~~
- 36 (6) ~~To acquire, lease as lessee or lessor, construct, reconstruct, improve, extend,~~  
37 ~~enlarge, equip, repair, maintain, or operate any property necessary for and~~  
38 ~~incidental to the operation of a fire and police force.~~
- 39 (7) ~~To make and enter into all contracts and agreements necessary or incidental~~  
40 ~~to the performance of its duties and the execution of its powers under this~~  
41 ~~section and to employ such employees and agents as may, in the judgment of~~  
42 ~~the authority, be deemed necessary, and to fix their compensation; provided,~~  
43 ~~however, that all such expenses shall be payable solely from funds made~~  
44 ~~available under the provisions of this section.~~
- 45 (8) ~~To contract with any department of State government or any unit of local~~  
46 ~~government to provide services to the authority.~~
- 47 (9) ~~To enter into contracts with the government of the United States or any~~  
48 ~~agency or instrumentality thereof, or with any political subdivision, private~~  
49 ~~corporation, copartnership, association, or individual providing for the~~  
50 ~~provision of fire and police services within the Camp Butner Reservation.~~

- 1           (10) ~~To receive and accept from any federal, State, or other public agency and~~  
2           ~~any private agency, person, or other entity, donations, loans, grants, aid or~~  
3           ~~contributions of any money, property, labor or other things of value for the~~  
4           ~~operation of the authority and to agree to apply and use the same in~~  
5           ~~accordance with the terms and conditions under which the same are provided~~  
6           ~~if the same are otherwise lawful.~~
- 7           (11) ~~To provide for the defense of civil and criminal actions and payment of civil~~  
8           ~~judgments against employees and officers or former employees and officers~~  
9           ~~and members or former members of the governing body, as authorized by~~  
10           ~~G.S. 160A-167.~~
- 11           (12) ~~To periodically review and recommend changes to the operational policy for~~  
12           ~~the authority.~~
- 13           (13) ~~To develop and adopt an annual budget for the authority which it shall~~  
14           ~~request to be funded by the State and the Town of Butner as set out in this~~  
15           ~~section and to revise the annual budget based on funding actually received~~  
16           ~~and the needs of the authority.~~
- 17           (14) ~~To do all acts and things necessary or convenient to carry out the powers~~  
18           ~~granted by this section.~~
- 19           (15) ~~To purchase real or personal property, as provided by G.S. 160A-20 or this~~  
20           ~~Article.~~

21           (a5) ~~Police and Fire Protection. – Subject to the provisions of subsection (d) of this~~  
22           ~~section, the authority shall employ or contract~~The Town of Butner may contract with a State  
23           ~~agency or unit of local government with the State of North Carolina or any state agency~~for the  
24           ~~provision of special police officers or fire protection or both to any State or federal institution~~  
25           ~~or lands within for the territory of the Camp Butner Reservation. The territorial jurisdiction of~~  
26           ~~these officers shall consist of the property shown on a map produced May 20, 2003, by the~~  
27           ~~Information Systems Division of the North Carolina General Assembly and kept on file in the~~  
28           ~~office of the Butner Town Manager and in the office of the Director of the authority and such~~  
29           ~~additional areas which are within the incorporated limits of the Town of Butner as shown on a~~  
30           ~~map to be kept in the office of the Butner Town Manager, Manager and in the office of the~~  
31           ~~Director of the authority. The special police officers assigned to the authority shall be~~  
32           ~~organized into a public safety department for that territory.~~

33           (b) Authority of Special Police Officers. – In order to assist the Town of Butner in  
34           ~~providing contractual services to State agencies and facilities within the territorial jurisdiction~~  
35           ~~set out in subsection (a5) of this section, the officers providing police services to the Town of~~  
36           ~~Butner shall have the additional authority set out in this subsection. After taking the oath of~~  
37           ~~office required for law-enforcement officers, the special police officers authorized by this~~  
38           ~~section shall have the authority of deputy sheriffs of Durham and Granville Counties in those~~  
39           ~~counties respectively. Within the territorial jurisdiction stated in subsection (a5) of this section,~~  
40           ~~the special police officers have the primary responsibility authority to enforce the laws of North~~  
41           ~~Carolina, the ordinances of the Town of Butner, and any rule applicable to the Camp Butner~~  
42           ~~Reservation adopted under authority of this Part or under G.S. 143-116.6 or G.S. 143-116.7 or~~  
43           ~~under the authority granted any other agency of the State and also have the powers set forth for~~  
44           ~~firemen in Articles 80, 82, and 83 of Chapter 58 of the General Statutes. Notwithstanding the~~  
45           ~~foregoing, the Town of Butner has no obligation or responsibility to provide law enforcement~~  
46           ~~or fire protection services outside of the corporate limits of the Town of Butner except pursuant~~  
47           ~~to a contract with a State agency or facility, a federal entity, or a private person or entity. In the~~  
48           ~~event that any State agency contracts with the Town of Butner for police services at any facility~~  
49           ~~within the territorial jurisdiction described in subsection (a5) of this section, Any any civil or~~  
50           ~~criminal process to be served on any individual confined at any such State facility within the~~  
51           ~~territorial jurisdiction described in subsection (a5) of this section shall may be forwarded by the~~

1 sheriff of the county in which the process originated to the director or chief of the Town of  
2 Butner's law enforcement department or that officer's designee. Director of the authority.  
3 ~~Special police officers authorized by this section shall be assigned to transport any individual~~  
4 ~~transferred to or from any State facility within the territorial jurisdiction described in subsection~~  
5 ~~(a5) of this section to or from the psychiatric service of the University of North Carolina~~  
6 ~~Hospitals at Chapel Hill.~~

7 (e) ~~Funding.~~ ~~The authority shall contract with the State to provide fire and police~~  
8 ~~protection to those portions of the Camp Butner Reservation outside of the corporate limits of~~  
9 ~~the Town of Butner. The authority shall also contract with the Town of Butner to provide fire~~  
10 ~~and police protection within the corporate limits of the Town of Butner. The contracts shall~~  
11 ~~provide for the following:~~

12 (1) ~~To fund the operations of the authority for the fiscal year beginning July 1,~~  
13 ~~2011, the State shall pay to the authority the sum of one million eight~~  
14 ~~hundred eighty five thousand one hundred eighty one dollars (\$1,885,181)~~  
15 ~~and the Town of Butner shall pay to the authority the sum of one million~~  
16 ~~seven hundred eighty two thousand nine hundred ninety five dollars~~  
17 ~~(\$1,782,995). The authority shall keep detailed time records tracking the~~  
18 ~~amount of time spent providing fire and police protection both within and~~  
19 ~~outside the corporate limits of the Town of Butner. Funding provided by the~~  
20 ~~State pursuant to the contract in subsequent fiscal years shall be a percentage~~  
21 ~~of the total budget set by the authority members determined by multiplying~~  
22 ~~the total budget set by the authority by a fraction, the numerator of which~~  
23 ~~shall be the hours spent by the authority providing services outside of the~~  
24 ~~corporate limits of the Town of Butner and the denominator of which shall~~  
25 ~~be the total hours the authority provided services both within the corporate~~  
26 ~~limits of the Town of Butner and outside the corporate limits of the Town of~~  
27 ~~Butner. The authority may also contract with any department of State~~  
28 ~~government to provide services within the Camp Butner Reservation to that~~  
29 ~~department; provided, however, the contract with such department shall~~  
30 ~~provide enough revenue to fully cover the costs of providing such services,~~  
31 ~~and any receipts or expenditures pursuant to such a contract shall not be~~  
32 ~~considered in setting each party's contribution percentage. The foregoing~~  
33 ~~notwithstanding, neither party's contribution percentage shall increase or~~  
34 ~~decrease more than ten percent (10%) per fiscal year.~~

35 (2) ~~The State and the Town of Butner each shall pay to the authority, on or~~  
36 ~~before July 1 of each year, an amount equal to its funding percentage as~~  
37 ~~described in subdivision (1) of this subsection.~~

38 (3) ~~Repealed by Session Laws 2011-260, s. 1, effective June 23, 2011.~~

39 (4) ~~Repealed by Session Laws 2011-260, s. 1, effective June 23, 2011.~~

40 (d) ~~Provision of Services.~~ ~~The authority may contract with the Secretary of Public~~  
41 ~~Safety to provide fire and police protection to the Camp Butner Reservation and the corporate~~  
42 ~~limits of the Town of Butner on such terms and conditions as the parties may agree. In such~~  
43 ~~event, the employees of the Department of Public Safety shall remain employees of the State.~~  
44 ~~While the contract between the Secretary of Public Safety and the Town of Butner is in effect,~~  
45 ~~the Secretary of Public Safety shall consult with the voting members of the authority~~  
46 ~~concerning the Department's hiring of the Director of the authority. The consultation shall~~  
47 ~~include, but not be limited to, the voting members of the authority reviewing and providing~~  
48 ~~their comments to the Secretary of Public Safety on the credentials of the applicants for said~~  
49 ~~position. In performing its functions under this subsection, the voting members of the authority~~  
50 ~~shall have the same access to the applicants' personnel records pursuant to Article 7 of Chapter~~  
51 ~~126 of the General Statutes as the Secretary of Public Safety and are subject to the same~~

1 restraints concerning the personnel information as set out in that Article. After consultation  
2 with the authority, the Secretary of Public Safety shall select and hire the Director of the  
3 authority.

4 (e) Dissolution.— In the event that either the Town of Butner or the State fails to pay  
5 the authority its percentage share of the authority's budget as described in this section, the  
6 nonpaying party shall cease to be a participant in the authority at the expiration of the fiscal  
7 year for which it has last paid its percentage share of the budget for the authority. The  
8 remaining participant may file a notice with the Secretary of State indicating that it is the sole  
9 remaining participant in the authority. All of the property of the authority shall remain with the  
10 authority. At the expiration of the fiscal year for which the nonpaying party last paid its  
11 percentage share of the budget for the authority or at any time thereafter, the remaining  
12 participant in the authority also may file articles of dissolution dissolving the authority with the  
13 Secretary of State. In the case of such dissolution, the property of the authority shall be  
14 distributed to the remaining party filing the articles of dissolution."

15 **SECTION 16B.4.(c)** G.S. 143-341(8)(i)(3) reads as rewritten:

16 "**§ 143-341. Powers and duties of Department.**

17 The Department of Administration has the following powers and duties:

18 ...  
19 (8) General Services:

20 ...  
21 i. To establish and operate a central motor pool and such subsidiary  
22 related facilities as the Secretary may deem necessary, and to that  
23 end:

24 ...  
25 3. To require on a schedule determined by the Department all  
26 State agencies to transfer ownership, custody or control of  
27 any or all passenger motor vehicles within the ownership,  
28 custody or control of that agency to the Department, except  
29 those motor vehicles under the ownership, custody or control  
30 of the Highway Patrol, the State Bureau of Investigation, or  
31 the constituent institutions of The University of North  
32 Carolina which are used primarily for law-enforcement  
33 purposes, and except those motor vehicles under the  
34 ownership, custody or control of the Department of Public  
35 Safety for Butner Public Safety which are used primarily for  
36 law enforcement, fire, or emergency purposes. purposes."

37 **SECTION 16B.4.(d)** G.S. 160A-288(d) reads as rewritten:

38 "(d) For purposes of this section, the following shall be considered the equivalent of a  
39 municipal police department:

- 40 (1) Campus law-enforcement agencies established pursuant to  
41 G.S. 115D-21.1(a) or G.S. 116-40.5(a).
- 42 (2) Colleges or universities which are licensed, or exempted from licensure, by  
43 G.S. 116-15 and which employ company police officers commissioned by  
44 the Attorney General pursuant to Chapter 74E or Chapter 74G of the General  
45 Statutes.
- 46 (3) Law enforcement agencies operated or eligible to be operated by a  
47 municipality pursuant to G.S. 63-53(2).
- 48 (4) ~~Butner Public Safety Authority.~~
- 49 (5) A Company Police agency of the Department of Agriculture and Consumer  
50 Services commissioned by the Attorney General pursuant to Chapter 74E of  
51 the General Statutes."

1           **SECTION 16B.4.(e)** G.S. 160A-288.2(d) reads as rewritten:  
 2           "(d) For the purposes of this section, the following shall be considered the equivalent of  
 3 a municipal police department:

- 4           (1) Campus law-enforcement agencies established pursuant to G.S. 116-40.5(a).  
 5           (2) Colleges or universities which are licensed, or exempted from licensure, by  
 6 G.S. 116-15 and which employ company police officers commissioned by  
 7 the Attorney General pursuant to Chapter 74E or Chapter 74G of the General  
 8 Statutes.  
 9           (3) ~~Butner Public Safety Authority."~~

10  
 11 **VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER)**  
 12 **SYSTEM**

13           **SECTION 16B.5.(a)** It is the intent of the General Assembly to continue to support  
 14 development and implementation of the State's Voice Interoperability Plan for Emergency  
 15 Response (VIPER) system in subsequent fiscal years. The Department is hereby authorized to  
 16 spend up to five million dollars (\$5,000,000) during the 2013-2014 fiscal year and ten million  
 17 dollars (\$10,000,000) during the 2014-2015 fiscal year to continue development and  
 18 implementation of the State's VIPER system by constructing towers that will facilitate system  
 19 expansion. Notwithstanding any other provision of law, State agencies, offices, commissions,  
 20 and non-State entities shall not spend more than the amount of State funds authorized in this  
 21 section for this purpose during the 2013-2015 fiscal biennium. This prohibition shall not be  
 22 construed to prevent the expenditure of federal funds. This section does not impair or authorize  
 23 the breach of any contract and instead affects the availability of appropriated funds within the  
 24 meaning of G.S. 143C-6-8 and the terms of the North Carolina Information Technology  
 25 Procurement Office General Terms and Conditions for Goods and Related Services related to  
 26 availability of funds as specified in the applicable contract or contract extension.

27           **SECTION 16B.5.(b)** The Department of Public Safety shall report to the Chairs of  
 28 the Joint Legislative Oversight Committee on Justice and Public Safety on a quarterly basis on  
 29 the progress of the State's VIPER system.  
 30

31 **STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS**

32           **SECTION 16B.6.** The State Capitol Police may contract with State agencies for  
 33 the creation of receipt-supported positions to provide security services to the buildings  
 34 occupied by those agencies.  
 35

36 **NO ALCOHOL LAW ENFORCEMENT POSITION REDUCTIONS**

37           **SECTION 16B.7.(a)** Notwithstanding any other provision of this act, there is no  
 38 requirement that the following positions be eliminated:  
 39

<b>Position</b>	<b>Title</b>
60084333	ALE Assistant Director
60084297	Asst. Special Agent in Charge
60084287	Accreditation Manager

44  
 45           **SECTION 16B.7.(b)** Notwithstanding any other provision of this act, the operating  
 46 budget for the Alcohol Law Enforcement Section shall be reduced by four hundred fifty-six  
 47 thousand fifty-eight dollars (\$456,058) during the 2013-2014 fiscal year and by four hundred  
 48 fifty-six thousand fifty-eight dollars (\$456,058) during the 2014-2015 fiscal year. The  
 49 Department may eliminate positions to meet the reduction required by this section.  
 50

51 **SUBPART XVI-C. DIVISION OF ADULT CORRECTION**

**LIMIT USE OF OPERATIONAL FUNDS**

**SECTION 16C.1.** Funds appropriated in this act to the Department of Public Safety for operational costs for additional facilities shall be used for personnel and operating expenses set forth in the budget approved by the General Assembly. These funds shall not be expended for any other purpose, except as provided for in this act, and shall not be expended for additional prison personnel positions until the new facilities are within 120 days of projected completion, except that the Department may establish critical positions prior to 120 days of completion representing no more than twenty percent (20%) of the total estimated number of positions.

**REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM**

**SECTION 16C.2.** Notwithstanding G.S. 143C-6-9, the Department of Public Safety may use funds available to the Department for the 2013-2015 fiscal biennium to pay the sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The Department shall report quarterly to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and Senate Appropriations Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail backlog.

**CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT**

**SECTION 16C.3.** The Department of Public Safety may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2013-2015 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Public Safety.

**INMATE MEDICAL COSTS**

**SECTION 16C.4.(a)** The Department of Public Safety shall reimburse those providers and facilities providing approved inmate medical services outside the correctional facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care.

**SECTION 16C.4.(b)** The Department of Public Safety shall make every effort to contain inmate medical costs by making use of its own hospital and health care facilities to provide health care services to inmates. To the extent that the Department of Public Safety must utilize other facilities and services to provide health care services to inmates, the Department

1 shall make reasonable efforts to make use of hospitals or other providers with which it has  
2 contract or, if none is reasonably available, hospitals with available capacity or other health  
3 care facilities in a region to accomplish that goal. The Department shall make reasonable  
4 efforts to equitably distribute inmates among all hospitals or other appropriate health care  
5 facilities.

6 **SECTION 16C.4.(c)** The Department of Public Safety shall report to the Joint  
7 Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of  
8 Representative Appropriations Subcommittee on Justice and Public Safety and the Senate  
9 Appropriations Committee on Justice and Public Safety no later than November 1, 2013, and  
10 quarterly thereafter on:

- 11 (1) The percentage of the total inmates requiring hospitalization or hospital  
12 services who receive that treatment at each hospital.
- 13 (2) The volume of services provided by community medical providers that can  
14 be scheduled in advance and, of that volume, the percentage of those  
15 services that are provided by contracted providers.
- 16 (3) The volume of services provided by community medical providers that  
17 cannot be scheduled in advance and, of that volume, the percentage of those  
18 services that are provided by contracted providers.
- 19 (4) The volume of services provided by community medical providers that are  
20 emergent cases requiring hospital admissions and emergent cases not  
21 requiring hospital admissions.
- 22 (5) The volume of inpatient medical services provided to Medicaid-eligible  
23 inmates, the cost of treatment, and the estimated savings of paying the  
24 nonfederal portion of Medicaid for the services.
- 25 (6) The status of the Division's efforts to contract with hospitals to provide  
26 secure wards in each of the State's five prison regions.

## 27 **ANNUAL REPORT ON SAFEKEEPERS**

28 **SECTION 16C.5.** The Department of Public Safety shall report by October 1 of  
29 each year to the Chairs of the House of Representatives Appropriations Subcommittee on  
30 Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and  
31 Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and  
32 Public Safety on county prisoners housed in the State prison system pursuant to safekeeping  
33 orders under G.S. 162-39(b) to avoid security risks in county jails or due to insufficient or  
34 inadequate county facilities. The report shall include:

- 35 (1) The number of safekeepers currently housed by the Department.
- 36 (2) A list of the facilities where safekeepers are housed and the population of  
37 safekeepers by facility.
- 38 (3) The average length of stay by a safekeeper in one of those facilities.
- 39 (4) The amount paid by counties for housing and extraordinary medical care of  
40 safekeepers.
- 41 (5) A list of the counties in arrears for safekeeper payments owed to the  
42 Department at the end of the fiscal year.

## 43 **STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM**

44 **SECTION 16C.6.(a)** G.S. 148-10.4(e) reads as rewritten:

45 "(e) Operating and Administrative Expenses. – ~~Ten percent (10%)~~ Five percent (5%) of  
46 the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund  
47 shall be transferred on a monthly basis to the Sheriffs' Association to be used to support the  
48 Program and for administrative and operating expenses of the Association and its staff. One  
49 percent (1%) of the monthly receipts collected and credited to the Statewide Misdemeanant  
50  
51



1 Confinement Fund shall be transferred on a monthly basis to the General Fund to be allocated  
2 to the Division of Adult Correction for its administrative and operating expenses for the  
3 Program."

4 **SECTION 16C.6.(b)** The North Carolina Sheriffs' Association shall report by  
5 October 1 of each year to the Chairs of the House of Representatives Appropriations  
6 Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee  
7 on Justice and Public Safety, and the Joint Legislative Oversight Committee on Justice and  
8 Public Safety on the Statewide Misdemeanant Confinement Program. The report shall include  
9 the following with respect to the prior fiscal year:

- 10 (1) Revenue collected by the Statewide Misdemeanant Confinement Program.
- 11 (2) The cost of housing prisoners by county under the Program.
- 12 (3) The cost of transporting prisoners by county under the Program.
- 13 (4) Personnel costs by county.
- 14 (5) Inmate medical care costs by county.
- 15 (6) The number of counties that volunteer to house inmates under the Program.
- 16 (7) The administrative costs paid to the Sheriffs' Association and to the  
17 Department of Public Safety.

#### 18 19 **INMATE CONSTRUCTION PROGRAM**

20 **SECTION 16C.7.** Notwithstanding G.S. 66-58 or any other provision of law,  
21 during the 2013-2015 fiscal biennium, the State Construction Office may, wherever feasible,  
22 utilize inmates in the custody of the Division of Adult Correction of the Department of Public  
23 Safety through the Inmate Construction Program for repair and renovation projects on  
24 State-owned facilities, with priority given to Department of Public Safety construction projects.  
25

#### 26 **REPORT ON PROBATION AND PAROLE CASELOADS**

27 **SECTION 16C.10.** Article 13 of Chapter 143B of the General Statutes is amended  
28 by adding a new section to read:

##### 29 **"§ 143B-707.1. Report on probation and parole caseloads.**

30 (a) The Department of Public Safety shall report by March 1 of each year to the Chairs  
31 of the House of Representatives and Senate Appropriations Subcommittees on Justice and  
32 Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on  
33 caseload averages for probation and parole officers. The report shall include:

- 34 (1) Data on current caseload averages and district averages for probation/parole  
35 officer positions.
- 36 (2) Data on current span of control for chief probation officers.
- 37 (3) An analysis of the optimal caseloads for these officer classifications.
- 38 (4) The number and role of paraprofessionals in supervising low-risk caseloads.
- 39 (5) The process of assigning offenders to an appropriate supervision level based  
40 on a risk/needs assessment.
- 41 (6) Data on cases supervised solely for the collection of court-ordered payments.

42 (b) The Department of Public Safety shall report by March 1 of each year to the Chairs  
43 of the House of Representatives and Senate Appropriations Subcommittees on Justice and  
44 Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on  
45 the following:

- 46 (1) The number of sex offenders enrolled on active and passive GPS monitoring.
- 47 (2) The caseloads of probation officers assigned to GPS-monitored sex  
48 offenders.
- 49 (3) The number of violations.
- 50 (4) The number of absconders.

1           (5) The projected number of offenders to be enrolled by the end of the fiscal  
2           year."

3  
4   **PAROLE       ELIGIBILITY       REPORT/MUTUAL       AGREEMENT       PAROLE**  
5   **PROGRAM/MEDICAL RELEASE PROGRAM**

6           **SECTION 16C.11.(a)** The Post-Release Supervision and Parole Commission shall,  
7 with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the  
8 Department of Public Safety, analyze the amount of time each inmate who is eligible for parole  
9 on or before July 1, 2014, has served compared to the time served by offenders under  
10 Structured Sentencing for comparable crimes. The Commission shall determine if the person  
11 has served more time in custody than the person would have served if sentenced to the  
12 maximum sentence under the provisions of Article 81B of Chapter 15A of the General Statutes.  
13 The "maximum sentence," for the purposes of this section, shall be calculated as set forth in  
14 subsection (b) of this section.

15           **SECTION 16C.11.(b)** For the purposes of this section, the following rules apply  
16 for the calculation of the maximum sentence:

- 17           (1) The offense upon which the person was convicted shall be classified as the  
18 same felony class as the offense would have been classified if committed  
19 after the effective date of Article 81B of Chapter 15A of the General  
20 Statutes.
- 21           (2) The minimum sentence shall be the maximum number of months in the  
22 presumptive range of minimum durations in Prior Record Level VI of  
23 G.S. 15A-1340.17(c) for the felony class determined under subdivision (1)  
24 of this subsection. The maximum sentence shall be calculated using  
25 G.S. 15A-1340.17(d), (e), or (e1).
- 26           (3) If a person is serving sentences for two or more offenses that are concurrent  
27 in any respect, then the offense with the greater classification shall be used  
28 to determine a single maximum sentence for the concurrent offenses. The  
29 fact that the person has been convicted of multiple offenses may be  
30 considered by the Commission in making its determinations under  
31 subsection (a) of this section.

32           **SECTION 16C.11.(c)** The Post-Release Supervision and Parole Commission shall  
33 report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety,  
34 the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public  
35 Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety by  
36 April 1, 2014. The report shall include the following: the class of the offense for which each  
37 parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions.  
38 The Commission shall reinstate the parole review process for each offender who has served  
39 more time than that person would have under Structured Sentencing as provided by subsections  
40 (a) and (b) of this section.

41           The Commission shall also report on the number of parole-eligible inmates  
42 reconsidered in compliance with this section and the number who were actually paroled.

43           **SECTION 16C.11.(d)** Article 13 of Chapter 143B of the General Statutes is  
44 amended by adding a new section to read:

45 **"§ 143B-707.2. Mutual agreement parole program report; medical release program**  
46 **report.**

47           (a) The Department of Correction and the Post-Release Supervision and Parole  
48 Commission shall report by March 1 of each year to the Chairs of the House of Representatives  
49 and Senate Appropriations Subcommittees on Justice and Public Safety and to the Chairs of the  
50 Joint Legislative Oversight Committee on Justice and Public Safety on the number of inmates  
51 enrolled in the mutual agreement parole program, the number completing the program and

1 being paroled, and the number who enrolled but were terminated from the program. The  
2 information should be based on the previous calendar year.

3 (b) The Department of Public Safety and the Post-Release Supervision and Parole  
4 Commission shall report by March 1 of each year to the Chairs of the House of Representatives  
5 Appropriations Subcommittee on Justice and Public Safety, to the Chairs of the Senate  
6 Appropriations Committee on Justice and Public Safety, and to the Chairs of the Joint  
7 Legislative Oversight Committee on Justice and Public Safety on the number of inmates  
8 proposed for release, considered for release, and granted release under Chapter 84B of Chapter  
9 15A of the General Statutes, providing for the medical release of inmates who are either  
10 permanently and totally disabled, terminally ill, or geriatric."

## 11 12 **REPORT ON TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION**

13 **SECTION 16C.12.** The Division of Community Corrections shall report by March  
14 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on  
15 Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and  
16 Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and  
17 Public Safety on the status of the Treatment for Effective Community Supervision (TECS)  
18 program. The report shall include the following information:

- 19 (1) The amount of funds carried over from the prior fiscal year.
- 20 (2) The dollar amount and purpose of contracts awarded to vendors for the  
21 current fiscal year.
- 22 (3) An update on efforts to ensure that all counties make use of the electronic  
23 reporting system, including the number of counties submitting offender  
24 participation via the system.
- 25 (4) An analysis of offender participation data received, including data on each  
26 program's utilization, capacity, and completion rates.
- 27 (5) The number of offenders served by each contracted vendor.
- 28 (6) The outcome measures for program participants, including the rates of  
29 recidivism, employment status, and educational progress of participants.

## 30 31 **JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY** 32 **VACANT POSITIONS**

33 **SECTION 16C.13.(a)** Notwithstanding any other provision of law, subject to the  
34 approval of the Director of the Budget, the Secretary of Public Safety may reclassify vacant  
35 positions within the Department to create up to 30 new field services specialist or chief  
36 probation/parole officer positions in order to meet the increasing caseloads resulting from the  
37 implementation of the Justice Reinvestment Act of 2011, S.L. 2011-192, as amended.

38 **SECTION 16C.13.(b)** The Department of Public Safety shall report to the Chairs  
39 of the Senate Appropriations Committee on Justice and Public Safety and the House  
40 Appropriations Subcommittee on Justice and Public Safety by March 1, 2014, on the following:

- 41 (1) The position number, position type, salary, and position location of each new  
42 position created under the authority of this section.
- 43 (2) The position number, position type, fund code, and position location of each  
44 vacant position used to create new positions under the authority of this  
45 section.

## 46 47 **REPORT ON USE OF BROADEN ACCESS FOR COMMUNITY TREATMENT** 48 **PROGRAM FUNDS**

49 **SECTION 16C.14.** The Division of Community Corrections shall report by  
50 September 1, 2015, and September 1, 2016, to the Chairs of the House of Representatives  
51 Appropriations Subcommittee on Justice and Public Safety and to the Chairs of the Senate

1 Appropriations Committee on Justice and Public Safety on the status of the Broaden Access for  
2 Community Treatment Program. The report shall include the following information:

- 3 (1) The amount of funds carried over from the prior fiscal year.
- 4 (2) The dollar amount and purpose of contracts awarded to vendors for the  
5 current fiscal year.
- 6 (3) An analysis of offender participation data received, including data on each  
7 program's utilization, capacity, and completion rates.
- 8 (4) The number of offenders served by each contracted vendor.
- 9 (5) The outcome measures for program participants, including the rates of  
10 recidivism, employment status, and educational progress of participants.

11  
12 **REQUIRE THAT ALL INMATES IN THE CUSTODY OF THE DIVISION OF ADULT**  
13 **CORRECTION OF THE DEPARTMENT OF PUBLIC SAFETY BE TESTED FOR**  
14 **HIV INFECTION**

15 **SECTION 16C.15.(a)** Article 2 of Chapter 148 of the General Statutes is amended  
16 by adding a new section to read:

17 **"§ 148-19.2. Mandatory HIV testing.**

18 Each person sentenced to imprisonment and committed to the custody of the Division of  
19 Adult Correction of the Department of Public Safety shall be tested to determine whether the  
20 person is HIV positive.

21 Each inmate who has not previously tested positive for HIV shall also be tested:

- 22 (1) Not less than once every four years from the date of that inmate's initial  
23 testing.
- 24 (2) Prior to the inmate's release from the custody of the Division of Adult  
25 Correction, except that testing is not mandatory prior to the release of an  
26 inmate who has been tested within one year of the inmate's release date.

27 In each case, the results of the test shall be reported to the inmate. If an inmate tests positive  
28 for HIV, that inmate shall be referred to public health officials for counseling."

29 **SECTION 16C.15.(b)** This section becomes effective July 1, 2013. All inmates in  
30 the custody of the Division of Adult Correction on July 1, 2013, who have not previously been  
31 tested for HIV shall be tested by October 1, 2013.

32  
33 **SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE**

34  
35 **ANNUAL EVALUATION OF COMMUNITY PROGRAMS AND MULTIPLE**  
36 **PURPOSE GROUP HOMES**

37 **SECTION 16D.1.** Subpart B of Part 3 of Article 13 of Chapter 143B of the  
38 General Statutes is amended by adding a new section to read:

39 **"§ 143B-811. Annual evaluation of community programs and multiple purpose group**  
40 **homes.**

41 The Department of Public Safety shall conduct an annual evaluation of the community  
42 programs and of multipurpose group homes. In conducting the evaluation of each of these, the  
43 Department shall consider whether participation in each program results in a reduction of court  
44 involvement among juveniles. The Department shall also determine whether the programs are  
45 achieving the goals and objectives of the Juvenile Justice Reform Act, S.L. 1998-202.

46 The Department shall report the results of the evaluation to the Chairs of the Joint  
47 Legislative Oversight Committee on Justice and Public Safety and the Chairs of the Senate and  
48 House of Representatives Appropriations Subcommittees on Justice and Public Safety by  
49 March 1 of each year."

50  
51 **JUVENILE CRIME PREVENTION COUNCIL FUNDS**

1           **SECTION 16D.2.(a)** Subpart F of Part 3 of Article 13 of Chapter 143B of the  
2 General Statutes is amended by adding a new section to read:

3 **"§ 143B-852. Department of Public Safety to report on Juvenile Crime Prevention**  
4 **Council grants.**

5           (a) On or before February 1 of each year, the Department of Public Safety shall submit  
6 to the Chairs of the Joint Legislative Commission on Governmental Operations and the Chairs  
7 of the Senate and House of Representatives Appropriations Subcommittees on Justice and  
8 Public Safety a list of the recipients of the grants awarded, or preapproved for award, from  
9 funds appropriated to the Department for local Juvenile Crime Prevention Council (JCPC)  
10 grants, including the following information:

- 11           (1) The amount of the grant awarded.
- 12           (2) The membership of the local committee or council administering the award  
13 funds on the local level.
- 14           (3) The type of program funded.
- 15           (4) A short description of the local services, programs, or projects that will  
16 receive funds.
- 17           (5) Identification of any programs that received grant funds at one time but for  
18 which funding has been eliminated by the Department.
- 19           (6) The number of at-risk, diverted, and adjudicated juveniles served by each  
20 county.
- 21           (7) The Department's actions to ensure that county JCPCs prioritize funding for  
22 dispositions of intermediate and community-level sanctions for  
23 court-adjudicated juveniles under minimum standards adopted by the  
24 Department.
- 25           (8) The total cost for each funded program, including the cost per juvenile and  
26 the essential elements of the program.

27           (b) On or before February 1 of each year, the Department of Public Safety shall send to  
28 the Fiscal Research Division of the Legislative Services Commission an electronic copy of the  
29 list and information required under subsection (a) of this section."

30           **SECTION 16D.2.(b)** Of the funds appropriated by this act for the 2013-2015 fiscal  
31 biennium to the Department of Public Safety for Juvenile Crime Prevention Council grants, the  
32 sum of one hundred twenty-one thousand six hundred dollars (\$121,600) for the 2013-2014  
33 fiscal year and the sum of one hundred twenty-one thousand six hundred dollars (\$121,600) for  
34 the 2014-2015 fiscal year shall be transferred to Project Challenge North Carolina, Inc., to be  
35 used for the continued support of Project Challenge programs throughout the State.

36  
37 **YOUTH DEVELOPMENT CENTER ANNUAL REPORT**

38           **SECTION 16D.3.** Subpart B of Part 3 of Article 13 of Chapter 143B of the  
39 General Statutes is amended by adding a new section to read:

40 **"§ 143B-810. Youth Development Center annual report.**

41           The Department of Public Safety shall report by October 1 of each year to the Chairs of the  
42 House of Representatives and Senate Appropriations Subcommittees on Justice and Public  
43 Safety, the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety,  
44 and the Fiscal Research Division of the Legislative Services Commission on the Youth  
45 Development Center (YDC) population, staffing, and capacity in the preceding fiscal year.  
46 Specifically, the report shall include all of the following:

- 47           (1) The on-campus population of each YDC, including the county the juveniles  
48 are from.
- 49           (2) The housing capacity of each YDC.
- 50           (3) A breakdown of staffing for each YDC, including number, type of position,  
51 position title, and position description.

- 1           (4)    The per-bed and average daily population cost for each facility.
- 2           (5)    The operating cost for each facility, including personnel and nonpersonnel
- 3                    items.
- 4           (6)    A brief summary of the treatment model, education, services, and plans for
- 5                    reintegration into the community offered at each facility.
- 6           (7)    The average length of stay in the YDCs.
- 7           (8)    The number of incidents of assaults and attacks on staff at each facility."

## 9    **JUVENILE FACILITY MONTHLY COMMITMENT REPORT**

10           **SECTION 16D.4.** Subpart C of Part 3 of Article 13 of Chapter 143B of the  
11 General Statutes is amended by adding a new section to read:

12    "§ 143B-822. Juvenile facility monthly commitment report.

13           The Department of Public Safety shall report electronically on the first day of each month  
14 to the Fiscal Research Division regarding each juvenile correctional facility and the average  
15 daily population for the previous month. The report shall include (i) the average daily  
16 population for each detention center and (ii) the monthly summary of the Committed Youth  
17 Report."

## 19    **LIMIT USE OF COMMUNITY PROGRAM FUNDS**

20           **SECTION 16D.5.(a)** Funds appropriated in this act to the Department of Public  
21 Safety for the 2013-2015 fiscal biennium for community program contracts that are not  
22 required for or used for community program contracts shall only be used for the following:

- 23           (1)    Other statewide residential programs that provide Level 2 intermediate
- 24                    dispositional alternatives for juveniles.
- 25           (2)    Statewide community programs that provide Level 2 intermediate
- 26                    dispositional alternatives for juveniles.
- 27           (3)    Regional programs that are collaboratives of two or more Juvenile Crime
- 28                    Prevention Councils which provide Level 2 intermediate dispositional
- 29                    alternatives for juveniles.
- 30           (4)    The Juvenile Crime Prevention Council grants fund to be used for the Level
- 31                    2 intermediate dispositional alternatives for juveniles listed in
- 32                    G.S. 7B-2506(13) through (23).

33           **SECTION 16D.5.(b)** Under no circumstances shall funds appropriated by this act  
34 to the Department of Public Safety for the 2013-2015 fiscal biennium for community programs  
35 be used for staffing, operations, maintenance, or any other expenses of youth development  
36 centers or detention facilities.

37           **SECTION 16D.5.(c)** The Department of Public Safety shall submit an electronic  
38 report by October 1, 2013, and a second electronic report by October 1, 2014, on all  
39 expenditures made from the miscellaneous contract line in Fund Code 1230 to the Chairs of the  
40 House of Representatives Appropriations Subcommittee on Justice and Public Safety, the  
41 Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Fiscal  
42 Research Division. The report shall include all of the following: an itemized list of the contracts  
43 that have been executed, the amount of each contract, the date the contract was executed, the  
44 purpose of the contract, the number of juveniles that will be served and the manner in which  
45 they will be served, the amount of money transferred to the Juvenile Crime Prevention Council  
46 fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime  
47 Prevention Council fund.

## 49    **MULTIPURPOSE GROUP HOME**

50           **SECTION 16D.6.** Of the funds appropriated in this act to the Department of Public  
51 Safety for the Division of Juvenile Justice for the 2013-2015 fiscal biennium, the sum of five

1 hundred fifty thousand dollars (\$550,000) for the 2013-2014 fiscal year and the sum of five  
2 hundred fifty thousand dollars (\$550,000) for the 2014-2015 fiscal year shall be used to  
3 continue operating a multipurpose group home in Craven County.  
4

## 5 ADMINISTRATION OF JUVENILE JUSTICE DIVISION

6 SECTION 16D.7.(a) G.S. 143B-600 reads as rewritten:

### 7 "§ 143B-600. Organization.

8 (a) There is established the Department of Public Safety. The head of the Department of  
9 Public Safety is the Secretary of Public Safety, who shall be known as the Secretary. ~~The~~  
10 ~~Department shall consist of six divisions and an Office of External Affairs as follows:~~

11 (1) ~~The Division of Adult Correction, which shall consist of the former~~  
12 ~~Department of Correction. The head of the Division of Adult Correction~~  
13 ~~shall be a chief deputy secretary, who shall be responsible for prisons,~~  
14 ~~community corrections, correction enterprises, alcoholism and chemical~~  
15 ~~dependency treatment, offender records management, and extradition.~~

16 (2) ~~The Division of Juvenile Justice, which shall consist of the former~~  
17 ~~Department of Juvenile Justice and Delinquency Prevention. The head of the~~  
18 ~~Division of Juvenile Justice shall be a chief deputy secretary, who shall be~~  
19 ~~responsible for youth detention centers, court services, community~~  
20 ~~programs, and youth development centers.~~

21 (3) ~~The Division of Law Enforcement, which shall consist of the following~~  
22 ~~former divisions of the Department of Crime Control and Public Safety: the~~  
23 ~~State Highway Patrol, the Alcohol Law Enforcement Division, and the State~~  
24 ~~Capitol Police Division. The head of the Division of Law Enforcement shall~~  
25 ~~be a chief deputy secretary.~~

26 (4) ~~The Division of Emergency Management, which shall consist of the former~~  
27 ~~Division of Emergency Management of the Department of Crime Control~~  
28 ~~and Public Safety and the Civil Air Patrol.~~

29 (5) ~~The North Carolina National Guard.~~

30 (6) ~~The Division of Administration, the head of which shall be a chief deputy~~  
31 ~~secretary responsible for all administrative functions, including fiscal,~~  
32 ~~auditing, information technology, purchasing, human resources, training,~~  
33 ~~engineering, and facility management functions for the Department. Within~~  
34 ~~the Division, there is established a Grants Management Section, which shall~~  
35 ~~consist of the Governor's Crime Commission and the Juvenile Crime~~  
36 ~~Prevention Council Fund. There is also established within the Division a~~  
37 ~~Research and Planning Section responsible for statistics, research, and~~  
38 ~~planning to facilitate regular improvement in the structure, administration,~~  
39 ~~and programs of the Department of Public Safety. The Research and~~  
40 ~~Planning Section may cooperate with and seek the cooperation of public and~~  
41 ~~private agencies, institutions, officials, and individuals in the development~~  
42 ~~and conduct of programs to compile and analyze statistics and to conduct~~  
43 ~~research in criminology and correction. The Research and Planning Section~~  
44 ~~shall be the single State agency responsible for the coordination and~~  
45 ~~implementation of ex-offender reentry initiatives.~~

46 (7) ~~The Office of External Affairs, which shall be responsible for federal and~~  
47 ~~State liaison activities, victim services, the Victim Services Warehouse and~~  
48 ~~the storage and management of evidence and other contents housed in the~~  
49 ~~warehouse, and public affairs.~~

1 (b) The powers and duties of the deputy ~~secretaries~~ secretaries, commissioners,  
2 directors, and the respective divisions of the Department shall be subject to the direction and  
3 control of the Secretary of Public Safety."

4 **SECTION 16D.7.(b)** G.S. 143B-806 reads as rewritten:

5 **"§ 143B-806. Duties and powers of the Division of Juvenile Justice of the Department of**  
6 **Public Safety.**

7 (a) ~~The head of the Division is a Chief Deputy Secretary appointed by the Secretary of~~  
8 ~~Public Safety. The Chief Deputy Secretary shall have the powers and duties conferred by this~~  
9 ~~Chapter, delegated by the Secretary of Public Safety or the Governor, and conferred by the~~  
10 ~~Constitution and laws of this State. The Secretary of Public Safety shall be responsible for~~  
11 ~~effectively and efficiently organizing the Division to promote the policy of the State as set forth~~  
12 ~~in this Part and to promote public safety and to prevent the commission of delinquent acts by~~  
13 ~~juveniles.~~

14 (b) ~~The Chief Deputy Secretary shall have the following powers and duties:~~ duties and  
15 may delegate those powers and duties to the appropriate deputy secretary, commissioner, or  
16 director within the Department of Public Safety.

17 "...."

18 **SECTION 16D.7.(c)** G.S. 153A-221.1 reads as rewritten:

19 **"§ 153A-221.1. Standards and inspections.**

20 The legal responsibility of the ~~Chief Deputy Secretary of Division~~ of Juvenile Justice of the  
21 Department of Public Safety for State services to county juvenile detention homes under this  
22 Article is hereby confirmed and shall include the following: development of State standards  
23 under the prescribed procedures; inspection; consultation; technical assistance; and training.

24 The Secretary of Health and Human Services, in consultation with the ~~Chief Deputy~~  
25 ~~Secretary of Juvenile Justice of the Department~~ Secretary of Public Safety, shall also develop  
26 standards under which a local jail may be approved as a holdover facility for not more than five  
27 calendar days pending placement in a juvenile detention home which meets State standards,  
28 providing the local jail is so arranged that any child placed in the holdover facility cannot  
29 converse with, see, or be seen by the adult population of the jail while in the holdover facility.  
30 The personnel responsible for the administration of a jail with an approved holdover facility  
31 shall provide close supervision of any child placed in the holdover facility for the protection of  
32 the child."  
33

#### 34 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

35 **SECTION 16D.8.** Funds appropriated in this act to the Department of Public  
36 Safety for each fiscal year of the 2013-2015 fiscal biennium may be used as matching funds for  
37 the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile  
38 Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State  
39 Budget and Management and the Governor's Crime Commission shall consult with the  
40 Department of Public Safety regarding the criteria for awarding federal funds. The Office of  
41 State Budget and Management, the Governor's Crime Commission, and the Department of  
42 Public Safety shall report to the Chairs of the Senate Appropriations Committee on Justice and  
43 Public Safety, the House of Representatives Appropriations Subcommittee on Justice and  
44 Public Safety, and the Joint Legislative Commission on Governmental Operations prior to  
45 allocation of the federal funds. The report shall identify the amount of funds to be received for  
46 the 2013-2014 fiscal year, the amount of funds anticipated for the 2014-2015 fiscal year, and  
47 the allocation of funds by program and purpose.  
48

#### 49 **DOBBS YOUTH DEVELOPMENT CENTER KITCHEN REPAIRS**

50 **SECTION 16D.9.** The Department of Public Safety shall ensure that the kitchen  
51 facility at the Dobbs Youth Development Center is operational by October 1, 2013.



**PART XVII. DEPARTMENT OF JUSTICE****BIANNUAL REPORTING ON ATTORNEY ACTIVITY**

**SECTION 17.1.(a)** Beginning on August 1, 2013, and every six months thereafter, the Attorney General shall report on the work of Department of Justice attorneys during the previous two quarters. The reports required by this section shall be filed with the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, with the Chairs of the Senate Appropriations Committee on Justice and Public Safety, with the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and with the Fiscal Research Division as follows:

- (1) Agency-specific work. – A report on the work of Department of Justice attorneys for State agencies. This report shall include at least all of the following information:
  - a. The amount of time spent working for each State department and agency.
  - b. The amount of time spent on each case for each State department and agency.
  - c. The amount billed to each State agency for the legal services provided.
- (2) Other work. – A report on the work of Department of Justice attorneys that is not on behalf of a particular State agency. The report required by this subdivision shall include all of the information required by subdivision (1) of this section and all of the following information:
  - a. The amount of time spent by each unit of the Department of Justice.
  - b. The amount of time spent on each particular matter for each unit of the Department of Justice.

**SECTION 17.1.(b)** Reports required by this section shall not include detailed information about the work of individual attorneys but shall instead include only summary information about Department of Justice attorney activity during the relevant period, which shall (i) be set forth using commonly employed measures of central tendency and (ii) which shall highlight and explain extreme deviations from applicable norms.

**ANNUAL CRIME LAB REPORT**

**SECTION 17.2.** Beginning on October 1, 2013, and yearly thereafter, the Attorney General shall report on the work of the North Carolina State Crime Laboratory during the previous fiscal year. The reports required by this section shall be filed with the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and with the Fiscal Research Division. Each report shall include at least the following:

- (1) Information about the workload of the Laboratory during the previous fiscal year, including the number of submissions, identified by forensic discipline, received at each location of the Laboratory.
- (2) Information about the number of cases completed in the previous fiscal year, identified by forensic discipline, at each location of the Laboratory.
- (3) A breakdown by county of the number of submissions received by the Laboratory in the previous fiscal year.

**DEVELOPMENT OF TRAINING PROGRAM ON PROPER PROCEDURES FOR SUBMISSION OF EVIDENCE TO THE CRIME LAB**

**SECTION 17.3.(a)** The North Carolina State Crime Laboratory, in conjunction with the University of North Carolina School of Government and the Conference of District

1 Attorneys, shall develop a training curriculum for district attorneys that shall include, but not be  
2 limited to, instruction on fundamentals of Laboratory forensic science disciplines, the  
3 Laboratory's electronic information system, and the Laboratory's case management guidelines.  
4 In order to ensure that it will be practicable to require all district attorneys in the State to  
5 receive the training in the future, the program shall be (i) designed with the time and resource  
6 constraints of district attorneys in mind and (ii) designed in a way that makes the program  
7 suitable for regional distribution and distribution through distance learning facilities at  
8 community colleges.

9 **SECTION 17.3.(b)** No later than October 1, 2013, the North Carolina State Crime  
10 Laboratory shall report its progress on developing the training program to the Chairs of the  
11 House of Representatives Appropriations Subcommittee on Justice and Public Safety, to the  
12 Senate Appropriations Committee on Justice and Public Safety, to the Chairs of the Joint  
13 Legislative Oversight Committee on Justice and Public Safety, and to the Fiscal Research  
14 Division.

### 15 16 **NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE** 17 **CRIME LABORATORY**

18 **SECTION 17.5.** The Department of Justice shall not hire sworn personnel to fill  
19 vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be  
20 construed to require the termination of sworn personnel, but as vacant positions in the State  
21 Laboratory are filled, they shall be filled only with nonsworn personnel. Nothing in this section  
22 shall be construed to affect North Carolina State Crime Laboratory personnel who are sworn  
23 and employed by the Laboratory as of the effective date of this section and who continue to  
24 meet the sworn status retention standards mandated by the NC Criminal Justice Education and  
25 Standards Commission.

### 26 27 **REMOVE THE NORTH CAROLINA STATE CRIME LABORATORY FROM THE** 28 **STATE BUREAU OF INVESTIGATION**

29 **SECTION 17.6.(a)** The North Carolina State Crime Laboratory and the State DNA  
30 Database and Databank are hereby transferred from the State Bureau of Investigation and shall  
31 be relocated elsewhere within the Department of Justice, as determined by the Attorney  
32 General.

33 **SECTION 17.6.(b)** No later than July 1, 2014, the Department of Justice shall  
34 begin budgeting the North Carolina State Crime Laboratory in a fund code that is separate from  
35 the remainder of the Department of Justice.

36 **SECTION 17.6.(c)** Chapter 114 of the General Statutes is amended by adding a  
37 new Article to read:

38 "Article 9.

39 North Carolina State Crime Laboratory."

40 **SECTION 17.6.(d)** G.S. 114-16 through G.S. 114-16.2 are recodified as  
41 G.S. 114-60 through G.S. 114-62 under Article 9 of Chapter 114 of the General Statutes, as  
42 created by subsection (c) of this section.

43 **SECTION 17.6.(e)** The following statutes are amended by deleting "SBI"  
44 wherever it appears and substituting "North Carolina State Crime Laboratory": G.S. 15A-146  
45 and G.S. 15A-148.

46 **SECTION 17.6.(f)** The following statutes are amended by deleting "SBI" wherever  
47 it appears and substituting "Crime Laboratory": G.S. 15A-266.3, 15A-266.3A, 15A-266.5,  
48 15A-266.6, 15A-266.7, 15A-266.8, 15A-266.9, 15A-266.12, 15A-267, and 15A-268.

49 **SECTION 17.6.(g)** G.S. 7A-304(a) reads as rewritten:

50 "(a) In every criminal case in the superior or district court, wherein the defendant is  
51 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the

1 prosecuting witness, the following costs shall be assessed and collected. No costs may be  
 2 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of  
 3 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs  
 4 assessed under this section or (ii) waive or reduce costs assessed under subdivisions (7) or (8)  
 5 of this section.

6 ...  
 7 (7) For the services of the North Carolina State Crime Laboratory facilities, the  
 8 district or superior court judge shall, upon conviction, order payment of the  
 9 sum of six hundred dollars (\$600.00) to be remitted to the Department of  
 10 Justice for support of the ~~State Bureau of Investigation Laboratory~~. This cost  
 11 shall be assessed only in cases in which, as part of the investigation leading  
 12 to the defendant's conviction, the laboratories have performed DNA analysis  
 13 of the crime, tests of bodily fluids of the defendant for the presence of  
 14 alcohol or controlled substances, or analysis of any controlled substance  
 15 possessed by the defendant or the defendant's agent.

16 (8) For the services of any crime laboratory facility operated by a local  
 17 government or group of local governments, the district or superior court  
 18 judge shall, upon conviction, order payment of the sum of six hundred  
 19 dollars (\$600.00) to be remitted to the general fund of the local  
 20 governmental unit that operates the laboratory to be used for law  
 21 enforcement purposes. The cost shall be assessed only in cases in which, as  
 22 part of the investigation leading to the defendant's conviction, the laboratory  
 23 has performed DNA analysis of the crime, test of bodily fluids of the  
 24 defendant for the presence of alcohol or controlled substances, or analysis of  
 25 any controlled substance possessed by the defendant or the defendant's  
 26 agent. The costs shall be assessed only if the court finds that the work  
 27 performed at the local government's laboratory is the equivalent of the same  
 28 kind of work performed by the ~~State Bureau of Investigation~~ North Carolina  
 29 State Crime Laboratory under subdivision (7) of this subsection.

30 (9) For the support and services of the ~~State Bureau of Investigation~~ State DNA  
 31 Database and DNA Databank, the sum of two dollars (\$2.00). This amount  
 32 is annually appropriated to the Department of Justice for this purpose.  
 33 Notwithstanding the provisions of subsection (e) of this section, this cost  
 34 does not apply to infractions.

35 ...."

36 **SECTION 17.6.(h)** G.S. 14-269.1(5) reads as rewritten:

37 "(5) By ordering such weapon turned over to the North Carolina State Crime  
 38 Laboratory's weapons reference library for official use by that agency. The  
 39 ~~State Bureau of Investigation Laboratory~~ shall maintain a record and  
 40 inventory of all such weapons received."

41 **SECTION 17.6.(i)** G.S. 15A-266.2 reads as rewritten:

42 **"§ 15A-266.2. Definitions.**

43 As used in this Article, unless another meaning is specified or the context clearly requires  
 44 otherwise, the following terms have the meanings specified:

45 ...

46 (1e) Crime Laboratory. – The North Carolina State Crime Laboratory of the  
 47 Department of Justice.

48 ...

49 (6) ~~"SBI" means the State Bureau of Investigation. The SBI is responsible for~~  
 50 ~~the policy, management, and administration of the State DNA identification~~

1 ~~record system to support law enforcement and other criminal justice~~  
2 ~~agencies.~~

3 ...  
4 (8) "State DNA Database" means the ~~SBI's Crime Laboratory's~~ DNA  
5 identification record system to support law enforcement. It is administered  
6 by the ~~SBI Crime Laboratory~~ and provides DNA records to the FBI for  
7 storage and maintenance in CODIS. The ~~SBI's Crime Laboratory's~~ DNA  
8 Database system is the collective capability provided by computer software  
9 and procedures administered by the ~~SBI Crime Laboratory~~ to store and  
10 maintain DNA records related to: forensic casework; convicted offenders  
11 and arrestees required to provide a DNA sample under this Article; persons  
12 required to register as sex offenders under G.S. 14-208.7; unidentified  
13 persons or body parts; missing persons; relatives of missing persons; and  
14 anonymous DNA profiles used for forensic validation, forensic protocol  
15 development, or quality control purposes or establishment of a population  
16 statistics database for use by criminal justice agencies."

17 **SECTION 17.6.(j)** G.S. 15A-266.3A(h) reads as rewritten:

18 "(h) The ~~State Bureau of Investigation~~ Crime Laboratory shall remove a person's DNA  
19 record, and destroy any DNA biological samples that may have been retained, from the State  
20 DNA Database and DNA Databank if both of the following are determined pursuant to  
21 subsection (i) of this section:

22 ...."

23 **SECTION 17.6.(k)** G.S. 15A-269(b1) reads as rewritten:

24 "(b1) If the court orders DNA testing, such testing shall be conducted by ~~an SBI-approved~~  
25 a Crime Laboratory-approved testing facility, mutually agreed upon by the petitioner and the  
26 State and approved by the court. If the parties cannot agree, the court shall designate the testing  
27 facility and provide the parties with reasonable opportunity to be heard on the issue."

28 **SECTION 17.6.(l)** G.S. 114-12 reads as rewritten:

29 **"§ 114-12. Bureau of Investigation created; powers and duties.**

30 In order to secure a more effective administration of the criminal laws of the State, to  
31 prevent crime, and to procure the speedy apprehension of criminals, the Attorney General shall  
32 set up in the Department of Justice a division to be designated as the State Bureau of  
33 Investigation. The Division shall have charge of and administer the agencies and activities  
34 herein set up for the identification of criminals, for their apprehension, ~~for the scientific~~  
35 ~~analysis of evidence of crime,~~ and investigation and preparation of evidence to be used in  
36 criminal courts; and the said Bureau shall have charge of investigation of criminal matters  
37 herein especially mentioned, and of such other crimes and criminal procedure as the Governor  
38 may direct.

39 In the personnel of the Bureau shall be included a sufficient number of persons of training  
40 and skill in the investigation of crime and in the preparation of evidence as to be of service to  
41 local enforcement officers, under the direction of the Governor, in criminal matters of major  
42 importance.

43 The State radio system shall be made available to the Bureau Laboratory for use in its  
44 work."

45 **SECTION 17.6.(m)** G.S. 114-16, as recodified by subsection (d) of this section,  
46 reads as rewritten:

47 **"§ 114-60. Laboratory and clinical facilities; employment of criminologists; services of**  
48 **scientists, etc., employed by State; radio system.**

49 In the ~~said Bureau~~ Department of Justice there shall be provided laboratory facilities for the  
50 analysis of evidences of crime, including the determination of presence, quantity and character  
51 of poisons, the character of bloodstains, microscopic and other examination material associated

1 with the commission of crime, examination and analysis of projectiles of ballistic imprints and  
2 records which might lead to the determination or identification of criminals, the examination  
3 and identification of fingerprints, and other evidence leading to the identification,  
4 apprehension, or conviction of criminals. A sufficient number of persons skilled in such matters  
5 shall be employed to render a reasonable service to the public through the criminal justice  
6 system and to the criminal justice system in the discharge of their duties. ~~In the personnel of the~~  
7 ~~Bureau shall be included a sufficient number of persons of training and skill in the investigation~~  
8 ~~of crime and in the preparation of evidence as to be of service to local enforcement officers,~~  
9 ~~under the direction of the Governor, in criminal matters of major importance.~~

10 The laboratory and clinical facilities of the institutions of the State, both educational and  
11 departmental, shall be made available to the ~~Bureau, Laboratory,~~ and scientists and doctors now  
12 working for the State through its institutions and departments may be called upon by the  
13 Governor to aid the ~~Bureau Laboratory~~ in the evaluation, preparation, and preservation of  
14 evidence in which scientific methods are employed, and a reasonable fee may be allowed by  
15 the Governor for such service.

16 ~~The State radio system shall be made available to the Bureau for use in its work."~~

17 **SECTION 17.6.(n)** G.S. 114-16.2, as recodified by subsection (d) of this section,  
18 reads as rewritten:

19 **"§ 114-62. North Carolina State Crime Laboratory Ombudsman.**

20 The position of ombudsman is created in the North Carolina State Crime Laboratory within  
21 the North Carolina Department of Justice. The primary purpose of this position shall be to work  
22 with defense counsel, prosecutorial agencies, criminal justice system stakeholders, law  
23 enforcement officials, and the general public to ensure all processes, procedures, practices, and  
24 protocols at the State Crime Laboratory are consistent with State and federal law, best forensic  
25 law practices, and in the best interests of justice in this State. The ombudsman shall mediate  
26 complaints brought to the attention of the ombudsman between the ~~SBI Crime Laboratory~~ and  
27 defense counsel, prosecutorial agencies, law enforcement agencies, and the general public. The  
28 ombudsman shall ensure all criminal justice stakeholders and the general public are aware of  
29 the availability, responsibilities, and role of the ombudsman and shall regularly attend meetings  
30 of the Conferences of the District Attorneys, District and Superior Court Judges, Public  
31 Defenders, the Advocates for Justice, and Bar Criminal Law Sections. The ombudsman shall  
32 make recommendations on a regular basis to the Director of the State Crime ~~Laboratory,~~  
33 ~~Director of the SBI, Laboratory~~ and the Attorney General of North Carolina as to policies,  
34 procedures, practices, and training of employees needed at the Laboratory to ensure compliance  
35 with State and federal law, best forensic law practices, and to resolve any meritorious systemic  
36 complaints received by the ombudsman."

## 37 38 **OPERATING EFFICIENCIES REDUCTION**

39 **SECTION 17.7.(a)** Funds appropriated or allocated to the North Carolina State  
40 Crime Laboratory shall not be reduced in order to meet any portion of the operating efficiencies  
41 reduction set forth in this act.

42 **SECTION 17.7.(b)** No later than October 1, 2013, the Department of Justice shall  
43 report to the Fiscal Research Division on the reductions that were made to meet the operating  
44 efficiencies reduction to the Department of Justice set forth in this act. The report shall include  
45 an itemized list of any position eliminations, including the position numbers, titles, and  
46 budgeted salaries of each eliminated position.

## 47 48 **PART XVIII. JUDICIAL DEPARTMENT**

### 49 50 **SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES**

**OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

**SECTION 18A.1.** The Office of Indigent Defense Services shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and the Senate Appropriations Committee on Justice and Public Safety by March 1 of each year on:

- (1) The volume and cost of cases handled in each district by assigned counsel or public defenders;
- (2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense, including the capital case program;
- (3) Plans for changes in rules, standards, or regulations in the upcoming year; and
- (4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services, including any recommendations concerning the feasibility and desirability of establishing regional public defender offices.

**OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS**

**SECTION 18A.2.** The Judicial Department, Office of Indigent Defense Services, may use up to the sum of four million dollars (\$4,000,000) in appropriated funds during the 2013-2015 fiscal biennium for the expansion of existing offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services, for the creation of new public defender offices within existing public defender programs, or for the establishment of regional public defender programs. Notwithstanding the defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may use a portion of these funds to create positions within existing public defender programs to handle cases in adjacent counties or districts. These funds may be used to create up to 50 new attorney positions and 25 new support staff positions during the 2013-2015 fiscal biennium and for the salaries, benefits, equipment, and related expenses for these new positions in both years of the biennium. Positions creation will be staggered across the two years of the biennium. Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the proposed expansion.

**OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

**SECTION 18A.3.** Notwithstanding G.S. 143C-6-9, during the 2013-2015 fiscal biennium, the Office of Indigent Defense Services may use the sum of up to fifty thousand dollars (\$50,000) from funds available to provide the State matching funds needed to receive grant funds. Prior to using funds for this purpose, the Office shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

**PRIVATE ASSIGNED COUNSEL**

**SECTION 18A.4.** The Office of Indigent Defense Services shall issue a request for proposals from private law firms or not-for-profit legal representation organizations for the provision of all legal services for indigent clients in all judicial districts. The Office of Indigent Defense Services shall report on the issuance of this request for proposals to the Joint Legislative Commission on Governmental Operations by October 1, 2013. In cases where the proposed contract can provide representation services more efficiently than current costs and ensure that the quality of representation is sufficient to meet applicable constitutional and

1 statutory standards, the Office of Indigent Defense Services shall use private assigned counsel  
2 funds to enter into contracts for this purpose. In selecting contracts, the Office of Indigent  
3 Defense Services shall consider both the cost-effectiveness of the proposed contract and the  
4 ability of the potential contractor to provide effective representation for the clients served by  
5 the contract.

## 6 7 **SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS**

### 8 9 **GRANT FUNDS**

10 **SECTION 18B.1.** Notwithstanding G.S. 143C-6-9, the Administrative Office of  
11 the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000)  
12 from funds available to the Department to provide the State match needed in order to receive  
13 grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of  
14 the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the  
15 Senate Appropriations Committee on Justice and Public Safety, and to the Joint Legislative  
16 Commission on Governmental Operations on the grants to be matched using these funds.

### 17 18 **COLLECTION OF WORTHLESS CHECK FUNDS**

19 **SECTION 18B.2.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial  
20 Department may use any balance remaining in the Collection of Worthless Checks Fund on  
21 June 30, 2013, for the purchase or repair of office or information technology equipment during  
22 the 2013-2014 fiscal year. Prior to using any funds under this section, the Judicial Department  
23 shall report to the Joint Legislative Commission on Governmental Operations, the Chairs of the  
24 House of Representatives Appropriations Subcommittee on Justice and Public Safety, the  
25 Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Office of  
26 State Budget and Management on the equipment to be purchased or repaired and the reasons  
27 for the purchases.

### 28 29 **CONFERENCE OF DISTRICT ATTORNEYS PILOT PROGRAMS**

30 **SECTION 18B.4.** Of the funds appropriated in this act to the Judicial Department,  
31 the sum of five hundred thousand dollars (\$500,000) in the 2013-2014 fiscal year shall be  
32 allocated to the Conference of District Attorneys and shall be used to establish pilot programs  
33 in Prosecutorial Districts 17A (Rockingham County) and 19D (Moore County) to provide the  
34 district attorneys in those districts with the resources to obtain toxicology analysis from local  
35 hospitals on persons charged with driving while impaired whose conduct did not result in  
36 serious injury or death to others. The Conference of District Attorneys shall report on the  
37 results of the pilot programs to the Chairs of the Joint Legislative Oversight Committee on  
38 Justice and Public Safety by February 1, 2014.

### 39 40 **MODIFY LEGAL AID DOMESTIC VIOLENCE REPORT**

41 **SECTION 18B.5.** G.S. 7A-474.20 reads as rewritten:  
42 "**§ 7A-474.20. Records and reports.**

43 The established legal services programs shall keep appropriate records and make periodic  
44 reports, as requested, to the North Carolina State Bar. The North Carolina State Bar shall report  
45 annually to the General Assembly Chairs of the Joint Legislative Oversight Committee on  
46 Justice and Public Safety on the amount of the funds disbursed and the use of the funds by each  
47 legal services program receiving funds. The report to the General Assembly Chairs of the Joint  
48 Legislative Oversight Committee on Justice and Public Safety shall be made by January 15 of  
49 each year beginning January 15, 2006."

### 50 51 **FAMILY COURT PROGRAMS**

1           **SECTION 18B.6.** The Administrative Office of the Courts shall provide direction  
2 and oversight to the existing family court programs in order to ensure that each district with a  
3 family court program is utilizing best practices and is working effectively and efficiently in the  
4 disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report  
5 on its efforts in this regard and the results of those efforts to the Chairs of the House of  
6 Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate  
7 Appropriations Committee on Justice and Public Safety, and the Joint Legislative Oversight  
8 Committee on Justice and Public Safety by March 1, 2014.

#### 9 10 **MAGISTRATE DISTRIBUTION FORMULA**

11           **SECTION 18B.7.** The Administrative Office of the Courts, in consultation with  
12 the National Center for State Courts, shall study its current formula for the distribution of  
13 magistrates across the State and consider revisions to that formula designed to take into account  
14 regional differences, travel considerations, and the potential for regionalizing magistrates. The  
15 Administrative Office of the Courts shall report its findings and recommendations to the Chairs  
16 of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2014.

#### 17 18 **JUDICIAL FORMS SHALL CONFORM TO JUSTICE REINVESTMENT CHANGES**

19           **SECTION 18B.9.** The Administrative Office of the Courts shall ensure that all  
20 judicial forms being used in the General Court of Justice conform to all of the changes made in  
21 the law with the enactment of the Justice Reinvestment Act of 2011, S.L. 2011-192, as  
22 amended.

#### 23 24 **CRIMINAL CASE INFORMATION SYSTEM FOR PUBLIC DEFENDERS**

25           **SECTION 18B.10.** The Administrative Office of the Courts, in consultation with  
26 the Office of Indigent Defense Services, shall use the sum of three hundred fifty thousand  
27 dollars (\$350,000) in funds available to the Administrative Office of the Courts for the  
28 2013-2015 fiscal biennium and the sum of three hundred fifty thousand dollars (\$350,000) in  
29 funds available to the Office of Indigent Defense Services for the 2013-2015 fiscal biennium to  
30 develop or acquire and to implement a component of the Department's criminal case  
31 information system for use by public defenders no later than February 1, 2015. The  
32 Administrative Office of the Courts shall make an interim report on the development and  
33 implementation of this system by February 1, 2014, and a final report on the completed  
34 implementation of the system by March 1, 2015.

#### 35 36 **CLERKS' ACCEPTANCE OF CREDIT CARDS**

37           **SECTION 18B.11.** The Judicial Department shall begin implementation of a  
38 cost-effective system for the acceptance of credit card payments for court costs to clerks of  
39 superior court as provided under this subsection. The Judicial Department shall select at least  
40 five counties that do not currently accept credit card payments, representing a balance of the  
41 urban and rural areas of the State, and shall implement the system in those counties by January  
42 1, 2015. The Department shall report on this implementation and on its plans for implementing  
43 the system in the remaining counties to the Chairs of the Joint Legislative Oversight Committee  
44 on Justice and Public Safety by February 1, 2015.

#### 45 46 **AMEND CLASS 3 MISDEMEANOR SENTENCES**

47           **SECTION 18B.13.(a)** G.S. 15A-1340.23 reads as rewritten:

48 **"§ 15A-1340.23. Punishment limits for each class of offense and prior conviction level.**

49           (a) Offense Classification; Default Classifications. – The offense classification is as  
50 specified in the offense for which the sentence is being imposed. If the offense is a  
51 misdemeanor for which there is no classification, it is as classified in G.S. 14-3.



(b) Fines. – Any judgment that includes a sentence of imprisonment may also include a fine. Additionally, when the defendant is other than an individual, the judgment may consist of a fine only. If a community punishment is authorized, the judgment may consist of a fine only. Unless otherwise provided for a specific offense, the maximum fine that may be imposed is two hundred dollars (\$200.00) for a Class 3 misdemeanor and one thousand dollars (\$1,000) for a Class 2 misdemeanor. The amount of the fine for a Class 1 misdemeanor and a Class A1 misdemeanor is in the discretion of the court.

(c) Punishment for Each Class of Offense and Prior Conviction Level; Punishment Chart Described. – Unless otherwise provided for a specific offense, the authorized punishment for each class of offense and prior conviction level is as specified in the chart below. Prior conviction levels are indicated by the Roman numerals placed horizontally on the top of the chart. Classes of offenses are indicated by the Arabic numbers placed vertically on the left side of the chart. Each grid on the chart contains the following components:

- (1) A sentence disposition or dispositions: "C" indicates that a community punishment is authorized; "I" indicates that an intermediate punishment is authorized; and "A" indicates that an active punishment is authorized; and
- (2) A range of durations for the sentence of imprisonment: any sentence within the duration specified is permitted.

PRIOR CONVICTION LEVELS

MISDEMEANOR

OFFENSE CLASS	<u>LEVEL I</u> No Prior Convictions	<u>LEVEL II</u> One to Four Prior Convictions	<u>LEVEL III</u> Five or More Prior Convictions
A1	1-60 days C/I/A	1-75 days C/I/A	1-150 days C/I/A
1	1-45 days C	1-45 days C/I/A	1-120 days C/I/A
2	1-30 days C	1-45 days C/I	1-60 days C/I/A
3	1-10 days C	<del>1-15 days C/A</del> 1-15 days C <u>if one to three prior convictions</u> 1-15 days C/I if four prior convictions	1-20 days C/I/A.

(d) Fine Only for Certain Class 3 Misdemeanors. – Unless otherwise provided for a specific offense, the judgment for a person convicted of a Class 3 misdemeanor who has no more than three prior convictions shall consist only of a fine."

**SECTION 18B.13.(b)** This section becomes effective December 1, 2013. Prosecutions for offenses committed before the effective date of this section are not abated or affected by this section, and the statutes that would be applicable but for this section remain applicable to those prosecutions.

**RECLASSIFICATION OF CERTAIN CLASS 1 AND CLASS 2 MISDEMEANORS AS CLASS 3 MISDEMEANORS**

**SECTION 18B.14.(a)** G.S. 14-106 reads as rewritten:

"§ 14-106. **Obtaining property in return for worthless check, draft or order.**

Every person who, with intent to cheat and defraud another, shall obtain money, credit, goods, wares or any other thing of value by means of a check, draft or order of any kind upon any bank, person, firm or corporation, not indebted to the drawer, or where he has not provided for the payment or acceptance of the same, and the same be not paid upon presentation, shall be guilty of a ~~Class 2 misdemeanor~~. Class 3 misdemeanor. The giving of the aforesaid worthless check, draft, or order shall be prima facie evidence of an intent to cheat and defraud."

**SECTION 18B.14.(b)** G.S. 14-107(d) reads as rewritten:

1 "(d) A violation of this section is a Class I felony if the amount of the check or draft is  
2 more than two thousand dollars (\$2,000). If the amount of the check or draft is two thousand  
3 dollars (\$2,000) or less, a violation of this section is a misdemeanor punishable as follows:

4 (1) Except as provided in subdivision (3) or (4) of this subsection, the person is  
5 guilty of a ~~Class 2 misdemeanor~~Class 3 misdemeanor. Provided, however, if  
6 the person has been convicted three times of violating this section, the  
7 person shall on the fourth and all subsequent convictions (i) be punished as  
8 for a Class 1 misdemeanor and (ii) be ordered, as a condition of probation, to  
9 refrain from maintaining a checking account or making or uttering a check  
10 for three years.

11 (2) Repealed by Session Laws 1999-408, s. 1.

12 (3) If the check or draft is drawn upon a nonexistent account, the person is  
13 guilty of a Class 1 misdemeanor.

14 (4) If the check or draft is drawn upon an account that has been closed by the  
15 drawer, or that the drawer knows to have been closed by the bank or  
16 depository, prior to time the check is drawn, the person is guilty of a Class 1  
17 misdemeanor."

18 **SECTION 18B.14.(c)** G.S. 14-167 reads as rewritten:

19 **"§ 14-167. Failure to return hired property.**

20 Any person who shall rent or hire, any horse, mule or other like animal, or any buggy,  
21 wagon, truck, automobile, or other vehicle, aircraft, motor, trailer, appliance, equipment, tool,  
22 or other thing of value, and who shall willfully fail to return the same to the possession of the  
23 person, firm or corporation from whom such property has been rented or hired at the expiration  
24 of the time for which such property has been rented or hired, shall be guilty of a ~~Class 2~~  
25 ~~misdemeanor~~Class 3 misdemeanor.

26 If the value at the time of the rental or hiring of the truck, automobile, or other motor  
27 vehicle that is not returned is in excess of four thousand dollars (\$4,000), the person who rented  
28 or hired it and failed to return it shall be guilty of a Class H felony."

29 **SECTION 18B.14.(d)** G.S. 14-168.1 reads as rewritten:

30 **"§ 14-168.1. Conversion by bailee, lessee, tenant or attorney-in-fact.**

31 Every person entrusted with any property as bailee, lessee, tenant or lodger, or with any  
32 power of attorney for the sale or transfer thereof, who fraudulently converts the same, or the  
33 proceeds thereof, to his own use, or secretes it with a fraudulent intent to convert it to his own  
34 use, shall be guilty of a ~~Class 1 misdemeanor~~Class 3 misdemeanor.

35 If, however, the value of the property converted or secreted, or the proceeds thereof, is in  
36 excess of four hundred dollars (\$400.00), every person so converting or secreting it is guilty of  
37 a Class H felony. In all cases of doubt the jury shall, in the verdict, fix the value of the property  
38 converted or secreted."

39 **SECTION 18B.14.(e)** G.S. 14-168.4(a) reads as rewritten:

40 "(a) It shall be a ~~Class 2 misdemeanor~~Class 3 misdemeanor for any person to fail to  
41 return rented property with intent to defeat the rights of the owner, which is rented pursuant to a  
42 written rental agreement in which there is an option to purchase the property, after the date of  
43 termination provided in the agreement has occurred or, if the termination date is the occurrence  
44 of a specified event, then that such event has in fact occurred."

45 **SECTION 18B.14.(f)** G.S. 20-28(a) reads as rewritten:

46 "(a) Driving While License Revoked. – Except as provided in subsection (a1) of this  
47 section, any person whose drivers license has been revoked who drives any motor vehicle upon  
48 the highways of the State while the license is revoked is guilty of a Class 3 misdemeanor unless  
49 the person's license was originally revoked for an impaired driving revocation, in which case  
50 the person is guilty of a Class 1 misdemeanor. Upon conviction, the person's license shall be

1 revoked for an additional period of one year for the first offense, two years for the second  
2 offense, and permanently for a third or subsequent offense.

3 If the person's license was originally revoked for an impaired driving revocation, the court  
4 may order as a condition of probation that the offender abstain from alcohol consumption and  
5 verify compliance by use of a continuous alcohol monitoring system, of a type approved by the  
6 Division of Adult Correction of the Department of Public Safety, for a minimum period of 90  
7 days.

8 The restoree of a revoked drivers license who operates a motor vehicle upon the highways  
9 of the State without maintaining financial responsibility as provided by law shall be punished  
10 as for driving without a license."

11 **SECTION 18B.14.(g)** G.S. 20-35 reads as rewritten:

12 **"§ 20-35. Penalties for violating Article; defense to driving without a license.**

13 (a) Penalty. – ~~A~~Except as otherwise provided in subsection (a1) of this section, a  
14 violation of this Article is a Class 2 misdemeanor unless a statute in the Article sets a different  
15 punishment for the violation. If a statute in this Article sets a different punishment for a  
16 violation of the Article, the different punishment applies.

17 (a1) The following offenses are Class 3 misdemeanors:

- 18 (1) Failure to obtain a license before driving a motor vehicle, in violation of  
19 G.S. 20-7(a).
- 20 (2) Failure to carry a valid license while driving a motor vehicle, in violation of  
21 G.S. 20-7(a).
- 22 (3) Failure to comply with license restrictions, in violation of G.S. 20-7(e).
- 23 (4) Operation of a motor vehicle with an expired license, in violation of  
24 G.S. 20-7(f).
- 25 (5) Failure to notify the Division of Motor Vehicles of an address change for a  
26 drivers license within 60 days after the change occurs, in violation of  
27 G.S. 20-7.1.
- 28 (6) Permitting a motor vehicle owned by the person to be operated by an  
29 unlicensed person, in violation of G.S. 20-34.

30 ...."

31 **SECTION 18B.14.(h)** G.S. 20-176 reads as rewritten:

32 **"§ 20-176. Penalty for misdemeanor or infraction.**

33 (a) Violation of a provision of Part 9, 10, 10A, or 11 of this Article is an infraction  
34 unless the violation is specifically declared by law to be a misdemeanor or felony. Violation of  
35 the remaining Parts of this Article is a misdemeanor unless the violation is specifically declared  
36 by law to be an infraction or a felony.

37 (b) Unless a specific penalty is otherwise provided by law, a person found responsible  
38 for an infraction contained in this Article may be ordered to pay a penalty of not more than one  
39 hundred dollars (\$100.00).

40 (c) ~~Unless~~Except as otherwise provided in subsection (c2) of this section, and unless a  
41 specific penalty is otherwise provided by law, a person convicted of a misdemeanor contained  
42 in this Article is guilty of a Class 2 misdemeanor. A punishment is specific for purposes of this  
43 subsection if it contains a quantitative limit on the term of imprisonment or the amount of fine a  
44 judge can impose.

45 (c1) Notwithstanding any other provision of law, no person convicted of a misdemeanor  
46 for the violation of any provision of this Chapter except G.S. 20-28(a) and (b), G.S. 20-141(j),  
47 G.S. 20-141.3(b) and (c), G.S. 20-141.4, or a second or subsequent conviction of G.S. 20-138.1  
48 shall be imprisoned in the State prison system unless the person previously has been  
49 imprisoned in a local confinement facility, as defined by G.S. 153A-217(5), for a violation of  
50 this Chapter.

51 (c2) A person who does any of the following is guilty of a Class 3 misdemeanor:

- 1 (1) Fails to carry the registration card in the vehicle, in violation of  
2 G.S. 20-57(c).  
3 (2) Fails to sign the vehicle registration card, in violation of G.S. 20-57(c).  
4 (3) Fails to notify the Division of Motor Vehicles of an address change for a  
5 vehicle registration card within 60 days after the change occurs, in violation  
6 of G.S. 20-67.

7 (d) For purposes of determining whether a violation of an offense contained in this  
8 Chapter constitutes negligence per se, crimes and infractions shall be treated identically."

9 **SECTION 18B.14.(i)** G.S. 20-111 reads as rewritten:

10 **"§ 20-111. Violation of registration provisions.**

11 It shall be unlawful for any person to commit any of the following acts:

- 12 (1) To drive a vehicle on a highway, or knowingly permit a vehicle owned by  
13 that person to be driven on a highway, when the vehicle is not registered  
14 with the Division in accordance with this Article or does not display a  
15 current registration plate. Violation of this subdivision is a Class 3  
16 misdemeanor.  
17 (2) To display or cause or permit to be displayed or to have in possession any  
18 registration card, certificate of title or registration number plate knowing the  
19 same to be fictitious or to have been canceled, revoked, suspended or  
20 altered, or to willfully display an expired license or registration plate on a  
21 vehicle knowing the same to be expired. Violation of this subdivision is a  
22 Class 3 misdemeanor.  
23 (3) The giving, lending, or borrowing of a license plate for the purpose of using  
24 same on some motor vehicle other than that for which issued shall make the  
25 giver, lender, or borrower guilty of a Class 3 misdemeanor. Where license  
26 plate is found being improperly used, such plate or plates shall be revoked or  
27 canceled, and new license plates must be purchased before further operation  
28 of the motor vehicle.  
29 (4) To fail or refuse to surrender to the Division, upon demand, any title  
30 certificate, registration card or registration number plate which has been  
31 suspended, canceled or revoked as in this Article provided. Service of the  
32 demand shall be in accordance with G.S. 20-48.  
33 (5) To use a false or fictitious name or address in any application for the  
34 registration of any vehicle or for a certificate of title or for any renewal or  
35 duplicate thereof, or knowingly to make a false statement or knowingly to  
36 conceal a material fact or otherwise commit a fraud in any such application.  
37 A violation of this subdivision shall constitute a Class 1 misdemeanor.  
38 (6) To give, lend, sell or obtain a certificate of title for the purpose of such  
39 certificate being used for any purpose other than the registration, sale, or  
40 other use in connection with the vehicle for which the certificate was issued.  
41 Any person violating the provisions of this subdivision shall be guilty of a  
42 Class 2 misdemeanor."

43 **SECTION 18B.14.(j)** G.S. 20-127(d) reads as rewritten:

44 "(d) Violations. – A person who does any of the following commits a ~~misdemeanor of~~  
45 ~~the class set in G.S. 20-176:~~ Class 3 misdemeanor:

- 46 (1) Applies tinting to the window of a vehicle that is subject to a safety  
47 inspection in this State and the resulting tinted window does not meet the  
48 window tinting restrictions set in this section.  
49 (2) Drives on a highway or a public vehicular area a vehicle that has a window  
50 that does not meet the window tinting restrictions set in this section."

51 **SECTION 18B.14.(k)** G.S. 20-141(j1) reads as rewritten:

1 "(j1) A person who drives a vehicle on a highway at a speed that is either more than 15  
2 miles per hour more than the speed limit established by law for the highway where the offense  
3 occurred or over 80 miles per hour is guilty of a ~~Class 2 misdemeanor.~~ Class 3 misdemeanor."

4 **SECTION 18B.14.(l)** G.S. 20-313(a) reads as rewritten:

5 "(a) On or after July 1, 1963, any owner of a motor vehicle registered or required to be  
6 registered in this State who shall operate or permit such motor vehicle to be operated in this  
7 State without having in full force and effect the financial responsibility required by this Article  
8 shall be guilty of a ~~Class 1 misdemeanor.~~ Class 3 misdemeanor."

9 **SECTION 18B.14.(m)** G.S. 113-135(a) reads as rewritten:

10 "(a) Any person who violates any provision of this Subchapter or any rule adopted by  
11 the Marine Fisheries Commission or the Wildlife Resources Commission, as appropriate,  
12 pursuant to the authority of this Subchapter, is guilty of a misdemeanor except that punishment  
13 for violation of the rules of the Wildlife Resources Commission is limited as set forth in  
14 G.S. 113-135.1. Unless Fishing without a license in violation of G.S. 113-174.1(a) or  
15 G.S. 113-270.1B(a) is punishable as a Class 3 misdemeanor. Otherwise, unless a different level  
16 of punishment is elsewhere set out, anyone convicted of a misdemeanor under this section is  
17 punishable as follows:

18 (1) For a first conviction, as a Class 3 misdemeanor.

19 (2) For a second or subsequent conviction within three years, as a Class 2  
20 misdemeanor."

21 **SECTION 18B.14.(n)** This section becomes effective December 1, 2013.  
22 Prosecutions for offenses committed before the effective date of this section are not abated or  
23 affected by this section, and the statutes that would be applicable but for this section remain  
24 applicable to those prosecutions.

## 25 **RECLASSIFY CERTAIN VIOLATIONS OF THE BOATING SAFETY ACT FROM** 26 **CLASS 3 MISDEMEANORS TO INFRACTIONS**

27 **SECTION 18B.15.(a)** G.S. 75A-6.1 reads as rewritten:

28 "(c) Violation of the navigation rules specified in subsection (a) of this section shall  
29 constitute a ~~Class 3 misdemeanor and is punishable only by a fine not to exceed one hundred~~  
30 ~~dollars (\$100.00).~~ an infraction as provided in G.S. 14-3.1."

31 **SECTION 18B.15.(b)** G.S. 75A-13.1 reads as rewritten:

32 **"§ 75A-13.1. Skin and scuba divers.**

33 (a) No person shall engage in skin diving or scuba diving in the waters of this State that  
34 are open to boating, or assist in such diving, without displaying a diver's flag from a mast,  
35 buoy, or other structure at the place of diving; and no person shall display such flag except  
36 when diving operations are under way or in preparation.

37 (b) The diver's flag shall be square, not less than 12 inches on a side, and shall be of red  
38 background with a diagonal white stripe, of a width equal to one fifth of the flag's height,  
39 running from the upper corner adjacent to the mast downward to the opposite outside corner.

40 (c) No operator of a vessel under way in the waters of this State shall permit the vessel  
41 to approach closer than 50 feet to any structure from which a diver's flag is then being  
42 displayed, except where the flag is so positioned as to constitute an unreasonable obstruction to  
43 navigation; and no person shall engage in skin diving or scuba diving or display a diver's flag in  
44 any locality that will unreasonably obstruct vessels from making legitimate navigational use of  
45 the water.

46 (d) A person who violates a provision of this section is ~~guilty of a Class 3 misdemeanor~~  
47 ~~and shall only be subject to a fine not to exceed twenty-five dollars (\$25.00).~~ responsible for an  
48 infraction as provided in G.S. 14-3.1."

49 **SECTION 18B.15.(c)** G.S. 75A-13.3(c3) reads as rewritten:  
50

1 "(c3) A vessel livery shall provide the operator of a leased personal watercraft with basic  
2 safety instruction prior to allowing the operation of the leased personal watercraft. "Basic safety  
3 instruction" shall include direction on how to safely operate the personal watercraft and a  
4 review of the safety provisions of this section. A vessel livery that fails to provide basic safety  
5 instruction is ~~guilty of a Class 3 misdemeanor~~ responsible for an infraction as provided in  
6 G.S. 14-3.1."

7 **SECTION 18B.15.(d)** G.S. 75A-17(f) reads as rewritten:

8 "(f) Vessels operated on the waters of this State shall slow to a no-wake speed when  
9 passing within 100 feet of a law enforcement vessel that is displaying a flashing blue light  
10 unless the vessel is in a narrow channel. Vessels operated on the waters of this State in a  
11 narrow channel shall slow to a no-wake speed when passing within 50 feet of a law  
12 enforcement vessel that is displaying a flashing blue light. A person who violates this  
13 subsection is ~~guilty of a Class 3 misdemeanor~~ responsible for an infraction as provided in  
14 G.S. 14-3.1."

15 **SECTION 18B.15.(e)** G.S. 75A-18(a) reads as rewritten:

16 "(a) Except as otherwise provided, a person who violates a provision of this Article or  
17 who violates a rule adopted under authority of this Chapter is ~~guilty of a Class 3 misdemeanor~~  
18 ~~and shall only be subject to a fine not to exceed two hundred and fifty dollars (\$250.00) for~~  
19 ~~each violation~~ responsible for an infraction as provided in G.S. 14-3.1. This limitation shall not  
20 apply in a case where a more severe penalty is prescribed in this Chapter."

21 **SECTION 18B.15.(f)** This section becomes effective December 1, 2013.  
22 Prosecutions for offenses committed before the effective date of this section are not abated or  
23 affected by this section, and the statutes that would be applicable but for this section remain  
24 applicable to those prosecutions.  
25

## 26 EXPUNCTION FEES

27 **SECTION 18B.16.(a)** G.S. 15A-145(e) reads as rewritten:

28 "(e) A person who files a petition for expunction of a criminal record under this section  
29 must pay the clerk of superior court a fee of ~~one hundred twenty-five dollars (\$125.00)~~ one  
30 hundred seventy-five dollars (\$175.00) at the time the petition is filed. Fees collected under this  
31 subsection ~~shall be deposited in the General Fund~~ are payable to the Administrative Office of  
32 the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty  
33 cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs of  
34 criminal record checks performed in connection with processing petitions for expunctions  
35 under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be  
36 retained by the Administrative Office of the Courts and used to pay the costs of processing  
37 petitions for expunctions under this section. This subsection does not apply to petitions filed by  
38 an indigent."

39 **SECTION 18B.16.(b)** G.S. 15A-145.1 is amended by adding a new subsection to  
40 read:

41 "(d) A person who files a petition for expunction of a criminal record under this section  
42 must pay the clerk of superior court a fee of one hundred seventy-five dollars (\$175.00) at the  
43 time the petition is filed. Fees collected under this subsection are payable to the Administrative  
44 Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars  
45 and fifty cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs  
46 of criminal record checks performed in connection with processing petitions for expunctions  
47 under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be  
48 retained by the Administrative Office of the Courts and used to pay the costs of processing  
49 petitions for expunctions under this section. This subsection does not apply to petitions filed by  
50 an indigent."

51 **SECTION 18B.16.(c)** G.S. 15A-145.2(d) reads as rewritten:

1       "(d) A person who files a petition for expunction of a criminal record under this section  
2 must pay the clerk of superior court a fee of ~~sixty-five dollars (\$65.00)~~ one hundred  
3 seventy-five dollars (\$175.00) at the time the petition is filed. Fees collected under this  
4 subsection ~~shall be deposited in the General Fund.~~ are payable to the Administrative Office of  
5 the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty  
6 cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs of  
7 criminal record checks performed in connection with processing petitions for expunctions  
8 under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be  
9 retained by the Administrative Office of the Courts and used to pay the costs of processing  
10 petitions for expunctions under this section. This subsection does not apply to petitions filed by  
11 an indigent."

12       **SECTION 18B.16.(d)** G.S. 15A-145.3 is amended by adding a new subsection to  
13 read:

14       "(d) A person who files a petition for expunction of a criminal record under this section  
15 must pay the clerk of superior court a fee of one hundred seventy-five dollars (\$175.00) at the  
16 time the petition is filed. Fees collected under this subsection are payable to the Administrative  
17 Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars  
18 and fifty cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs  
19 of criminal record checks performed in connection with processing petitions for expunctions  
20 under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be  
21 retained by the Administrative Office of the Courts and used to pay the costs of processing  
22 petitions for expunctions under this section. This subsection does not apply to petitions filed by  
23 an indigent."

24       **SECTION 18B.16.(e)** G.S. 15A-145.4 is amended by adding a new subsection to  
25 read:

26       "(j) A person who files a petition for expunction of a criminal record under this section  
27 must pay the clerk of superior court a fee of one hundred seventy-five dollars (\$175.00) at the  
28 time the petition is filed. Fees collected under this subsection are payable to the Administrative  
29 Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars  
30 and fifty cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs  
31 of criminal record checks performed in connection with processing petitions for expunctions  
32 under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be  
33 retained by the Administrative Office of the Courts and used to pay the costs of processing  
34 petitions for expunctions under this section. This subsection does not apply to petitions filed by  
35 an indigent."

36       **SECTION 18B.16.(f)** G.S. 15A-146 is amended by adding a new subsection to  
37 read:

38       "(d) A person charged with a crime that is dismissed pursuant to compliance with a  
39 deferred prosecution agreement and who files a petition for expunction of a criminal record  
40 under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars  
41 (\$175.00) at the time the petition is filed. Fees collected under this subsection are payable to the  
42 Administrative Office of the Courts. The clerk of superior court shall remit one hundred  
43 twenty-two dollars and fifty cents (\$122.50) of each fee to the North Carolina Department of  
44 Justice for the costs of criminal record checks performed in connection with processing  
45 petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents  
46 (\$52.50) of each fee shall be retained by the Administrative Office of the Courts and used to  
47 pay the costs of processing petitions for expunctions under this section. This subsection does  
48 not apply to petitions filed by an indigent."

49       **SECTION 18B.16.(g)** The receipts generated by the fees imposed under this  
50 section are appropriated to the Administrative Office of the Courts and the Department of  
51 Justice for the 2013-2014 fiscal year and for the 2014-2015 fiscal year and may be used to

1 assist with the cost of processing petitions for expunctions and conducting the criminal  
2 background checks required for expunctions. The Department of Justice may also use up to one  
3 million four hundred thousand dollars (\$1,400,000) of the revenue generated by the fees  
4 appropriated to the Department of Justice under this section to create and support up to five  
5 new staff positions to help process petitions for expunction and conduct criminal record checks  
6 required for those petitions.

7 **SECTION 18B.16.(h)** Subsections (a) through (f) of this section become effective  
8 December 1, 2013, and apply to petitions for expunction filed on or after that date.

#### 10 **AMEND MOTION FEES**

11 **SECTION 18B.17.(a)** G.S. 7A-305(f) reads as rewritten:

12 "(f) For the support of the General Court of Justice, the sum of twenty dollars (\$20.00)  
13 shall accompany any filing ~~containing one or more motions of a notice of hearing on a motion~~  
14 not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of  
15 hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys'  
16 fees. No more than one fee shall be assessed for any motion for which a notice of hearing is  
17 filed, regardless of whether the hearing is continued, rescheduled, or otherwise delayed."

18 **SECTION 18B.17.(b)** G.S. 7A-306(g) reads as rewritten:

19 "(g) For the support of the General Court of Justice, the sum of twenty dollars (\$20.00)  
20 shall accompany any filing ~~containing one or more motions of a notice of hearing on a motion~~  
21 not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of  
22 hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys'  
23 fees. No more than one fee shall be assessed for any motion for which a notice of hearing is  
24 filed, regardless of whether the hearing is continued, rescheduled, or otherwise delayed."

25 **SECTION 18B.17.(c)** G.S. 7A-307(a)(4) reads as rewritten:

26 "(4) For the support of the General Court of Justice, the sum of twenty dollars  
27 (\$20.00) shall accompany any filing ~~requiring a notice of hearing and~~  
28 ~~containing one or more motions of a notice of hearing on a motion~~ not listed  
29 in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a  
30 notice of hearing on a motion containing as a sole claim for relief the taxing  
31 of costs, including attorneys' fees. No more than one fee shall be assessed for  
32 any motion for which a notice of hearing is filed, regardless of whether the  
33 hearing is continued, rescheduled, or otherwise delayed."

34 **SECTION 18B.17.(d)** This section becomes effective August 1, 2013, and applies  
35 to notices of hearing on a motion not listed in G.S. 7A-308 filed on or after that date.

#### 37 **CRIMINAL JUSTICE EDUCATION AND STANDARDS COMMISSION COURT FEE**

38 **SECTION 18B.18.(a)** G.S. 7A-304(a) reads as rewritten:

39 "(a) In every criminal case in the superior or district court, wherein the defendant is  
40 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the  
41 prosecuting witness, the following costs shall be assessed and collected. No costs may be  
42 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of  
43 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs  
44 assessed under this section or (ii) waive or reduce costs assessed under subdivisions (7) or (8)  
45 of this section.

46 ...

47 (3b) For the services, staffing, and operations of the Criminal Justice Education  
48 and Standards ~~Commission and the Sheriffs' Education and Training~~  
49 ~~Standards Commission~~, the sum of two dollars (\$2.00) to be remitted to the  
50 Department of Justice. ~~One dollar and thirty cents (\$1.30) of this sum shall~~  
51 ~~be used exclusively for the Criminal Justice Education and Standards~~



1 Commission, and seventy cents (70¢) shall be used exclusively for the  
2 Sheriffs' Education and Training Standards Commission.

3 ...."

4 **SECTION 18B.18.(b)** This section becomes effective July 1, 2013, and applies to  
5 all costs assessed or collected on or after that date.

6  
7 **COURT COSTS FOR SERVICES OF EXPERT WITNESS PROVIDING TESTIMONY**  
8 **ABOUT A CHEMICAL OR FORENSIC ANALYSIS AT TRIAL**

9 **SECTION 18B.19.(a)** G.S. 7A-304(a) reads as rewritten:

10 "(a) In every criminal case in the superior or district court, wherein the defendant is  
11 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the  
12 prosecuting witness, the following costs shall be assessed and collected. No costs may be  
13 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of  
14 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs  
15 assessed under this section or (ii) waive or reduce costs assessed under ~~subdivisions (7) or~~  
16 ~~(8)~~subdivision (7), (8), (11), or (12) of this section.

17 ...

18 (11) For the services of an expert witness employed by the North Carolina State  
19 Crime Laboratory who completes a chemical analysis pursuant to  
20 G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides  
21 testimony about that analysis in a defendant's trial, the district or superior  
22 court judge shall, upon conviction of the defendant, order payment of the  
23 sum of six hundred dollars (\$600.00) to be remitted to the Department of  
24 Justice for support of the State Crime Laboratory. This cost shall be assessed  
25 only in cases in which the expert witness provides testimony about the  
26 chemical or forensic analysis in the defendant's trial and shall be in addition  
27 to any cost assessed under subdivision (7) of this subsection.

28 (12) For the services of an expert witness employed by a crime laboratory  
29 operated by a local government or group of local governments who  
30 completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic  
31 analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis  
32 in a defendant's trial, the district or superior court judge shall, upon  
33 conviction of the defendant, order payment of the sum of six hundred dollars  
34 (\$600.00) to be remitted to the general fund of the local governmental unit  
35 that operates the laboratory to be used for local law enforcement. This cost  
36 shall be assessed only in cases in which the expert witness provides  
37 testimony about the chemical or forensic analysis in the defendant's trial and  
38 shall be in addition to any cost assessed under subdivision (8) of this  
39 subsection."

40 **SECTION 18B.19.(b)** This section becomes effective July 1, 2013, and applies to  
41 fees assessed or collected on or after that date.

42  
43 **REIMBURSEMENT FOR USE OF PERSONAL VEHICLES**

44 **SECTION 18B.20.** Notwithstanding the provisions of G.S. 138-6(a)(1), the  
45 Judicial Department, during the 2013-2015 fiscal biennium, may elect to establish a per-mile  
46 reimbursement rate for transportation by privately owned vehicles at a rate less than the  
47 business standard mileage rate set by the Internal Revenue Service.

48  
49 **STUDY USE AND COMPENSATION OF COURT REPORTERS**

50 **SECTION 18B.21.** The Administrative Office of the Courts, in consultation with  
51 the National Center for State Courts, shall study the most effective and efficient deployment of

1 court reporters to produce timely records of court proceedings and the most appropriate and  
 2 effective compensation for court reporters. The Administrative Office of the Courts shall report  
 3 its findings and recommendations to the Chairs of the Joint Legislative Oversight Committee  
 4 on Justice and Public Safety by February 1, 2014.

5  
 6 **CONSOLIDATE DISTRICT COURT AND PROSECUTORIAL DISTRICTS 6A AND**  
 7 **6B/RESTRUCTURE SUPERIOR COURT, DISTRICT COURT, AND**  
 8 **PROSECUTORIAL DISTRICTS 16A, 19B, AND 20A/AUTHORIZE ADDITIONAL**  
 9 **DISTRICT COURT JUDGE FOR DISTRICT COURT DISTRICT 27B**

10 **SECTION 18B.22.(a)** G.S. 7A-41(a) reads as rewritten:

11 "(a) The counties of the State are organized into judicial divisions and superior court  
 12 districts, and each superior court district has the counties, and the number of regular resident  
 13 superior court judges set forth in the following table, and for districts of less than a whole  
 14 county, as set out in subsection (b) of this section:

Judicial Division	Superior Court District	Counties	No. of Resident Judges
First	1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	2
First	2	Beaufort, Hyde, Martin, Tyrrell, Washington	1
First	3A	Pitt	2
Second	3B	Carteret, Craven, Pamlico	3
Second	4A	Duplin, Jones, Sampson	1
Second	4B	Onslow	1
Second	5A	(part of New Hanover, part of Pender see subsection (b))	1
	5B	(part of New Hanover, part of Pender see subsection (b))	1
	5C	(part of New Hanover, see subsection (b))	1
First	6A	Halifax	1
First	6B	Bertie, Hertford, Northampton	1
First	7A	Nash	1
First	7B	(part of Wilson, part of Edgecombe, see subsection (b))	1
First	7C	(part of Wilson, part of Edgecombe, see subsection (b))	1

1	Second	8A	Lenoir and Greene	1
2	Second	8B	Wayne	1
3	Third	9	Franklin, Granville,	2
4			Vance, Warren	
5	Third	9A	Person, Caswell	1
6	Third	10A	(part of Wake,	1
7			see subsection (b))	
8	Third	10B	(part of Wake,	1
9			see subsection (b))	
10	Third	10C	(part of Wake,	1
11			see subsection (b))	
12	Third	10D	(part of Wake,	1
13			see subsection (b))	
14	Third	10E	(part of Wake,	1
15			see subsection (b))	
16	Third	10F	(part of Wake,	1
17			see subsection (b))	
18	Fourth	11A	Harnett,	1
19			Lee	
20	Fourth	11B	Johnston	1
21	Fourth	12A	(part of Cumberland,	1
22			see subsection (b))	
23	Fourth	12B	(part of Cumberland,	1
24			see subsection (b))	
25	Fourth	12C	(part of Cumberland,	2
26			see subsection (b))	
27	Fourth	13A	Bladen, Columbus	1
28	Fourth	13B	Brunswick	1
29	Third	14A	(part of Durham,	1
30			see subsection (b))	
31	Third	14B	(part of Durham,	3
32			see subsection (b))	
33	Third	15A	Alamance	2
34	Third	15B	Orange, Chatham	2
35	Fourth	16A	<u>Anson, Richmond,</u>	
36			Scotland, Hoke	<del>1</del> <sub>2</sub>
37	Fourth	16B	Robeson	2
38	Fifth	17A	Rockingham	2
39	Fifth	17B	Stokes, Surry	2
40	Fifth	18A	(part of Guilford,	1
41			see subsection (b))	
42	Fifth	18B	(part of Guilford,	1
43			see subsection (b))	
44	Fifth	18C	(part of Guilford,	1
45			see subsection (b))	
46	Fifth	18D	(part of Guilford,	1
47			see subsection (b))	
48	Fifth	18E	(part of Guilford,	1
49			see subsection (b))	
50	Sixth	19A	Cabarrus	1
51	Fifth	19B	Montgomery, Randolph	1

1	Sixth	19C	Rowan	1
2	<del>Fifth</del> <u>Fourth</u>	19D	Moore	1
3	Sixth	20A	<del>Anson, Richmond,</del>	<del>2</del> <u>1</u>
4			<del>Stanley</del> <u>Stanly</u>	
5	Sixth	20B	Union	2
6	Fifth	21A	(part of Forsyth,	1
7			see subsection (b))	
8	Fifth	21B	(part of Forsyth,	1
9			see subsection (b))	
10	Fifth	21C	(part of Forsyth,	1
11			see subsection (b))	
12	Fifth	21D	(part of Forsyth,	1
13			see subsection (b))	
14	Sixth	22A	Alexander, Iredell	2
15	Sixth	22B	Davidson, Davie	2
16	Fifth	23	Alleghany, Ashe,	1
17			Wilkes, Yadkin	
18	Eighth	24	Avery, Madison,	2
19			Mitchell,	
20			Watauga, Yancey	
21	Seventh	25A	Burke, Caldwell	2
22	Seventh	25B	Catawba	2
23	Seventh	26A	(part of Mecklenburg,	2
24			see subsection (b))	
25	Seventh	26B	(part of Mecklenburg,	3
26			see subsection (b))	
27	Seventh	26C	(part of Mecklenburg,	2
28			see subsection (b))	
29	Seventh	27A	Gaston	2
30	Seventh	27B	Cleveland, Lincoln	2
31	Eighth	28	Buncombe	2
32	Eighth	29A	McDowell,	1
33			Rutherford	
34	Eighth	29B	Henderson, Polk,	1
35			Transylvania	
36	Eighth	30A	Cherokee, Clay,	1
37			Graham, Macon,	
38			Swain	
39	Eighth	30B	Haywood, Jackson	1."

40 **SECTION 18B.22.(c)** The two superior court judgeships established for Superior  
 41 Court District 16A by subsection (a) of this section shall be filled by the superior court judge  
 42 currently serving Superior Court District 16A who resides in Scotland County and by the  
 43 superior court judge currently serving Superior Court District 20A who resides in Richmond  
 44 County. The terms of those judges expire December 31, 2016, and successors shall be elected  
 45 in the 2016 general election for eight-year terms commencing January 1, 2017.

46 **SECTION 18B.22.(e)** The superior court judgeship established for Superior Court  
 47 District 20A by subsection (a) of this section shall be filled by the superior court judge  
 48 currently serving Superior Court District 20A who resides in Stanly County. The term of that  
 49 judge expires December 31, 2016, and a successor shall be elected in the 2016 general election  
 50 for an eight-year term commencing January 1, 2017.

51 **SECTION 18B.22.(f)** G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
1	5	Camden
		Chowan
		Currituck
		Dare
		Gates
		Pasquotank
		Perquimans
2	4	Martin
		Beaufort
		Tyrrell
		Hyde
		Washington
3A	5	Pitt
3B	6	Craven
		Pamlico
		Carteret
4	8	Sampson
		Duplin
		Jones
		Onslow
5	9	New Hanover
		Pender
<del>6A</del>	<del>3</del>	<del>Halifax</del>
<del>6B6</del>	<del>34</del>	Northampton
		Bertie
		Hertford
		<u>Halifax</u>
7	7	Nash
		Edgecombe
		Wilson
8	6	Wayne
		Greene
		Lenoir
9	4	Granville
		(part of Vance
		see subsection (b))
		Franklin
9A	2	Person
		Caswell
9B	2	Warren
		(part of Vance
		see subsection (b))
10	19	Wake
11	11	Harnett
		Johnston
		Lee
12	10	Cumberland

1	13	6	Bladen
2			Brunswick
3			Columbus
4	14	7	Durham
5	15A	4	Alamance
6	15B	5	Orange
7			Chatham
8	16A	<u>36</u>	Scotland
9			Hoke
10			<u>Anson</u>
11			<u>Richmond</u>
12	16B	5	Robeson
13	17A	3	Rockingham
14	17B	4	Stokes
15			Surry
16	18	14	Guilford
17	19A	4	Cabarrus
18	19B	7	Montgomery
19			Moore
20			Randolph
21	19C	5	Rowan
22	20A	<u>42</u>	Stanly
23			<del>Anson</del>
24			<del>Richmond</del>
25	20B	1	(part of Union
26			see subsection (b))
27	20C	2	(part of Union
28			see subsection (b))
29	20D	1	Union
30	21	10	Forsyth
31	22A	5	Alexander
32			Iredell
33	22B	6	Davidson
34			Davie
35	23	4	Alleghany
36			Ashe
37			Wilkes
38			Yadkin
39	24	4	Avery
40			Madison
41			Mitchell
42			Watauga
43			Yancey
44	25	9	Burke
45			Caldwell
46			Catawba
47	26	21	Mecklenburg
48	27A	7	Gaston
49	27B	<u>56</u>	Cleveland
50			Lincoln
51	28	7	Buncombe

1	29A	3	McDowell
2			Rutherford
3	29B	4	Henderson
4			Polk
5			Transylvania
6	30	6	Cherokee
7			Clay
8			Graham
9			Haywood
10			Jackson
11			Macon
12			Swain."

**SECTION 18B.22.(g)** The four district judgeships established for District Court District 6 by subsection (f) of this section shall be filled by:

- (1) The three district court judges currently serving District Court District 6A who reside in Halifax County whose terms expire December 31, 2016. Successors shall be elected in the 2016 general election for four-year terms commencing January 1, 2017.
- (2) The district court judge currently serving District Court District 6B who resides in Northampton County whose term expires December 31, 2016. A successor shall be elected in the 2016 general election for a four-year term commencing January 1, 2017.

**SECTION 18B.22.(h)** The six district court judgeships established for District Court District 16A by subsection (f) of this section shall be filled by:

- (1) The district court judge currently serving District Court District 16A who resides in Scotland County whose term expires December 31, 2016.
- (2) The district court judge currently serving District Court District 20A who resides in Richmond County whose term expires December 31, 2016.
- (3) The district court judge currently serving District Court District 20A who resides in Anson County whose term expires December 31, 2016.
- (4) Election of three judges in the 2014 general election for four-year terms commencing January 1, 2015.

**SECTION 18B.22.(i)** The additional district court judgeship authorized for District Court District 27B by subsection (f) of this section shall be filled by election of a district court judge in the 2014 general election for a four-year term commencing January 1, 2015.

**SECTION 18B.22.(j)** The two district court judgeships established for District Court District 20A by subsection (f) of this section shall be filled by election of two district court judges in the 2014 general election for four-year terms commencing January 1, 2015.

**SECTION 18B.22.(k)** G.S. 7A-60 reads as rewritten:

**"§ 7A-60. District attorneys and prosecutorial districts.**

(a) The State shall be divided into prosecutorial districts, as shown in subsection (a1) of this section. There shall be a district attorney for each prosecutorial district, as provided in subsections (b) and (c) of this section who shall be a resident of the prosecutorial district for which elected. A vacancy in the office of district attorney shall be filled as provided in Article IV, Sec. 19 of the Constitution.

(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
------------------------	----------	---

1	1	Camden, Chowan, Currituck,	11
2		Dare, Gates, Pasquotank,	
3		Perquimans	
4	2	Beaufort, Hyde, Martin,	8
5		Tyrrell, Washington	
6	3A	Pitt	11
7	3B	Carteret, Craven, Pamlico	12
8	4	Duplin, Jones, Onslow,	18
9		Sampson	
10	5	New Hanover, Pender	18
11	<del>6A</del>	<del>Halifax</del>	<del>5</del>
12	<del>6B6</del>	Bertie, <u>Halifax</u> , Hertford,	<del>5</del> <u>10</u>
13		Northampton	
14	7	Edgecombe, Nash, Wilson	18
15	8	Greene, Lenoir, Wayne	14
16	9	Franklin, Granville,	10
17		Vance, Warren	
18	9A	Person, Caswell	6
19	10	Wake	41
20	11A	Harnett, Lee	9
21	11B	Johnston	10
22	12	Cumberland	23
23	13	Bladen, Brunswick, Columbus	13
24	14	Durham	18
25	15A	Alamance	11
26	15B	Orange, Chatham	10
27	16A	Scotland, Hoke	7
28	16B	Robeson	12
29	<u>16C</u>	<u>Anson, Richmond</u>	<u>6</u>
30	17A	Rockingham	7
31	17B	Stokes, Surry	8
32	18	Guilford	32
33	19A	Cabarrus	9
34	19B	Montgomery, Randolph	9
35	19C	Rowan	8
36	19D	Moore	5
37	20A	<del>Anson, Richmond,</del>	<del>11</del> <u>5</u>
38		Stanly	
39	20B	Union	10
40	21	Forsyth	25
41	22A	Alexander, Iredell	11
42	22B	Davidson, Davie	11
43	23	Alleghany, Ashe, Wilkes,	8
44		Yadkin	
45	24	Avery, Madison, Mitchell,	7
46		Watauga, Yancey	
47	25	Burke, Caldwell, Catawba	18
48	26	Mecklenburg	58
49	27A	Gaston	14
50	27B	Cleveland,	11
51		Lincoln	



1	28	Buncombe	14
2	29A	McDowell, Rutherford	7
3	29B	Henderson, Polk, Transylvania	8
4	30	Cherokee, Clay, Graham,	10
5		Haywood, Jackson, Macon,	
6		Swain.	

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...."

**SECTION 18B.22.(l)** The district attorney position established for Prosecutorial District 6 by subsection (k) of this section shall be filled by election in the 2014 general election for a four-year term commencing January 1, 2015. The district attorney positions for current Prosecutorial Districts 6A and 6B shall expire December 31, 2014.

**SECTION 18B.22.(n)** The district attorney position established for Prosecutorial District 20A by subsection (k) of this section shall be filled by election in the 2014 general election for a four-year term commencing January 1, 2015.

**SECTION 18B.22.(p)** The district attorney position established for Prosecutorial District 16C by subsection (k) of this section shall be filled by election in the 2014 general election for a four-year term commencing January 1, 2015.

**SECTION 18B.22.(q)** This section becomes effective January 1, 2015, or, if preclearance is required under Section 5 of the Voting Rights Act of 1965, the later of January 1, 2015, or the date of preclearance.

## **PART XIX. DEPARTMENT OF CULTURAL RESOURCES**

### **CULTURAL RESOURCES TO FIND ALTERNATIVE FUNDING FOR STATE HISTORIC SITES**

**SECTION 19.1.** In an effort to reduce funding of the State's 27 Historic Sites, the Department of Cultural Resources shall find alternative funding sources to support these sites by actively seeking support from the following: (i) the local governments where these Historic Sites are located, (ii) the nonprofit groups associated with these Historic Sites, and (iii) other private sources.

### **ALLOW MUSEUMS AND HISTORIC SITES TO GENERATE REVENUE FROM VENDOR SERVICES AND TO SELL CERTAIN MERCHANDISE**

**SECTION 19.3.(a)** Article 3 of Chapter 111 of the General Statutes is amended by adding a new section to read:

**"§ 111-47.2. Food service at museums and historic sites operated by the Department of Cultural Resources.**

Notwithstanding Article 3 of Chapter 111 of the General Statutes, the North Carolina Department of Cultural Resources may operate or contract for the operation of food or vending services at museums and historic sites operated by the Department. Notwithstanding G.S. 111-43, the net proceeds of revenue generated by food and vending services provided at museums and historic sites operated by the Department or a vendor with whom the Department has contracted shall be credited to the appropriate fund of the museum or historic site where the funds were generated and shall be used for the operation of that museum or historic site."

**SECTION 19.3.(b)** G.S. 111-47.2, as enacted by subsection (a) of this section, shall not be construed to alter any contract for food or vending services at any museum or historic site operated by the Department that is in force at the time this section becomes law.

**SECTION 19.3.(c)** G.S. 66-58(b) is amended by adding a new subdivision to read:

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

...

1           (9b) The Department of Cultural Resources for the sale of food pursuant to  
2           G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related  
3           items at historic sites and museums administered by the Department.

4           ...."

## 6 EXECUTIVE MANSION EXCESS PROPERTY

7           **SECTION 19.8.(a)** G.S. 143B-79 reads as rewritten:

8           "**§ 143B-79. Executive Mansion Fine Arts Committee – creation, powers and duties.**

9           There is hereby created the Executive Mansion Fine Arts Committee. The Executive  
10          Mansion Fine Arts Committee shall have the following functions and duties:

11          ...

12          (7)       The Committee may dispose of property held in the Executive Mansion after  
13                  consultation with a review committee comprised of one person from the  
14                  Executive Mansion Fine Arts Committee, appointed by its chairman; one  
15                  person from the Department of Administration appointed by the Secretary of  
16                  Administration; and two qualified professionals from the Department of  
17                  Cultural Resources, Division of Archives and History, appointed by the  
18                  Secretary of Cultural Resources. Upon request of the Executive Mansion  
19                  Fine Arts Committee, the review committee will view proposed items for  
20                  disposition and make a recommendation to the North Carolina Historical  
21                  Commission who will make a final decision. The Historical Commission  
22                  must consider whether the disposition is in the best interest of the State of  
23                  North Carolina. If ~~such any~~ property is sold, ~~(i) if the records with regard to~~  
24                  ~~the property reflect that it was acquired by the State by gift or devise~~ the net  
25                  proceeds of each ~~such~~ sale shall be deposited in the State Treasury to the  
26                  credit of the Executive Mansion, Special Fund, and shall be used only for the  
27                  purchase, conservation, restoration or repair of other property for use in the  
28                  Executive Mansion and; ~~(ii) if the records with regard to the property reflect~~  
29                  ~~that the property was acquired by the State by purchase with appropriated~~  
30                  ~~funds or do not show the manner of acquisition, the net proceeds of such sale~~  
31                  ~~shall be deposited in the General Fund.~~ Mansion."

32          **SECTION 19.8.(b)** Notwithstanding G.S. 143B-79(7) or any other law pertaining  
33          to surplus State property, the Executive Mansion Fine Arts Committee shall obtain an appraisal  
34          of all items held in the Executive Mansion proposed for disposition. If House Bill 153 of the  
35          2013 General Assembly becomes law, the Committee shall, prior to the sale of any item, report  
36          to the Joint Legislative Oversight Committee on General Government on the items inventoried  
37          and their value. If House Bill 153 of the 2013 General Assembly does not become law, the  
38          Committee shall, prior to the sale of any item, report to the Chairs of the House Appropriations  
39          Subcommittee on General Government, the Senate Appropriations Committee on General  
40          Government and Information Technology, and to the Fiscal Research Division.

## 41 ARTS COUNCIL FUNDING

42          **SECTION 19.8A.** Notwithstanding any other provision of this act, the funds  
43          appropriated in this act to the Department of Revenue shall be reduced by the sum of one  
44          hundred eighty thousand dollars (\$180,000) in recurring funds for each year of the fiscal  
45          biennium. The funds appropriated in this act to the Department of Cultural Resources shall be  
46          increased by the sum of one hundred eighty thousand dollars (\$180,000) in recurring funds  
47          each year of the fiscal biennium to fund additional grants within the Grassroots and Basic  
48          grants program.

## 51 ROANOKE ISLAND FUNDING/FRIENDS OF ELIZABETH II SUPPORT

1           **SECTION 19.9.** The Roanoke Island Commission shall request financial support  
2 from the Friends of Elizabeth II, Inc., in the amount of three hundred twenty-five thousand  
3 dollars (\$325,000) or a sum equal to the average of the last three consecutive years of the  
4 Friends' investment earnings, whichever is greater, for each fiscal year of the 2013-2015  
5 biennium and for each subsequent fiscal year. These funds shall be used pursuant to  
6 G.S. 143B-131.2.

7  
8 **PART XX. DEPARTMENT OF INSURANCE**

9  
10 **CONSUMER PROTECTION FUND RETAINED AMOUNT**

11           **SECTION 20.1.** G.S. 58-2-215 reads as rewritten:

12 **"§ 58-2-215. Consumer Protection Fund.**

13           ...  
14           (c) Moneys appropriated by the General Assembly shall be deposited in the Fund and  
15 shall become a part of the continuation budget of the Department of Insurance. Such  
16 continuation budget amount shall equal the actual expenditures drawn from the Fund during the  
17 prior fiscal year plus the official inflation rate designated by the Director of the Budget in the  
18 preparation of the State Budget for each ensuing fiscal year; provided that if interest income on  
19 the Fund exceeds the amount yielded by the application of the official inflation rate, such  
20 continuation budget amount shall be the actual expenditures drawn from the Fund. In the event  
21 the amount in the Fund exceeds ~~five hundred thousand dollars (\$500,000)~~ two hundred fifty  
22 thousand dollars (\$250,000) at the end of any fiscal year, such excess shall revert to the General  
23 Fund."

24  
25 **WORKERS' COMPENSATION FUND/ALLOCATION FOR VOLUNTEER SAFETY**  
26 **WORKERS**

27           **SECTION 20.2.(a)** G.S. 105-228.5(d)(3) reads as rewritten:

28           "(d) Tax Rates; Disposition. –

29           ...  
30           (3) Additional Rate on Property Coverage Contracts. – An additional tax at the  
31 rate of seventy-four hundredths percent (0.74%) applies to gross premiums  
32 on insurance contracts for property coverage. The tax is imposed on ten  
33 percent (10%) of the gross premiums from insurance contracts for  
34 automobile physical damage coverage and on one hundred percent (100%)  
35 of the gross premiums from all other contracts for property coverage. ~~Thirty~~  
36 ~~percent (30%)~~ Twenty-five percent (25%) of the net proceeds of this  
37 additional tax must be credited to the Volunteer Fire Department Fund  
38 established in Article 87 of Chapter 58 of the General Statutes. ~~Twenty-five~~  
39 ~~percent (25%)~~ Twenty percent (20%) of the net proceeds must be credited to  
40 the Department of Insurance for disbursement pursuant to G.S. 58-84-25.  
41 ~~The remaining net proceeds must be credited to the General Fund. Up to~~  
42 twenty percent (20%), as determined in accordance with G.S. 58-87-10(f),  
43 must be credited to the Workers' Compensation Fund. The remaining net  
44 proceeds must be credited to the General Fund.

45           The following definitions apply in this subdivision:

- 46           a. Automobile physical damage. – The following lines of business  
47 identified by the NAIC: private passenger automobile physical  
48 damage and commercial automobile physical damage.  
49           b. Property coverage. – The following lines of business identified by  
50 the NAIC: fire, farm owners multiple peril, homeowners multiple  
51 peril, nonliability portion of commercial multiple peril, ocean

1 marine, inland marine, earthquake, private passenger automobile  
2 physical damage, commercial automobile physical damage, aircraft,  
3 and boiler and machinery. The term also includes insurance contracts  
4 for wind damage.

5 c. NAIC. – National Association of Insurance Commissioners."

6 **SECTION 20.2.(b)** G.S. 58-87-1 reads as rewritten:

7 **"§ 58-87-1. Volunteer Fire Department Fund.**

8 (a) Fund. – The Volunteer Fire Department Fund is created as an interest-bearing,  
9 nonreverting fund in the Department to provide matching grants to volunteer fire departments  
10 to purchase equipment and make capital improvements. The Commissioner shall administer the  
11 Fund. Up to ~~two percent (2%)~~ one percent (1%) of the Fund may be used for additional staff and  
12 resources to administer the Fund in each fiscal year.

13 ...."

14 **SECTION 20.2.(c)** G.S. 58-84-25 reads as rewritten:

15 **"§ 58-84-25. Disbursement of funds by Insurance Commissioner.**

16 (a) Distribution. – The Insurance Commissioner shall deduct the sum of three percent  
17 (3%) from the tax proceeds credited to the Department pursuant to G.S. 105-228.5(d)(3) and  
18 pay the same over to the treasurer of the State Firemen's Association for general purposes. The  
19 Insurance Commissioner shall deduct the sum of ~~two percent (2%)~~ one percent (1%) from the  
20 tax proceeds and retain the same in the budget of the Department of Insurance for the purpose  
21 of administering the disbursement of funds by the board of trustees in accordance with the  
22 provisions of G.S. 58-84-35. The Insurance Commissioner shall, pursuant to G.S. 58-84-50,  
23 credit the amount forfeited by nonmember fire districts to the North Carolina State Firemen's  
24 Association. The Insurance Commissioner shall distribute the remaining tax proceeds to the  
25 treasurer of each fire district as provided in subsections (b) and (c) of this section.

26 ...."

27 **SECTION 20.2.(d)** G.S. 58-87-10 reads as rewritten:

28 **"§ 58-87-10. Workers' Compensation Fund for the benefit of volunteer safety workers.**

29 (a) Definition. – As used in this section, the term "eligible unit" means a volunteer fire  
30 department or volunteer rescue/EMS unit that is not part of a unit of local government and is  
31 exempt from State income tax under G.S. 105-130.11.

32 (b) Creation. – The Workers' Compensation Fund is created in the Department of  
33 Insurance as an expendable trust fund. Accordingly, interest and other investment income  
34 earned by the Fund accrues to it, and revenue in the Fund at the end of a fiscal year remains in  
35 the Fund and does not revert.

36 (c) Use. – Revenue in the Workers' Compensation Fund shall be used to provide  
37 workers' compensation benefits to members of eligible units. Chapter 97 of the General Statutes  
38 governs the payment of benefits from the Fund. Benefits are payable for compensable injuries  
39 or deaths that occur on or after July 1, 1996.

40 (d) Administration. – The State Fire and Rescue Commission, established under  
41 G.S. 58-78-1, shall administer the Workers' Compensation Fund and shall perform this duty by  
42 contracting with a third-party administrator. The contracting procedure is not subject to Article  
43 3C of Chapter 143 of the General Statutes. The reasonable and necessary expenses incurred by  
44 the Commission in administering the Fund shall be paid out of the Fund by the State Treasurer.  
45 The Commission may adopt rules to implement this section.

46 (e) Revenue Source. – Revenue is credited to the Workers' Compensation Fund from  
47 ~~appropriations made to the Department of Insurance for this purpose.~~ a portion of the proceeds  
48 of the tax levied under G.S. 105-228.5(d)(3). In addition, every eligible unit that elects to  
49 participate shall pay into the Fund an amount set annually by the State Fire and Rescue  
50 Commission to ensure that the Fund will be able to meet its payment obligations under this

1 section. The amount shall be set as a per capita fixed dollar amount for each member of the  
2 roster of the eligible unit.

3 The payment shall be made to the State Fire and Rescue Commission on or before July 1 of  
4 each year. The Commission shall remit the payments it receives to the State Treasurer, who  
5 shall credit the payments to the Fund.

6 (f) The amount of the tax imposed by G.S. 105 228.5(d)(3) credited to the Workers'  
7 Compensation Fund shall be the maximum allowed under that statute."

8 **SECTION 20.2.(e)** G.S. 58-87-10, as amended by subsection (d) of this section,  
9 reads as rewritten:

10 **"§ 58-87-10. Workers' Compensation Fund for the benefit of volunteer safety workers.**

11 ...  
12 (f) The amount of the tax imposed by G.S. 105 228.5(d)(3) credited to the Workes'  
13 Compensation Fund shall be the maximum allowed under that statute.Funding Study. – The  
14 Department of Insurance shall conduct a periodic actuarial study to calculate the amount  
15 required to meet the needs of the Fund. The study shall be based on a revenue amount that is  
16 the greater of the amount paid by members of the Fund as determined under subsection (e) of  
17 this section for the fiscal year to which the study applies or the amount paid by members of the  
18 Fund as determined under subsection (e) of this section for fiscal year 2012-2013. The study  
19 shall be reviewed by the Office of State Budget and Management. On or before March 1 of  
20 each year, the Office of State Budget and Management, in consultation with the Department of  
21 Insurance, must notify the Secretary of Revenue of the amount required to meet the needs of  
22 the Fund, as determined by the study, for the upcoming fiscal year. The Secretary of Revenue  
23 shall remit that amount, subject to the twenty percent (20%) limitation in G.S. 105-228.5(d)(3),  
24 to the Fund.

25 (g) Treatment of Shortfall. – If the amount remitted to the Fund by the Secretary of  
26 Revenue under subsection (f) of this section is insufficient to meet the needs of the Fund, the  
27 State Fire and Rescue Commission may collect the remaining amount by (i) increasing the  
28 amount collected from eligible units under subsection (e) of this section, or (ii) through an  
29 assessment on local governments as set forth in this subsection. The Commission may collect  
30 an assessment from units of local government by multiplying the remaining amount needed by  
31 a fraction, the numerator of which is the number of residents in the unit of government served  
32 by an eligible unit and the denominator of which is the number of residents in the State served  
33 by all eligible units. The Commission shall provide written notification to the units of local  
34 government of the amount of the assessment no later than April 1 of each year, and the unit of  
35 local government shall have 90 days to remit the assessment to the Department for deposit into  
36 the Fund."

37 **SECTION 20.2.(f)** Subsection (e) of this section becomes effective April 1, 2016.

### 38 SET INSURANCE REGULATORY CHARGE

39 **SECTION 20.3.(a)** The percentage rate to be used in calculating the insurance  
40 regulatory charge under G.S. 58-6-25 is six percent (6%) for the 2013 and 2014 calendar years.

41 **SECTION 20.3.(b)** This section is effective when it becomes law.

### 42 PART XXI. STATE BOARD OF ELECTIONS

#### 43 ELIMINATE NORTH CAROLINA PUBLIC CAMPAIGN FUND

44 **SECTION 21.1.(a)** Article 22D of Chapter 163 of the General Statutes is repealed,  
45 except that G.S. 163-278.69 is repealed effective upon exhaustion of the funds for publication  
46 of the Judicial Voter Guide.

47 **SECTION 21.1.(b)** G.S. 84-34 reads as rewritten:

48 **"§ 84-34. Membership fees and list of members.**  
49  
50  
51

1 Every active member of the North Carolina State Bar shall, prior to the first day of July of  
2 each year, pay to the secretary-treasurer an annual membership fee in an amount determined by  
3 the Council but not to exceed three hundred dollars (\$300.00), ~~plus a surcharge of fifty dollars~~  
4 ~~(\$50.00) for the implementation of Article 22D of Chapter 163 of the General Statutes,~~ and  
5 every member shall notify the secretary-treasurer of the member's correct mailing address. Any  
6 member who fails to pay the required dues by the last day of June of each year shall be subject  
7 to a late fee in an amount determined by the Council but not to exceed thirty dollars (\$30.00).  
8 All dues for prior years shall be as were set forth in the General Statutes then in effect. The  
9 membership fee shall be regarded as a service charge for the maintenance of the several  
10 services authorized by this Article, and shall be in addition to all fees required in connection  
11 with admissions to practice, and in addition to all license taxes required by law. The fee shall  
12 not be prorated: Provided, that no fee shall be required of an attorney licensed after this Article  
13 shall have gone into effect until the first day of January of the calendar year following that in  
14 which the attorney was licensed; but this proviso shall not apply to attorneys from other states  
15 admitted on certificate. The fees shall be disbursed by the secretary-treasurer on the order of the  
16 Council. ~~The fifty dollar (\$50.00) surcharge shall be sent on a monthly schedule to the State~~  
17 ~~Board of Elections.~~ The secretary-treasurer shall annually, at a time and in a law magazine or  
18 daily newspaper to be prescribed by the Council, publish an account of the financial  
19 transactions of the Council in a form to be prescribed by it. The secretary-treasurer shall  
20 compile and keep currently correct from the names and mailing addresses forwarded to the  
21 secretary-treasurer and from any other available sources of information a list of members of the  
22 North Carolina State Bar and furnish to the clerk of the superior court in each county, not later  
23 than the first day of October in each year, a list showing the name and address of each attorney  
24 for that county who has not complied with the provisions of this Article. The name of each of  
25 the active members who are in arrears in the payment of membership fees shall be furnished to  
26 the presiding judge at the next term of the superior court after the first day of October of each  
27 year, by the clerk of the superior court of each county wherein the member or members reside,  
28 and the court shall thereupon take action that is necessary and proper. The names and addresses  
29 of attorneys so certified shall be kept available to the public. The Secretary of Revenue is  
30 hereby directed to supply the secretary-treasurer, from records of license tax payments, with  
31 any information for which the secretary-treasurer may call in order to enable the  
32 secretary-treasurer to comply with this requirement.

33 The list submitted to several clerks of the superior court shall also be submitted to the  
34 Council at its October meeting of each year and it shall take the action thereon that is necessary  
35 and proper."

36 **SECTION 21.1.(c)** G.S. 105-159.2 is repealed.

37 **SECTION 21.1.(d)** G.S. 163-278.5 reads as rewritten:

38 **"§ 163-278.5. Scope of Article; severability.**

39 The provisions of this Article apply to primaries and elections for North Carolina offices  
40 and to North Carolina referenda and do not apply to primaries and elections for federal offices  
41 or offices in other States or to non-North Carolina referenda. Any provision in this Article that  
42 regulates a non-North Carolina entity does so only to the extent that the entity's actions affect  
43 elections for North Carolina offices or North Carolina referenda.

44 The provisions of this Article are severable. If any provision is held invalid by a court of  
45 competent jurisdiction, the invalidity does not affect other provisions of the Article that can be  
46 given effect without the invalid provision.

47 This section applies to Articles 22B, ~~22D, 22E, 22F, 22G,~~ 22H, 22J, and 22M of the  
48 General Statutes to the same extent that it applies to this Article."

49 **SECTION 21.1.(e)** G.S. 163-278.13(e) reads as rewritten:

50 "(e) Except as provided in subsections ~~(e2), (e3), (e3)~~ and (e4) of this section, this section  
51 shall not apply to any national, State, district or county executive committee of any political

1 party. For the purposes of this section only, the term "political party" means only those political  
2 parties officially recognized under G.S. 163-96."

3 **SECTION 21.1.(f)** G.S. 163-278.13(e2) is repealed.

4 **SECTION 21.1.(g)** G.S. 163-278.23 reads as rewritten:

5 "**§ 163-278.23. Duties of Executive Director of Board.**

6 ...

7 This section applies to Articles 22B, ~~22D, 22E, 22F,~~ 22G, 22H, and 22M of the General  
8 Statutes to the same extent that it applies to this Article."

9 **SECTION 21.1.(h)** G.S. 163-278.97 reads as rewritten:

10 "**§ 163-278.97. Voter-Owned Elections Fund established; sources of funding.**

11 ...

12 (c) Evaluation and Determination of Fund Amount. – By January 1, 2011, and every  
13 four years thereafter, the ~~Board, in conjunction with the Advisory Council established under~~  
14 ~~G.S. 163-278.68(b),~~ Board shall prepare and provide to the Joint Legislative Commission on  
15 Governmental Operations of the General Assembly a report documenting, evaluating, and  
16 making recommendations relating to the administration, implementation, and enforcement of  
17 this Article. In its report, the Board shall set out the funds received to date and the expected  
18 needs of the Fund during the next election cycle and make recommendations about the  
19 feasibility of expanding its provisions to include other candidates for State office based on the  
20 experience of this Article and the experience of similar programs in North Carolina and other  
21 states. The Board shall also evaluate and make recommendations regarding how to address  
22 activities that could undermine the purpose of this Article, including spending that appears to  
23 target candidates but is not reached by regulation."

24 **SECTION 21.1.(i)** G.S. 163-278.99E(d) is repealed effective upon exhaustion of  
25 the funds for publication of the Judicial Voter Guide in G.S. 163-278.69.

26 **SECTION 21.1.(j)** The State Board of Elections shall use the money in the North  
27 Carolina Public Campaign Fund to only publish Judicial Voter Guides as described in  
28 G.S. 163-278.69 until the funds have been exhausted.

29 **SECTION 21.1.(k)** The secretary-treasurer of the North Carolina State Bar shall  
30 remit any payments of the fifty-dollar (\$50.00) surcharge payable for the taxable year January  
31 1, 2013, to the State Board of Elections, and the State Board of Elections must credit the funds  
32 received to the North Carolina Public Campaign Fund.

33 **SECTION 21.1.(l)** The State Board of Elections shall notify the Revisor of Statutes  
34 when the funds have been exhausted for publication of the Judicial Voter Guide.

35 **SECTION 21.1.(m)** Subsection (c) of this section is effective for taxable years  
36 beginning on or after January 1, 2013. The remainder of this section becomes effective July 1,  
37 2013.

## 38 **PART XXII. GENERAL ASSEMBLY**

### 39 **DAILY BULLETIN**

40 **SECTION 22.1.** For the 2013-2015 fiscal biennium, the interagency agreement  
41 between the North Carolina General Assembly and the UNC School of Government for the  
42 production of the Daily Bulletin shall be no more than eighty-seven thousand eight hundred  
43 fifteen dollars (\$87,815) for each fiscal year.  
44  
45  
46

### 47 **FOOD SERVICES**

48 **SECTION 22.2.(a)** The Legislative Services Commission shall issue a Request for  
49 Information (RFI) to identify vendors that are interested in providing food services within the  
50 General Assembly's buildings. The RFI shall include the following:

- 1 (1) Require that the vendor take over the operations of the General Assembly's  
2 food services in the 2014-2015 fiscal year.
- 3 (2) Make available all existing restaurant wares to the vendor. All new  
4 equipment costs and repairs would be borne by the vendor.
- 5 (3) Require a plan for services and service levels, including days and hours of  
6 operations and number of food service outlets to be operational. The  
7 proposal of interest by the vendor shall identify any additional cost that must  
8 be covered by the General Assembly and any revenue sharing that may  
9 benefit the General Assembly's budget.
- 10 (4) Provide the menu items that would be offered at the food service outlets,  
11 including pricing.

12 The Legislative Services Commission shall review the proposals, hold interviews  
13 with the vendors, and collect all of the necessary information to make a comprehensive report  
14 to the General Assembly. If House Bill 153 of the 2013 General Assembly becomes law, the  
15 Legislative Services Commission shall report the results of the RFI to the Joint Legislative  
16 Oversight Committee on General Government by November 1, 2013.

17 **SECTION 22.2.(b)** The Food Services Section of the Administrative Division of  
18 the General Assembly may submit a proposal under subsection (a) of this section, and the  
19 proposal shall be reviewed and evaluated in the same manner as proposals submitted by other  
20 vendors.

#### 21 **MEDICAID ADVISORY GROUP MATCHING FUNDS**

22 **SECTION 22.5.** Of the funds appropriated to Budget Code 21000 in the General  
23 Assembly, the sum of thirty-seven thousand five hundred dollars (\$37,500) for the 2013-2014  
24 fiscal year shall be transferred to the Department of Health and Human Services to provide  
25 matching funds for the activities of the Medicaid Advisory Group established in Section  
26 12H.1(e) of this act.

#### 27 **PED/STUDY LICENSURE FEES**

28 **SECTION 22.6.(a)** The Joint Legislative Program Evaluation Oversight  
29 Committee shall include in the 2013-2014 Work Plan for the Program Evaluation Division of  
30 the General Assembly a study to review the licensure fees for occupations regulated by the  
31 Department of Insurance which are not directly associated with the insurance industry. The  
32 Program Evaluation Division (PED) shall include the following within this study:

- 33 (1) Determining the applicant's actual expenditure for licensure, excluding  
34 education, training, and certification costs.
- 35 (2) Determining the advantages and disadvantages of the Department of  
36 Insurance using a vendor to process applications for licensure and renewals.
- 37 (3) Determining the appropriate licensure fees an applicant should be assessed if  
38 the Department of Insurance determines the use of a vendor is the most cost  
39 efficient method for licensing applicants.
- 40 (4) Determining the appropriate method for reimbursing a vendor of an amount  
41 greater than the licensure fees authorized by Chapter 58 of the General  
42 Statutes.
- 43 (5) Determining whether any redundancy exists with a vendor and the  
44 Department of Insurance in processing applications for licensure or renewal.
- 45 (6) Any other issues PED discovers while performing the study.

46 **SECTION 22.6.(b)** The Program Evaluation Division shall submit its findings and  
47 recommendations from subsection (b) of this section to the Joint Legislative Program  
48 Evaluation Oversight Committee and to Chairs of the House of Representatives Appropriations  
49  
50



1 Subcommittee on General Government and the Senate Appropriations Committee on General  
2 Government and Information Technology.

3  
4 **PART XXIII. OFFICE OF THE GOVERNOR**

5  
6 **RESERVED**

7 **SECTION 23.0.** This section is reserved.

8  
9 **PART XXIV. OFFICE OF STATE BUDGET AND MANAGEMENT**

10  
11 **SYMPHONY CHALLENGE GRANT**

12 **SECTION 24.1.(a)** Of the funds appropriated in this act to the Office of State  
13 Budget and Management-Special Appropriations, the sum of one million five hundred thousand  
14 dollars (\$1,500,000) in nonrecurring funds for the 2013-2014 fiscal year and the sum of one  
15 million five hundred thousand dollars (\$1,500,000) in nonrecurring funds for the 2014-2015  
16 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section. It  
17 is the intent of the General Assembly that the North Carolina Symphony raise at least eight  
18 million dollars (\$8,000,000) in non-State funds for the 2013-2014 fiscal year and at least eight  
19 million dollars (\$8,000,000) in non-State funds for the 2014-2015 fiscal year. The NC  
20 Symphony cannot use funds transferred from the organization's endowment to its operating  
21 budget to achieve the fund-raising targets set out in subsections (b) and (c) of this section.

22 **SECTION 24.1.(b)** For the 2013-2014 fiscal year, the North Carolina Symphony  
23 shall receive allocations from the Office of State Budget and Management as follows:

- 24 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State  
25 funding, the NC Symphony shall receive the sum of five hundred thousand  
26 dollars (\$500,000).  
27 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in  
28 non-State funding for a total amount of six million dollars (\$6,000,000) in  
29 non-State funds, the NC Symphony shall receive the sum of five hundred  
30 thousand dollars (\$500,000).  
31 (3) Upon raising an additional sum of two million dollars (\$2,000,000) in  
32 non-State funding for a total sum of eight million dollars (\$8,000,000) in  
33 non-State funds, the NC Symphony shall receive the final sum of five  
34 hundred thousand dollars (\$500,000) in the 2013-2014 fiscal year.

35 **SECTION 24.1.(c)** For the 2014-2015 fiscal year, the North Carolina Symphony  
36 shall receive allocations from the Office of State Budget and Management as follows:

- 37 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State  
38 funding, the NC Symphony shall receive the sum of five hundred thousand  
39 dollars (\$500,000).  
40 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in  
41 non-State funding for a total amount of six million dollars (\$6,000,000) in  
42 non-State funds, the NC Symphony shall receive the sum of five hundred  
43 thousand dollars (\$500,000).  
44 (3) Upon raising an additional sum of two million dollars (\$2,000,000) in  
45 non-State funding for a total sum of eight million dollars (\$8,000,000) in  
46 non-State funds, the NC Symphony shall receive the final sum of five  
47 hundred thousand dollars (\$500,000) in the 2014-2015 fiscal year.

48  
49 **PART XXV. OFFICE OF THE STATE AUDITOR**

50  
51 **RESERVED**

1           **SECTION 25.0.** This section is reserved.

2  
3 **PART XXVI. DEPARTMENT OF REVENUE**

4  
5 **RESERVED**

6           **SECTION 26.0.** This section is reserved.

7  
8 **PART XXVII. DEPARTMENT OF THE SECRETARY OF STATE**

9  
10 **INCREASE REGISTRATION FEE FOR LOBBYIST & LOBBYIST**  
11 **PRINCIPAL/ELECTRONIC SUBMISSION OF ALL DOCUMENTS, REPORTS,**  
12 **AND PAYMENTS BY LOBBYISTS**

13           **SECTION 27.1.(a)** G.S. 120C-201 reads as rewritten:

14 **"§ 120C-201. Lobbyist's registration fee.**

15       (a) ~~Except as provided for in subsection (b) of this section, a~~ fee of ~~one hundred~~  
16 ~~dollars (\$100.00)~~ two hundred fifty dollars (\$250.00) is due and payable to the Secretary of  
17 State at the time of each lobbyist registration. Fees so collected shall be deposited in the  
18 General Fund of the State. The Secretary of State shall allow fees required under this section to  
19 be paid electronically but shall not require the fees to be paid electronically.

20       (b) ~~The Secretary of State shall adopt rules providing for a waiver or reduction of the~~  
21 ~~fees required by this section for lobbyists registering to represent persons who have been~~  
22 ~~granted nonprofit status under 26 U.S.C. § 501(e)(3)."~~

23           **SECTION 27.1.(b)** G.S. 120C-207 reads as rewritten:

24 **"§ 120C-207. Lobbyist principal's fees.**

25       (a) ~~Except as provided for in subsection (b) of this section, a~~ fee of ~~one hundred~~  
26 ~~dollars (\$100.00)~~ two hundred fifty dollars (\$250.00) is due and payable to the Secretary of  
27 State at the time the principal's first authorization statement is filed each calendar year for a  
28 lobbyist. Fees so collected shall be deposited in the General Fund of the State. The Secretary of  
29 State shall allow fees required under this section to be paid electronically but shall not require  
30 the fees to be paid electronically.

31       (b) ~~The Secretary of State shall adopt rules providing for a waiver or reduction of the~~  
32 ~~fees required by this section for lobbyist principals that have been granted nonprofit status~~  
33 ~~under 26 U.S.C. § 501(e)(3)."~~

34           **SECTION 27.1.(c)** G.S. 120C-200 reads as rewritten:

35 **"§ 120C-200. Lobbyist registration procedure.**

36       ...

37       (b) The form of the registration shall be prescribed by the Secretary of ~~State~~State, be  
38 filed electronically, and shall include the registrant's full name, firm, complete address, and  
39 telephone number; the registrant's place of business; the full name, complete address, and  
40 telephone number of each principal the lobbyist represents; and a general description of the  
41 matters on which the registrant expects to act as a lobbyist.

42       (c) Each lobbyist shall electronically file an amended registration form with the  
43 Secretary of State no later than 10 business days after any change in the information supplied in  
44 the lobbyist's last registration under subsection (b) of this section. Each supplementary  
45 registration shall include a complete statement of the information that has changed.

46       ...."

47           **SECTION 27.1.(d)** G.S. 120C-201(a), as amended by subsection (a) of this  
48 section, reads as rewritten:

49       "(a) A fee of two hundred fifty dollars (\$250.00) is due and payable to the Secretary of  
50 State at the time of each lobbyist registration. Fees so collected shall be deposited in the  
51 General Fund of the State. The ~~Secretary of State shall allow~~ fees required under this section

1 ~~to~~shall be paid electronically but shall not require the fees to be paid  
2 electronically.electronically."

3 **SECTION 27.1.(e)** G.S. 120C-206 reads as rewritten:

4 "**§ 120C-206. Lobbyist principal's authorization.**

5 ...

6 (b) The form of the written authorization shall be prescribed by the Secretary of  
7 ~~State~~State, be filed electronically, and shall include the lobbyist principal's full name, complete  
8 address, and telephone number, name and title of any official authorized to sign for the lobbyist  
9 principal, and the name of each lobbyist registered to represent that principal.

10 (c) An amended authorization shall be electronically filed with the Secretary of State no  
11 later than 10 business days after any change in the information on the principal's authorization.  
12 Each supplementary authorization shall include a complete statement of the information that  
13 has changed."

14 **SECTION 27.1.(f)** G.S. 120C-207(a), as amended by subsection (b) of this section,  
15 reads as rewritten:

16 "(a) A fee of two hundred fifty dollars (\$250.00) is due and payable to the Secretary of  
17 State at the time the principal's first authorization statement is filed each calendar year for a  
18 lobbyist. Fees so collected shall be deposited in the General Fund of the State. The ~~Secretary of~~  
19 ~~State shall allow~~ fees required under this section ~~to~~shall be paid electronically but shall not  
20 ~~require the fees to be paid electronically.~~electronically."

21 **SECTION 27.1.(g)** G.S. 120C-401(d) reads as rewritten:

22 "(d) Each report required by this Article shall be in the form prescribed by the Secretary  
23 of ~~State, which may include electronic reports.~~State and filed electronically."

24 **SECTION 27.1.(h)** G.S. 120C-800(f) reads as rewritten:

25 "(f) Within 15 business days after the end of the quarter in which the reportable  
26 expenditure was made, reports required by this section shall be filed electronically with the  
27 Secretary of State in a ~~manner~~form prescribed by the Secretary of ~~State, which may include~~  
28 ~~electronic reports.~~State. If the designated individual is required to file a statement of economic  
29 interest under G.S. 138A-24, then that designated individual may opt to report any information  
30 required by this section in the statement of economic interest."

31 **SECTION 27.1.(i)** Subsections (a) and (b) of this section become effective July 1,  
32 2013. This remainder of this section becomes effective October 1, 2013, and applies to all  
33 filings, payments due, and registrations, on or after that date.

## 34 **PART XXVIII. OFFICE OF THE LIEUTENANT GOVERNOR**

### 35 **RESERVED**

36 **SECTION 28.0.** This section is reserved.

## 37 **PART XXIX. OFFICE OF THE STATE CONTROLLER**

### 38 **OVERPAYMENTS AUDIT**

39 **SECTION 29.1.(a)** During the 2013-2015 fiscal biennium, receipts generated by  
40 the collection of inadvertent overpayments by State agencies to vendors as a result of pricing  
41 errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds,  
42 erroneously paid excise taxes, and related errors are to be deposited in Special Reserve Account  
43 24172 as required by G.S. 147-86.22(c).

44 **SECTION 29.1.(b)** For each year of the 2013-2015 fiscal biennium, five hundred  
45 thousand dollars (\$500,000) of the funds in the Special Reserve Account 24172 shall be used  
46 by the Office of the State Controller for data processing, debt collection, or e-commerce costs  
47 and are hereby appropriated for that purpose.

1           **SECTION 29.1.(c)** All funds available in Special Reserve Account 24172 on June  
2 30 of each year of the 2013-2015 fiscal biennium shall revert to the General Fund on that date.

3           **SECTION 29.1.(d)** The State Controller shall report quarterly to the Joint  
4 Legislative Commission on Governmental Operations and the Fiscal Research Division on the  
5 revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue.  
6

## 7 **PART XXX. DEPARTMENT OF ADMINISTRATION**

### 8 9 **REQUIRE CONTINUATION REVIEW OF THE YOUTH ADVOCACY AND** 10 **INVOLVEMENT OFFICE**

11           **SECTION 30.1.(a)** A continuation review of the Youth Advocacy and  
12 Involvement Office shall be prepared by the Department of Administration. The review shall be  
13 submitted to the House of Representatives Appropriations Subcommittee on General  
14 Government and the Senate Appropriations Committee on General Government and  
15 Information Technology no later than March 31, 2014. The written report shall include the  
16 information listed in subsection (b) of this section.

17           **SECTION 30.1.(b)** The continuation review required by this section shall include  
18 all of the following information:

- 19           (1) A description of the services provided by the Youth Advocacy and  
20 Involvement Office and its mission, goals, and objectives.
- 21           (2) The statutory objectives of the Office and the problem or need addressed.
- 22           (3) The extent to which the objectives of the Office have been achieved.
- 23           (4) The functions or programs performed by the Office without specific  
24 statutory authority.
- 25           (5) The performance measures and the process by which the performance  
26 measures determine efficiency and effectiveness.
- 27           (6) Recommendations for statutory, budgetary, or administrative changes  
28 needed to improve efficiency and effectiveness of services delivered to the  
29 public.
- 30           (7) The consequences of discontinuing funding.
- 31           (8) Recommendations for improving services or reducing costs or duplication.
- 32           (9) The identification of policy issues that should be brought to the attention of  
33 the General Assembly.
- 34           (10) Any other information necessary to fully support this continuation review  
35 requirement.  
36

### 37 **ELIMINATE DISPLACED HOMEMAKERS PROGRAM/FUND**

38           **SECTION 30.2.(a)** G.S. 7A-305(a2) reads as rewritten:

39           "(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five  
40 dollars (\$75.00) shall be assessed against the person filing the divorce action. Costs collected  
41 by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall  
42 deposit ~~fifty five dollars (\$55.00)~~ thirty-five dollars (\$35.00) to the North Carolina Fund for  
43 Displaced Homemakers established under G.S. 143B-394.10 and ~~twenty dollars (\$20.00)~~ forty  
44 dollars (\$40.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs  
45 assessed under this subsection shall be in addition to any other costs assessed under this  
46 section."

47           **SECTION 30.2.(a1)** G.S. 7A-305(a2), as amended by subsection (a) of this  
48 section, reads as rewritten:

49           "(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five  
50 dollars (\$75.00) shall be assessed against the person filing the divorce action. Costs collected  
51 by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall

1 deposit ~~thirty five dollars (\$35.00) to the North Carolina Fund for Displaced Homemakers~~  
2 ~~established under G.S. 143B-394.10 and forty dollars (\$40.00)~~ seventy-five dollars (\$75.00) to  
3 the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this  
4 subsection shall be in addition to any other costs assessed under this section."

5 **SECTION 30.2.(b)** G.S. 143B-393 reads as rewritten:

6 "**§ 143B-393. North Carolina Council for Women – creation; powers and duties.**

7 There is hereby created the North Carolina Council for Women of the Department of  
8 Administration. The North Carolina Council for Women shall have the following functions and  
9 duties:

- 10 (1) To advise the Governor, the principal State departments, and the State  
11 legislature concerning the education and employment of women in the State  
12 of North ~~Carolina;~~ and Carolina.
- 13 (2) To advise the Secretary of Administration upon any matter the Secretary  
14 may refer to it; and the Council.
- 15 (3) ~~To establish programs for the assistance of displaced homemakers as set~~  
16 ~~forth in Part 10B of this Article."~~

17 **SECTION 30.2.(c)** Part 10B of Article 9 of Chapter 143B of the General Statutes  
18 is repealed.

19 **SECTION 30.2.(d)** All unencumbered funds as of June 30, 2014, in the North  
20 Carolina Fund for Displaced Homemakers shall be transferred to the Domestic Violence Center  
21 Fund established under G.S. 50B-9.

22 **SECTION 30.2.(e)** Subsection (a1) of this section becomes effective July 1, 2014.

#### 23 24 **OSP/FICA SAVINGS**

25 **SECTION 30.2A.** Notwithstanding the provisions of Article 6 of Chapter 143C of  
26 the General Statutes, G.S. 126-95, or any other law to the contrary, the State Controller shall  
27 transfer the sum of six million dollars (\$6,000,000) in savings from the NC FICA Account to  
28 the Office of State Personnel for the 2013-2014 fiscal year.

#### 29 30 **USE OF E-COMMERCE FUNDS**

31 **SECTION 30.5.(a)** Notwithstanding the provisions of G.S. 66-58.12(c), the sum of  
32 one million two hundred eighteen thousand six hundred fifty-nine dollars (\$1,218,659) for the  
33 2013-2014 fiscal year and the sum of one million four hundred seventy-six thousand five  
34 hundred forty-three dollars (\$1,476,543) for the 2014-2015 fiscal year shall be transferred from  
35 the E-Commerce Fund in the Department of Administration Budget Code 24100, Fund 2514, to  
36 be used for each year of the 2013-2015 biennium, on a recurring basis, to pay the operating  
37 expenses of the Division of Purchase and Contract.

38 **SECTION 30.5.(b)** Notwithstanding the provisions of G.S. 66-58.12(c), the sum of  
39 four million dollars (\$4,000,000) for the 2013-2014 fiscal year and the sum of six million  
40 dollars (\$6,000,000) for the 2014-2015 fiscal year shall be transferred from the E-Commerce  
41 Fund in the Department of Administration Budget Code 24100, Fund 2514, to be used to  
42 support operations at the Department of Administration on a nonrecurring basis.

43 **SECTION 30.5.(c)** Notwithstanding the provisions of G.S. 66-58.12(c), the sum of  
44 one million one hundred eleven thousand five hundred eighty-five dollars (\$1,111,585) for the  
45 2013-2014 fiscal year shall be transferred from the E-Commerce Fund in the Department of  
46 Administration Budget Code 24100, Fund 2514, to the Department of the State Treasurer to  
47 fund the Core Banking System Upgrade.

#### 48 49 **STUDY/E-PROCUREMENT FEE**

50 **SECTION 30.6.** The Department of Administration shall study the feasibility of  
51 reducing or eliminating the e-commerce fee authorized under G.S. 66-58.12(b). The

1 e-commerce fee supports the E-Procurement System operated by the Department. By February  
2 1, 2014, the Department shall report its findings to the Senate Appropriations Committee on  
3 General Government and Information Technology, House of Representatives Appropriations  
4 Subcommittee on General Government, Joint Legislative Committee on Information  
5 Technology, and Office of State Budget and Management. The report shall include the  
6 following:

- 7 (1) The current rate of the fee and how it was calculated.
- 8 (2) The current revenue generated from the fee by departmental users.
- 9 (3) The current break-even point for the operation of the E-Procurement System.
- 10 (4) The requirements for the operation and administration of the E-Procurement  
11 System, including the term of any contract with an outside vendor for the  
12 management of the E-Procurement System.
- 13 (5) Total payments to vendors since the initiation of the E-Procurement System.
- 14 (6) Total State receipts since the initiation of the E-Procurement System.
- 15 (7) Information on e-procurement systems currently in operation in other states  
16 and within North Carolina, including an analysis of the advantages and  
17 disadvantages of each.
- 18 (8) The feasibility and cost of utilizing e-procurement systems under  
19 management by any State institution.
- 20 (9) The feasibility of eliminating the fee supporting the E-Procurement System,  
21 E-Commerce Fund (2514), and moving the administration of the  
22 E-Procurement System to General Fund Support, including any cost-savings  
23 to agencies as a result of vendors not assessing the fee on goods purchased  
24 through the System.
- 25 (10) The feasibility of reducing the fee by assessing the fee on goods and services  
26 only.
- 27 (11) The potential for savings from training State employees to operate and  
28 maintain the System.

29  
30 **ELIMINATE AUTHORITY FOR STATE CONTRIBUTION TO COUNTY VETERANS**  
31 **SERVICE PROGRAMS**

32 **SECTION 30.7.** G.S. 165-6(9) is repealed.

33  
34 **PART XXXI. HOUSING FINANCE AGENCY**

35  
36 **RESERVED**

37 **SECTION 31.0.** This section is reserved.

38  
39 **PART XXXII. OFFICE OF ADMINISTRATIVE HEARINGS**

40  
41 **STUDY STAFFING REQUIREMENTS OF RULES REVIEW COMMISSION**

42 **SECTION 32.1.** If House Bill 74 of the 2013 Regular Session of the General  
43 Assembly is enacted, the Office of Administrative Hearings shall study whether the  
44 requirements of that bill regarding periodic review of existing rules necessitates additional  
45 staffing for the Rules Review Commission. The Office of Administrative Hearings shall report  
46 by March 1, 2014, on its findings. The report shall include the number of rules that have been  
47 reviewed by the Rules Review Commission, broken down by agency, Rules Review legal staff,  
48 and the number of rules that have been overturned or reauthorized for the 2013-2014 fiscal  
49 year. If House Bill 153 of the 2013 Regular Session of the General Assembly is enacted, the  
50 report shall be to the Joint Legislative Oversight Committee on General Government, if that  
51 committee is created as a result of the enactment. Otherwise, the report shall be to the Chairs of

1 the House Appropriations Subcommittee on General Government and the Senate  
2 Appropriations Committee on General Government and Information Technology and to the  
3 Fiscal Research Division.

4  
5 **PART XXXIII. DEPARTMENT OF THE STATE TREASURER**

6  
7 **RESERVED**

8 **SECTION 33.0.** This section is reserved.

9  
10 **PART XXXIV. DEPARTMENT OF TRANSPORTATION**

11  
12 **CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION**

13 **SECTION 34.1.(a)** The General Assembly authorizes and certifies anticipated  
14 revenues for the Highway Fund as follows:

15	For Fiscal Year 2015-2016	\$1,946.7 million
16	For Fiscal Year 2016-2017	\$2,027.6 million
17	For Fiscal Year 2017-2018	\$2,103.3 million
18	For Fiscal Year 2018-2019	\$2,140.4 million

19 **SECTION 34.1.(b)** The General Assembly authorizes and certifies anticipated  
20 revenues for the Highway Trust Fund as follows:

21	For Fiscal Year 2015-2016	\$1,160.3 million
22	For Fiscal Year 2016-2017	\$1,215.2 million
23	For Fiscal Year 2017-2018	\$1,256 million
24	For Fiscal Year 2018-2019	\$1,283.7 million

25  
26 **INCREASE DOT PRIVATIZATION**

27 **SECTION 34.2.(a)** The Department of Transportation shall seek to increase the  
28 use of contracts to further privatize preconstruction work where practical, economical, and  
29 likely to lead to increased efficiency. In doing so, the Department shall meet each of the  
30 following privatization requirements:

- 31 (1) Increase the outsourcing of all activities performed by the Department's  
32 Preconstruction and Technical Services units to sixty-five percent (65%) of  
33 the total cost of activities performed by those units in fiscal year 2013-2014  
34 and to seventy percent (70%) of the total cost of activities performed by  
35 those units in fiscal year 2014-2015, excluding the cost of activities  
36 performed by the Turnpike Authority, the Structures Design and  
37 Management unit, and the Bridge Program.
- 38 (2) Increase the total cost of outsourced activity in the Roadway Design,  
39 Right-of-Way, and Project Development and Environmental Analysis units  
40 by seven and one-half percent (7.5%) in fiscal year 2013-2014 and by an  
41 additional seven and one-half percent (7.5%) in fiscal year 2014-2015 from a  
42 baseline of fiscal year 2012-2013 actual expenditures for those units.
- 43 (3) The Department of Transportation shall eliminate a minimum of 15 filled  
44 positions on July 1 of each year of the 2013-2015 biennium to comply with  
45 the requirement to increase outsourcing in the Preconstruction and Technical  
46 Services units, with an emphasis on reducing staffing in the Right-of-Way,  
47 Project Development and Environmental Analysis, and Roadway Design  
48 units. The Department is authorized to eliminate additional positions if  
49 necessary to meet the requirements of subdivisions (1) and (2) of this  
50 section.

1           **SECTION 34.2.(b)** The Department of Transportation shall increase contracts for  
2 construction of transportation projects on a design-build basis awarded under the provisions of  
3 G.S. 136-28.11 by five percent (5%) in each year of the 2013-2015 biennium, based on the total  
4 cost of construction projects.

5           **SECTION 34.2.(c)** G.S. 136-28.11(d) is repealed.

#### 6 7 **SYSTEM PRESERVATION FUNDS PREFERENCE FOR DEFICIENT BRIDGES**

8           **SECTION 34.3.** The funds allocated to the system preservation program (fund  
9 center 1500/157839) for fiscal years 2013-2014 and 2014-2015 shall be used for improvements  
10 to structurally deficient and functionally obsolete bridges. All projects funded under this  
11 section, with the exception of pre-engineering and contract preparation and planning activities,  
12 shall be outsourced to private contractors.

#### 13 14 **SMALL CONSTRUCTION AND CONTINGENCY FUNDS**

15           **SECTION 34.4.(a)** Of the funds appropriated in this act to the Department of  
16 Transportation:

17           (1) Seven million dollars (\$7,000,000) shall be allocated in each fiscal year for  
18 small construction projects recommended by the Chief Engineer in  
19 consultation with the Chief Operating Officer and approved by the Secretary  
20 of the Department of Transportation. These funds shall be allocated equally  
21 in each fiscal year of the biennium among the 14 Highway Divisions for  
22 small construction projects.

23           (2) Twelve million dollars (\$12,000,000) shall be allocated statewide in each  
24 fiscal year for rural or small urban highway improvements and related  
25 transportation enhancements to public roads and public facilities, industrial  
26 access roads, and spot safety projects, including pedestrian walkways that  
27 enhance highway safety. Projects funded pursuant to this subdivision shall  
28 be approved by the Secretary of Transportation.

29           None of these funds used for secondary road improvements during the 2013-2014  
30 fiscal year are subject to the county allocation formulas in G.S. 136-44.5(b).

31           **SECTION 34.4.(b)** The Department of Transportation shall report to the members  
32 of the General Assembly on projects funded pursuant to this section in each member's district  
33 prior to construction. The Department shall make a quarterly comprehensive report on the use  
34 of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal  
35 Research Division.

36           **SECTION 34.4.(c)** The sum of twenty-seven million sixty thousand eighty-three  
37 dollars (\$27,060,083) of the unallotted and unexpended balance of funds within the  
38 Contingency Fund (fund center 1500/157818) shall be transferred to the Highway Fund as  
39 appropriated and allocated by this act.

40           **SECTION 34.4.(d)** The sum of twenty-one million nine hundred fourteen thousand  
41 four hundred ten dollars (\$21,914,410) of the unallotted and unexpended balance of funds  
42 within the Division Small Urban Construction Program (fund center 1500/157837) shall be  
43 transferred to the Highway Fund as appropriated and allocated by this act.

#### 44 45 **ACCESS AND PUBLIC SERVICE ROAD FUNDS**

46           **SECTION 34.6.** The sum of four million eight hundred forty-three thousand four  
47 hundred forty-one dollars (\$4,843,441) of the unallotted and unexpended balance of funds  
48 within the Access and Public Service Road program (fund center 1500/157814) shall be  
49 transferred to the Highway Fund as appropriated and allocated by this act.

#### 50 51 **ECONOMIC DEVELOPMENT PROGRAM FUNDS**



1           **SECTION 34.7.(a)** The sum of three million three hundred forty-six thousand two  
2 hundred fifteen dollars (\$3,346,215) of the unallotted and unexpended balance of funds within  
3 the Economic Development fund (fund center 1500/157838) shall be transferred to the  
4 Highway Fund as appropriated and allocated by this act.

5           **SECTION 34.7.(b)** Of the funds appropriated to the Economic Development fund,  
6 the sum of three million three hundred forty-six thousand two hundred fifteen dollars  
7 (\$3,346,215) in fiscal year 2013-2014 and four million thirty-six thousand one hundred  
8 seventy-one dollars (\$4,036,171) in fiscal year 2014-2015 shall be used for prioritized  
9 transportation improvements and infrastructure that expedite commercial growth as well as  
10 either job creation or job retention. Projects funded under this section shall be jointly approved  
11 by the Secretary of Transportation and the Secretary of Commerce.

12           **SECTION 34.7.(c)** Of the funds appropriated to the Economic Development fund,  
13 the sum of three million dollars (\$3,000,000) is allocated for airport infrastructure  
14 improvements to the Piedmont Triad International Airport, and the sum of three million five  
15 hundred thousand dollars (\$3,500,000) is allocated for program operations and airport  
16 infrastructure improvements to the Hyde County Airport.

17           **SECTION 34.7.(d)** Funds allocated under subsection (c) of this section for the  
18 2013-2014 fiscal year may be used during both years of the biennium. Funds unexpended and  
19 unallotted on June 30, 2015, shall revert to the Highway Fund.  
20

## 21 **CONGESTION AND MOBILITY REPORTING**

22           **SECTION 34.8.** G.S. 136-44.3 reads as rewritten:

### 23 **"§ 136-44.3. Maintenance program.**

24           The Department shall establish performance standards for the maintenance and operation of  
25 the State highway system. In each even-numbered year, the Department of Transportation shall  
26 survey the condition of the State highway system and shall prepare a report of the findings of  
27 the survey. The report shall provide both quantitative and qualitative descriptions of the  
28 condition of the system and shall provide estimates of the following:

- 29           (1) The annual cost to meet and sustain the established performance standards  
30 for the primary and secondary highway system, to include: (i) routine  
31 maintenance and operations, (ii) system preservation, and (iii) pavement and  
32 bridge rehabilitation.
- 33           (2) Projected system condition and corresponding optimal funding requirements  
34 for a seven-year plan to sustain established performance standards.
- 35           (3) Any significant variations in system conditions among highway divisions.
- 36           (4) An assessment of the level of congestion throughout the primary highway  
37 system based on traffic data, and a ranking of the most congested areas  
38 based on travel time reliability and the average number of congested hours,  
39 together with the Department's recommendations for congestion reduction  
40 and mobility improvement.

41           On the basis of the report and from funds available, the Department of Transportation shall  
42 develop a statewide annual maintenance program for the State highway system, which shall be  
43 subject to the approval of the Board of Transportation and is consistent with performance  
44 standards.

45           The report on the condition of the State highway system and maintenance funding needs  
46 shall be presented to the Joint Legislative Transportation Oversight Committee by December  
47 31 of each even-numbered year, and copies shall be made available to any member of the  
48 General Assembly upon request."  
49

## 50 **REPEAL INTERMODAL CONTINUING APPROPRIATIONS**

51           **SECTION 34.9.** The following statutes are repealed:

- 1 (1) G.S. 136-16.4.
- 2 (2) G.S. 136-16.5.
- 3 (3) G.S. 136-16.7.
- 4 (4) G.S. 136-16.8.
- 5 (5) G.S. 136-16.9.

6

7 **FLEXIBLE USE OF FUNDS TO LEVERAGE FEDERAL FUNDS FOR RURAL AND**  
 8 **HUMAN SERVICE PUBLIC TRANSPORTATION**

9 **SECTION 34.10.** In order to ensure maximum funding and to facilitate the use of  
 10 funds available to the Department, the Department of Transportation, Public Transportation  
 11 Division, shall have the flexibility to redistribute funding from the "rural capital" grant program  
 12 and within the "urban technology, human service transportation management, and rural general  
 13 public" grant program in order to leverage all eligible federal funds for operating assistance to  
 14 rural and human service transportation systems. The distribution of funds to these systems shall  
 15 be based on assessed system needs. This section applies only to the 2013-2015 fiscal biennium.

16

17 **MAXIMIZE LEVERAGE OF FEDERAL PUBLIC TRANSPORTATION OPERATING**  
 18 **AND CAPITAL FUNDS FOR LOCAL PUBLIC TRANSPORTATION SYSTEMS**

19 **SECTION 34.11.** The Department of Transportation, Public Transportation  
 20 Division, shall provide local public transportation systems with maximum flexibility to use  
 21 State operating funds from the "urban and regional maintenance" and "urban technology,  
 22 human service transportation management, and rural general public" grant programs to leverage  
 23 all eligible federal transit operating assistance funds. This section applies only to the 2013-2015  
 24 fiscal biennium.

25

26 **FERRY TOLLING ALTERNATIVES**

27 **SECTION 34.13.** G.S. 136-82 reads as rewritten:

28 "**§ 136-82. Department of Transportation to establish and maintain ferries.**

29 (a) Powers of Department. – The Department of Transportation is vested with authority  
 30 to provide for the establishment and maintenance of ferries connecting the parts of the State  
 31 highway system, whenever in its discretion the public good may so require, ~~and shall collect~~  
 32 ~~tolls, as established by the Board of Transportation, on the ferry routes. The Board of~~  
 33 ~~Transportation shall establish tolls for all ferry routes, except for the Ocracoke/Hatteras Ferry~~  
 34 ~~and the Knotts Island Ferry, require.~~ For purposes of this Article, the "ferry system" shall be  
 35 defined as the ferry vessels and all associated equipment, land-based facilities, and personnel  
 36 required to operate the vessels on routes established by the Board of Transportation.

37 To accomplish the purpose of this section said Department of Transportation is authorized  
 38 to acquire, own, lease, charter or otherwise control all necessary vessels, boats, terminals or  
 39 other facilities required for the proper operation of ~~such ferries~~ the ferry system or to enter into  
 40 contracts with persons, firms or corporations for the operation ~~thereof~~ of the ferry system and to  
 41 pay ~~therefor~~ such reasonable sums as ~~may that~~ in the opinion of said Department of  
 42 Transportation represent the fair value of the public service rendered.

43 (b) Authority to Generate Certain Receipts. – The Department of Transportation,  
 44 notwithstanding any other provision of law, may ~~operate,~~ operate or contract for the following  
 45 receipt-generating activities and use the proceeds to promote, improve, repair, maintain, or  
 46 operate the ferry system:

- 47 (1) ~~operation~~ Operation of, concessions on the ferries and at ferry facilities to  
 48 provide to passengers on the ferries food, drink, and other refreshments,  
 49 personal comfort items, Internet access, and souvenirs publicizing the ferry  
 50 system.
- 51 (2) The sale of naming rights to any ferry vessel, ferry route, or ferry facility.

1           (3)    Advertising on or within any ferry vessel, including display advertising and  
2                    advertising delivered to passengers through the use of video monitors, public  
3                    address systems installed in passenger areas, and other electronic media.

4           (4)    Any other receipt-generating activity not otherwise forbidden by applicable  
5                    law pertaining to public health or safety.

6           (c)    Nothing in this section shall affect the authority of the Department to collect tolls in  
7                    accordance with the fare and rate structure established in 19A NCAC 02D .0532 and in effect  
8                    as of May 1, 2013."

## 10 NORTH CAROLINA RAILROAD COMPANY REPORTING AND DIVIDENDS

11           SECTION 34.14.(a) Reporting and Oversight. – G.S. 124-1 reads as rewritten:

12   "**§ 124-1. Control of internal improvements.**

13           The Governor and Council of State shall have charge of all the State's interest in all  
14           railroads, canals and other works of internal improvements. The Board of Directors of a  
15           State-owned railroad company shall be responsible for managing its affairs and for reporting as  
16           set forth in ~~G.S. 124-3~~-G.S. 124-17."

17           SECTION 34.14.(b) Article 2 of Chapter 124 of the General Statutes is amended  
18           by adding a new section, G.S. 124-15. G.S. 124-6(b), as amended by Section 3.3(a) of S.L.  
19           1999-431, is recodified as G.S. 124-15(a). G.S. 124-5(b) is recodified as G.S. 124-15(b).  
20           G.S. 124-15, as enacted and amended by this subsection, reads as rewritten:

21   "**§ 124-15. Board of directors; appointment and approval of encumbrances.**

22           (a)    Notwithstanding subsection (a) of ~~this section~~,G.S. 124-6, for any State-owned  
23           railroad company organized as a corporation in which the State is the owner of all the voting  
24           stock and whichthat has trackage in more than two counties, seven of the members of the Board  
25           of Directors shall be appointed by the Governor, three of the members of the Board of  
26           Directors shall be appointed by the General Assembly upon the recommendation of the Speaker  
27           of the House of Representatives in accordance with G.S. 120-121, and three of the members of  
28           the Board of Directors shall be appointed by the General Assembly upon the recommendation  
29           of the President Pro Tempore of the Senate in accordance with G.S. 120-121. The Board of  
30           Directors shall consist of 13 members. Of the Governor's seven appointments, one shall be  
31           from the appointees to the Board of Transportation, and one shall be the Secretary of  
32           Commerce or the Secretary's designee. Of the initial members appointed by the Governor, three  
33           shall be appointed for terms of four years and four shall be appointed for terms of two years. Of  
34           the initial members recommended to the General Assembly by the Speaker of the House of  
35           Representatives, two shall be appointed for terms of four years and one shall be appointed for a  
36           term of two years. Of the initial members recommended to the General Assembly by the  
37           President Pro Tempore of the Senate, two shall be appointed for terms of four years and one  
38           shall be appointed for a term of two years. Thereafter all Board members shall serve four-year  
39           terms. The Board shall elect the chairman from among its membership.

40           (b)    No State-owned railroad company shall sell, lease, mortgage, or otherwise  
41           encumber its franchise, right-of-way, or other property, except by and with the approval and  
42           consent of the Board of Directors of that corporation. The president or other chief officer of the  
43           State-owned railroad company shall report any acquisitions and dispositions in accordance with  
44           G.S. 124-3(10)."

45           SECTION 34.14.(c) Article 2 of Chapter 124 of the General Statutes is amended  
46           by adding a new section to read as follows:

47   "**§ 124-16. Strategic plan and capital investment plan required of State-owned railroad**  
48           **company; performance management system.**

49           (a)    Any State-owned railroad company shall prepare and maintain a comprehensive  
50           strategic plan and a capital investment plan. The strategic plan shall include a mission

1 statement describing the purpose of the company and clear goals that address the strategic  
2 issues facing the company.

3 (b) Any State-owned railroad company shall develop and implement a formalized  
4 performance management system based on its strategic plan. The performance management  
5 system shall measure and monitor progress toward achieving strategic objectives. When  
6 performance fails to achieve strategic objectives within the time period established in the plan,  
7 a State-owned railroad company shall take corrective action."

8 **SECTION 34.14.(d)** Article 2 of Chapter 124 of the General Statutes is amended  
9 by adding a new section, G.S. 124-17. G.S. 124-3(b) is recodified as G.S. 124-17(b).  
10 G.S. 124-3(c) is recodified as G.S. 124-17(c). G.S. 124-17, as enacted and amended by this  
11 subsection, reads as rewritten:

12 **"§ 124-17. Enhanced annual report of State-owned railroad company; additional**  
13 **reporting requirements to Governor and General Assembly.**

14 (a) A State-owned railroad company shall submit an annual report to the Joint  
15 Legislative Commission on Governmental Operations and the Joint Legislative Transportation  
16 Oversight Committee. The report shall include the following:

17 (1) The information required under G.S. 124-3.

18 (2) A copy of the strategic plan and the capital investment plan required under  
19 G.S. 124-16.

20 (3) Any failures to meet strategic objectives and what corrective actions were  
21 taken under G.S. 124-16(b).

22 (4) Anticipated dividends for the next three fiscal years.

23 (5) A description of the State-owned railroad company's business, subsidiaries,  
24 and markets in which it operates.

25 (6) A list of the properties owned by the State-owned railroad company.

26 (7) A list of the directors and executive officers of the State-owned railroad  
27 company and a description of the background and experience of each.

28 (8) A description of the State-owned railroad company's code of ethics and  
29 conflicts of interest policy.

30 (9) A summary of the fees paid to an accounting firm during the year.

31 (10) A list of the compensation paid to directors and officers of the State-owned  
32 railroad company.

33 (11) A description of the State-owned railroad company's disagreements with its  
34 accountants if there has been a change in accountants.

35 (12) A description of any transactions between the State-owned railroad company  
36 and its directors, officers, and their family members.

37 (b) Upon the request of the Governor or any committee of the General Assembly, a  
38 State-owned railroad company shall provide all additional information and data within its  
39 possession or ascertainable from its records. The State-owned railroad company shall not be  
40 deemed to have waived any attorney-client privilege when complying with this subsection. At  
41 the time a State-owned railroad company provides information under this section, it shall  
42 indicate whether the information is confidential. Confidential information shall be subject to  
43 subsection (c) of this section.

44 (c) Confidential information includes (i) information related to a proposed specific  
45 business transaction where inspection, examination, or copying of the records would frustrate  
46 the purpose for which the records were created, or (ii) information that is subject to  
47 confidentiality obligations of a railroad company. Confidential information is exempt from  
48 Chapter 132 of the General Statutes and shall not be subject to a request under G.S. 132-6(a)."

49 **SECTION 34.14.(e)** The Freight Rail & Rail Crossing Safety Improvement Fund is  
50 established within the Highway Fund.

1           **SECTION 34.14.(f)** One-time Cash Dividend. – Notwithstanding G.S. 124-5.1,  
2 any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more  
3 than two counties shall issue a cash dividend in the amount of fifteen million five hundred  
4 thousand dollars (\$15,500,000), which shall be deposited into the Freight Rail & Rail Crossing  
5 Safety Improvement Fund no later than January 15, 2014.

6           **SECTION 34.14.(g)** Annual Cash Dividend. – G.S. 124-5.1 reads as rewritten:

7 **"§ 124-5.1. State use of North Carolina Railroad Company dividends. Dividends deposited**  
8 **to Highway Fund.**

9           (a) ~~Notwithstanding the provisions of G.S. 136-16.6, in order to increase the capital of~~  
10 ~~the North Carolina Railroad Company, any dividends of the North Carolina Railroad Company~~  
11 ~~received by the State shall be applied to reduce the obligations described in subsection (c) of~~  
12 ~~Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L.~~  
13 ~~1999-237. Any dividends of the North Carolina Railroad Company received by the State shall~~  
14 ~~be used by the Department of Transportation for the improvement of the property of the North~~  
15 ~~Carolina Railroad Company as recommended and approved by the Board of Directors of the~~  
16 ~~North Carolina Railroad Company. The improvements may include the following project~~  
17 ~~types:~~ deposited into the Freight Rail & Rail Crossing Safety Improvement Fund within the  
18 Highway Fund and administered by the Rail Division of the Department of Transportation. The  
19 Fund shall be used for the enhancement of freight rail service and railroad-roadway crossing  
20 safety, which may include the following project types:

- 21           (1) ~~Railroad and industrial track rehabilitation.~~ Track and associated  
22 infrastructure improvements for freight service.
- 23           (2) ~~Railroad signal and grade crossing protection.~~ Grade crossing protection,  
24 elimination, and hazard removal.
- 25           (3) ~~Bridge improvements.~~ Signalization improvements.
- 26           (4) ~~Corridor protection.~~ Assistance for projects to improve rail access to  
27 industrial, port, and military facilities and for freight intermodal facility  
28 improvements, provided that funding assistance under this subdivision shall  
29 be subject to the same limits as that for short-line railroads under  
30 G.S. 136-44.39.
- 31           (5) ~~Industrial site acquisition.~~

32           The Fund may also be used to supplement funds allocated for freight rail or  
33 railroad-roadway crossing safety projects approved as part of the Transportation Improvement  
34 Program.

35           ~~The Department of Transportation shall use the Fund to supplement funds allocated for~~  
36 ~~projects approved as part of the Transportation Improvement Program.~~

37           (b) ~~Effective January 1, 2000, interest shall not be accrued or otherwise charged on the~~  
38 ~~remaining balance of the obligations described in subsection (c) of Section 32.30 of S.L.~~  
39 ~~1997-443, as amended by subsection (d) of Section 27.11 of S.L. 1999-237. Interest accrued on~~  
40 ~~those obligations relating to periods prior to January 1, 2000, shall be deemed paid and~~  
41 ~~contributed by the State to the capital of the North Carolina Railroad Company."~~

42           **SECTION 34.14.(h)** Article 2 of Chapter 124 of the General Statutes is amended  
43 by adding the following new section:

44 **"§ 124-18. Dividends required of State-owned railroad company.**

45           Any State-owned railroad company that has trackage in more than two counties shall issue  
46 an annual cash dividend to the State. The amount of the annual dividend is twenty-five percent  
47 (25%) of the company's income from the prior year's trackage rights agreements. The dividend  
48 is due by January 15 of each year, and interest shall accrue at the annual rate of prime plus one  
49 percent (1%) if the payment is not paid by the due date. The Directors of any State-owned  
50 railroad company who vote for or assent to the dividend required under this section shall not be  
51 held liable under G.S. 55-8-33."

1           **SECTION 34.14.(i)** G.S. 136-16.6 is repealed.

2           **SECTION 34.14.(j)** Assess Certain Real Properties. – Any State-owned railroad  
3 company, as defined under G.S. 124-11, that has trackage in more than two counties shall  
4 assess the company's noncorridor real property that is among the following parcels:

5	<b>Property Description</b>	<b>County</b>	<b>Nearest Town</b>	<b>Parcel ID</b>
6	Burke Street Lot	Alamance	Gibsonville	107493
7	Bridges Street Lot	Carteret	Morehead	638620911461000
8	Newport Lot	Carteret	Newport	634814246231000
9	Wye Property Extension	Carteret	Morehead	637616924807000
10	Wye Property	Carteret	Morehead	637620923019000
11	Clarks Lot	Craven	Clarks	8-221-035
12	Tiffany & Bright Sts. Property	Lenoir	Kinston	11185 & 26555
13	Morrisville Former Depot	Wake	Morrisville	0755-14-6475
14	Waynesboro Lot	Wayne	Goldsboro	2599119118

15           The assessment shall identify potential environmental issues; title, encroachment  
16 and other legal property issues; and any other characteristic of the property that would  
17 significantly impact the value of the parcels to a prospective purchaser. Any State-owned  
18 railroad company, as defined under G.S. 124-11, that has trackage in more than two counties  
19 shall report no later than April 1, 2014, to the Joint Legislative Transportation Oversight  
20 Committee and the Fiscal Research Division. The report shall include the findings of the  
21 assessment required by this subsection, an estimate of the costs to mitigate any environmental  
22 issues to meet applicable federal or State standards, the estimated value of the parcels taking  
23 into account mitigation costs, and potential alternate State uses for the parcels.

24           **SECTION 34.14.(j1)** One-Time Real Property Dividend. – Any State-owned  
25 railroad company, as defined under G.S. 124-11, that has trackage in more than two counties  
26 shall issue a dividend consisting of any of the company's noncorridor real property that is  
27 among the following parcels:

28	<b>Property Description</b>	<b>County</b>	<b>Nearest Town</b>	<b>Parcel ID</b>
29	4th Street Lot	Carteret	Morehead	638620808907000
30	Station & Former Industrial Lot	Carteret	Morehead	638620718127000
31	Waterfront & Riparian Rights	Carteret	Morehead	638620708857000 & 638620709868000
32				
33	N. Craven St. Lot	Craven	New Bern	8-003-241-A

34           The dividend required by this subsection shall be issued no later than June 30, 2014,  
35 except as to the N Craven St Lot no later than August 1, 2013, and shall be in the form of a  
36 transfer of the property to the Department of Administration. Any State-owned railroad making  
37 a dividend under this subsection may deduct any tax liabilities under the Internal Revenue Code  
38 triggered by this dividend from the amount of the dividend required under subsection (f) of this  
39 section.

40           **SECTION 34.14.(j2)** The Department of Administration, in collaboration with the  
41 Department of Transportation and the North Carolina State Ports Authority (NCSPA), will  
42 evaluate the value of the parcels listed in subsection (j1) of this section that are located in  
43 Carteret County. The evaluation shall compare the value of the parcels for alternate  
44 transportation uses by the Department of Transportation or the NCSPA to the potential  
45 proceeds from sale of these properties to a non-State third party. The Departments of  
46 Administration and Transportation shall report the results of the evaluation, including  
47 recommended alternate uses, to the Joint Legislative Transportation Oversight Committee by  
48 April 1, 2014. The Department of Administration shall not sell or transfer the parcels described  
49 in this subsection until authorized to do so by an act of the General Assembly.

50           **SECTION 34.14.(j3)** Notwithstanding Articles 2 and 7 of Chapter 146 of the  
51 General Statutes and G.S. 124-5.1, the Department of Administration shall sell any parcels

1 listed in subsection (j1) of this section that are located in Craven County and deposit the  
 2 proceeds of the sales into the Freight Rail & Rail Crossing Safety Improvement Fund of the  
 3 Highway Fund. Notwithstanding any other provision of law, the Department of Administration  
 4 may deduct the costs of selling the property from the proceeds of the sales.

5 **SECTION 34.14.(k)** Subsections (g), (h), and (i) of this section become effective  
 6 January 1, 2014.

7  
 8 **ELIMINATE TELECOMMUNICATIONS AND INSPECTIONS PROGRAM**  
 9 **ACCOUNTS**

10 **SECTION 34.15.(a)** The sum of ten million five hundred thousand dollars  
 11 (\$10,500,000) of the unallotted and unexpended balance of funds within the Inspection  
 12 Program Account shall be transferred to the Highway Fund as appropriated and allocated by  
 13 this act. The Inspection Program Account shall be eliminated after all funds allotted as of June  
 14 30, 2013, have been expended. The remaining unallotted and unexpended balance of funds  
 15 shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

16 **SECTION 34.15.(b)** Effective June 30, 2014, G.S. 20-183.7(d1) is repealed, and  
 17 the unallotted and unexpended balance of funds in the Telecommunications Account on that  
 18 date shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

19 **SECTION 34.15.(c)** G.S. 20-183.7 reads as rewritten:

20 "**§ 20-183.7. Fees for performing an inspection and issuing an electronic inspection**  
 21 **authorization to a vehicle; use of civil penalties.**

22 ...  
 23 (c) Fee Distribution. – Fees collected for electronic inspection authorizations are  
 24 payable to the Division of Motor Vehicles. The amount of each fee listed in the table below  
 25 shall be credited to the Highway Fund, ~~the Inspection Program Account established in~~  
 26 ~~subsection (d) of this section, the Telecommunications Account established in subsection (d1)~~  
 27 ~~of this section, the Volunteer Rescue/EMS Fund established in G.S. 58-87-5, the Rescue Squad~~  
 28 ~~Workers' Relief Fund established in G.S. 58-88-5, and the Division of Air Quality of the~~  
 29 ~~Department of Environment and Natural Resources:~~

<u>Recipient</u>	<u>Safety Only</u>	<u>Emissions and</u>
	<u>Electronic</u>	<u>Safety</u>
	<u>Authorization</u>	<u>Electronic</u>
		<u>Authorization</u>
34 Highway Fund	.55	.555.30
35 <del>Inspection Program Account</del>	.00	3.00
36 <del>Telecommunications Account</del>	.00	1.75
37 Volunteer Rescue/EMS Fund	.18	.18
38 Rescue Squad Workers' Relief Fund	.12	.12
39 Division of Air Quality	.00	.65.

40 ~~(d) Inspection Program Account. — The Inspection Program Account is created as a~~  
 41 ~~nonreverting account within the Highway Fund. The Division shall administer the Account.~~  
 42 ~~Revenue in the Account may be used only to fund the vehicle inspection and maintenance~~  
 43 ~~program and to fund replacement of the State Titling and Registration System and the State~~  
 44 ~~Automated Driver License System.~~

45 ...."

46  
 47 **DIVISION OF MOTOR VEHICLES TECHNOLOGY IMPROVEMENT ACCOUNT**

48 **SECTION 34.16.(a)** The Division of Motor Vehicles Technology Improvement  
 49 Account shall be eliminated after all funds allotted as of June 30, 2013, have been expended.  
 50 The unallotted and unexpended balance of funds in the Account shall be transferred to the  
 51 Highway Fund as appropriated and allocated by this act.

1           **SECTION 34.16.(b)** G.S. 20-85 reads as rewritten:

2   "**§ 20-85 Schedule of fees.**

3       ...

4       (a1) One dollar (\$1.00) of the fee imposed for any transaction assessed a fee under  
5 subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the  
6 North Carolina Highway Fund. ~~The Division shall use the fees derived from transactions with~~  
7 ~~the Division for technology improvements.~~ The Division shall use the fees derived from  
8 transactions with commission contract agents for the payment of compensation to commission  
9 contract agents. An additional fifty cents (50¢) of the fee imposed for any transaction assessed  
10 a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal  
11 Account in the Department of Environment and Natural Resources. An additional fifty cents  
12 (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this  
13 section shall be credited as follows:

- 14           (1) The first four hundred thousand dollars (\$400,000) collected shall be  
15 credited to the Reserve for Visitor Centers in the Highway Fund.  
16           (2) Any additional funds collected shall be credited to the Highway Trust Fund  
17 and, notwithstanding G.S. 136-176(b), shall be allocated and used for urban  
18 loop projects.

19       ...."

## 20 21 **DEPARTMENT OF TRANSPORTATION CONTRACTED SERVICES**

22       **SECTION 34.17.** The Department of Transportation, Business and Contractual  
23 Services Unit, shall, in collaboration with the Division of Motor Vehicles, evaluate current  
24 contractual models and compensation for the provision of registration, title, tax collection, and  
25 other vehicle service transactions by branch agents contracting with the Division of Motor  
26 Vehicles. As part of this evaluation, the Department shall conduct an analysis of transaction  
27 trends, completion and error rates, and service times by transaction type and branch agent type,  
28 and shall assess the appropriateness of the current basis for contractor compensation and rates  
29 relative to documented service requirements.

30       Based on its findings, the Department shall recommend alternatives to the current  
31 contractual models for branch agents to standardize contract types, enhance performance, and  
32 strengthen contract administration, taking into account citizen accessibility to service centers.  
33 In addition, the Department shall submit detailed proposals for alternate options for contractor  
34 compensation, including, at a minimum, competitive bidding of branch agent contracts. The  
35 Department shall identify anticipated programmatic and fiscal impacts, and include  
36 implementation plans for each alternative.

37       The Department shall report its findings and recommendations to the Joint  
38 Legislative Transportation Oversight Committee, Joint Legislative Program Evaluation  
39 Oversight Committee, and Fiscal Research Division no later than March 1, 2014.

## 40 41 **VISITOR CENTERS FUNDING**

42       **SECTION 34.22.** G.S. 20-79.7(c)(2) reads as rewritten:

43       "(c) Use of Funds in Special Registration Plate Account. –

44       ...

- 45       (2) From the funds remaining in the Special Registration Plate Account after the  
46 deductions in accordance with subdivision (1) of this subsection, there is  
47 annually appropriated from the Special Registration Plate Account the sum  
48 of one million three hundred thousand dollars (\$1,300,000) to provide  
49 operating assistance for the Visitor Centers:

- 50       a.     on U.S. Highway 17 in Camden County, ~~(\$100,000)~~ ninety-two  
51             thousand eight hundred fifty-seven dollars (\$92,857);



- 1 b. on U.S. Highway 17 in Brunswick County, ~~(\$100,000)~~ ninety-two  
2 thousand eight hundred fifty-seven dollars (\$92,857);  
3 c. on U.S. Highway 441 in Macon County, ~~(\$100,000)~~ ninety-two  
4 thousand eight hundred fifty-seven dollars (\$92,857);  
5 d. in the Town of Boone, Watauga County, ~~(\$100,000)~~ ninety-two  
6 thousand eight hundred fifty-seven dollars (\$92,857);  
7 e. on U.S. Highway 29 in Caswell County, ~~(\$100,000)~~ ninety-two  
8 thousand eight hundred fifty-seven dollars (\$92,857);  
9 f. on U.S. Highway 70 in Carteret County, ~~(\$100,000)~~ ninety-two  
10 thousand eight hundred fifty-seven dollars (\$92,857);  
11 g. on U.S. Highway 64 in Tyrrell County, ~~(\$100,000)~~ ninety-two  
12 thousand eight hundred fifty-seven dollars (\$92,857);  
13 h. at the intersection of U.S. Highway 701 and N.C. 904 in Columbus  
14 County, ~~(\$100,000)~~ ninety-two thousand eight hundred fifty-seven  
15 dollars (\$92,857);  
16 i. on U.S. Highway 221 in McDowell County, ~~(\$100,000)~~ ninety-two  
17 thousand eight hundred fifty-seven dollars (\$92,857);  
18 j. on Staton Road in Transylvania County, ~~(\$100,000)~~ ninety-two  
19 thousand eight hundred fifty-seven dollars (\$92,857);  
20 k. in the Town of Fair Bluff, Columbus County, near the intersection of  
21 U.S. Highway 76 and N.C. 904, ~~(\$100,000)~~ ninety-two thousand  
22 eight hundred fifty-seven dollars (\$92,857);  
23 l. on U.S. Highway 421 in Wilkes County, ~~(\$100,000)~~ ninety-two  
24 thousand eight hundred fifty-seven dollars (\$92,857); and  
25 m. at the intersection of Interstate 73 and Interstate 74 in Randolph  
26 County, ~~(\$100,000)~~ ninety-two thousand eight hundred fifty-seven  
27 dollars (\$92,858) each, for two centers."  
28

## 29 STUDY GLOBAL TRANSPARK INFRASTRUCTURE AND RAIL ACCESS

30 **SECTION 34.23.** The Department of Transportation, in collaboration with the  
31 Department of Commerce and the Department of Agriculture and Consumer Services, shall  
32 study the feasibility of infrastructure and access improvements for the Global TransPark and  
33 the North Carolina State Port Authority. As part of its study, the Department shall undertake  
34 the following:

- 35 (1) Evaluate infrastructure improvements which will promote job creation and  
36 commerce and advance development of the Global TransPark as an inland  
37 terminal, including, at a minimum, specialized transloading equipment,  
38 refrigerated and dry storage facilities, and site improvements in support of  
39 co-located manufacturing facilities on property owned by the Global  
40 TransPark Authority.
- 41 (2) Perform financial feasibility analyses for each infrastructure improvement  
42 evaluated under subdivision (1) of this section, including the following  
43 components:
- 44 a. Project scope and development time line.  
45 b. Assessment of technical feasibility.  
46 c. Estimates of preconstruction, construction, maintenance, and  
47 operating costs.  
48 d. Market scenarios, including identification of target industries and  
49 commodities and assessments of market demand, impacts on cargo  
50 throughput, utilization of Authority facilities, and other associated  
51 outputs.

- 1 e. Return on investment, including direct financial return to the  
2 Authority or State as well as local and regional economic impact  
3 attributable to each project.
- 4 f. Alternatives for project financing.
- 5 (3) Assess highway and rail infrastructure improvements or service scenarios  
6 that improve access and throughput to the Global TransPark and North  
7 Carolina State Port Authority Morehead City Terminal, addressing at a  
8 minimum, the relative benefits and costs of each highway or rail project, as  
9 well as the impacts on freight movements for the highway system and  
10 connecting rail corridors. As part of this assessment, the Department shall, in  
11 collaboration with the North Carolina Railroad Company, evaluate alternate  
12 routes to improve rail capacity and access to the Morehead City Terminal  
13 and Radio Island site.
- 14 (4) In addition, the Department shall perform a financial feasibility analysis of  
15 the Wallace to Castle Hayne and Wilmington track restoration project that  
16 includes the following components:
- 17 a. Project scope and development time line.
- 18 b. Assessment of technical feasibility, including traffic flow analysis  
19 and railroad capacity modeling.
- 20 c. Service models addressing operating scenarios over the line segment  
21 and connections to other rail lines, as well as rate implications.
- 22 d. Preliminary engineering, construction, maintenance, and operating  
23 cost.
- 24 e. Service and market demand for rail service, identifying projected  
25 utilization by industry and impacts to alternate rail routes.
- 26 f. Strategic value assessment, including return on investment, direct  
27 financial return to the State, and State, regional, and local economic  
28 impact.
- 29 g. Strategic value of the corridor to military installations and as a  
30 connection to national and regional railroad corridors.
- 31 h. Inventory of commercial and industrial sites or terminals benefitting  
32 from restored rail service or improved connectivity.
- 33 i. Alternatives for project financing.

34 The Department shall provide a preliminary report of its findings to the Joint  
35 Legislative Transportation Oversight Committee no later than March 1, 2014, and a final  
36 report, including any recommended legislation, no later than January 1, 2015.

## 37 38 **LIFE CYCLE COST ANALYSIS**

39 **SECTION 34.25.** The Department of Transportation shall perform a life cycle cost  
40 analysis based on the Department's "Procedure for Life Cycle Cost Analysis" for all highway  
41 projects constructed on a new location in accordance with the following schedule:

- 42 (1) Ninety percent (90%) of applicable projects in fiscal year 2013-2014.
- 43 (2) Ninety-five percent (95%) of applicable projects in fiscal year 2014-2015.
- 44 (3) All applicable projects for fiscal years beginning after June 30, 2015.

45 The Department shall adopt and provide a detailed report on the life cycle cost  
46 analysis methodology and component factors used to comply with the requirement of this  
47 section to the Fiscal Research Division and the Joint Legislative Transportation Oversight  
48 Committee no later than September 1, 2013.

## 49 50 **COUNTIES MAY USE SALES TAX REVENUE FOR ROADS**

1           **SECTION 34.26.(a)** Article 12 of Chapter 153A of the General Statutes is  
2 amended by adding a new section to read:

3 **"§ 153A-239.2 Use of local government sales and use tax revenue for public roads.**

4           Counties may use the proceeds of the tax levied under Article 46 of Chapter 105 of the  
5 General Statutes to participate in the cost of rights-of-way, construction, reconstruction,  
6 improvement, or maintenance of any road on the State highway system as set forth in  
7 G.S. 136-51. This section does not authorize any referendum regarding the levy of property  
8 taxes for right-of-way acquisition or road construction, reconstruction, improvement, or  
9 maintenance under G.S. 153A-149(d)."

10           **SECTION 34.26.(b)** G.S. 153A-239.2, as enacted by subsection (a) of this section,  
11 reads as rewritten:

12 **"§ 153A-239.2 Use of local government sales and use tax revenue for public roads.**

13           Counties may use the proceeds of the tax levied under Article 46 of Chapter 105 of the  
14 General Statutes to participate in the cost of rights-of-way, construction, reconstruction,  
15 improvement, or maintenance of any road on the State highway system as set forth in  
16 ~~G.S. 136-51.~~ G.S. 136-51, or to qualify for a bonus allocation under G.S. 136-189.11(f). This  
17 section does not authorize any referendum regarding the levy of property taxes for right-of-way  
18 acquisition or road construction, reconstruction, improvement, or maintenance under  
19 G.S. 153A-149(d)."

20           **SECTION 34.26.(c)** G.S. 136-51 reads as rewritten:

21 **"§ 136-51. Maintenance of county public roads vested in Department of Transportation.**

22           From and after July 1, 1931, the exclusive control and management and responsibility for  
23 all public roads in the several counties shall be vested in the Department of Transportation as  
24 hereinafter provided, and all county, district, and township highway or road commissioners, by  
25 whatever name designated, and whether created under public, public-local, or private acts, shall  
26 be abolished:

27           Provided, that for the purpose of providing for the payment of any bonded or other  
28 indebtedness, and for the interest thereon, that may be outstanding as an obligation of any  
29 county, district, or township commission herein abolished, the boards of county commissioners  
30 of the respective counties are hereby constituted fiscal agents, and are vested with authority and  
31 it shall be their duty to levy such taxes on the taxable property or persons within the respective  
32 county, district, or township by or for which said bonds or other indebtedness were issued or  
33 incurred and as are now authorized by law to the extent that the same may be necessary to  
34 provide for the payment of such obligations; and the respective commissions herein abolished  
35 shall on or before July 1, 1931, turn over to said boards of county commissioners any moneys  
36 on hand or evidences of indebtedness properly applicable to the discharge of any such  
37 indebtedness (except such moneys as are mentioned in paragraph (a) above); and all  
38 uncollected special road taxes shall be payable to said boards of county commissioners, and the  
39 portion of said taxes applicable to indebtedness shall be applied by said commissioners to said  
40 indebtedness, or invested in a sinking fund according to law. All that portion of said taxes or  
41 other funds coming into the hands of said county commissioners and properly applicable to the  
42 maintenance or improvement of the public roads of the county shall be held by them as a  
43 special road fund and disbursed upon proper orders of the Department of Transportation.

44           Provided, further, that in order to fully carry out the provisions of this section the respective  
45 boards of county commissioners are vested with full authority to prosecute all suitable legal  
46 actions.

47           Nothing in this section shall prevent a county from participating in the cost of  
48 rights-of-way, construction, reconstruction, improvement, or maintenance of a road on the State  
49 highway system under agreement with the Department of Transportation. A county is  
50 authorized and empowered to acquire land by dedication and acceptance, purchase, or eminent  
51 domain and make improvements to portions of the State highway system lying within or

1 outside the county limits utilizing local funds that have been authorized for that  
2 ~~purpose.~~ purpose or the proceeds of a tax levied under Article 46 of Chapter 105 of the General  
3 Statutes. The provisions of G.S. 153A-15 apply to any county attempting to acquire property  
4 outside its limits. All improvements to the State highway system shall be done in accordance  
5 with the specifications and requirements of the Department of Transportation."

6 **SECTION 34.26.(d)** Subsection (b) of this section is effective only if House Bill  
7 817, 2013 Regular Session, becomes law and, as enacted, includes G.S. 136-189.11(f),  
8 "Incentives for Local Funding and Highway Tolling."  
9

## 10 **OUTSIDE LEGAL COUNSEL/DEPARTMENT OF TRANSPORTATION**

11 **SECTION 34.27.** The Department of Transportation may engage the services of  
12 private counsel with the pertinent expertise to timely defend or otherwise resolve legal  
13 challenges to transportation projects undertaken by the Department. The Department of  
14 Transportation shall supervise and manage the private counsel engaged under this section and  
15 shall not be required to obtain written permission from the Attorney General under  
16 G.S. 114-2.3.  
17

## 18 **LEGISLATIVE OVERSIGHT/DMV LICENSE & THEFT TRANSFERS**

19 **SECTION 34.28.(a)** The Department of Transportation and the Department of  
20 Public Safety shall jointly study the potential consolidation and transfer of the License & Theft  
21 Bureau of the Department of Transportation, Division of Motor Vehicles, to the Department of  
22 Public Safety. The study shall address, at a minimum, the following:

- 23 (1) Core functions performed by each agency, including indicators of baseline  
24 performance for each affected organizational unit.
- 25 (2) Operational impacts resulting from the consolidation and transfer.
- 26 (3) Modifications to agency organizational structure.
- 27 (4) Allocation of resources between agencies, addressing affected personnel,  
28 projected cost-savings or efficiencies, and the proposed distribution of funds  
29 by funding source.
- 30 (5) Administrative requirements for supporting information technology systems  
31 and applications, including cost allocation methodologies for system or  
32 application development, support, and maintenance.

33 The Departments shall jointly report the findings of the study to the Fiscal Research  
34 Division, the Joint Legislative Transportation Oversight Committee, and the Joint Legislative  
35 Oversight Committee on Justice and Public Safety no later than April 1, 2014. The joint report  
36 shall include a transition plan for any proposed consolidation or transfer which addresses  
37 requisite statutory modifications, implementation milestones, and recommended funding  
38 allocations.

39 **SECTION 34.28.(b)** The Department of Transportation and the Department of  
40 Public Safety shall not transfer any personnel or functions of the License & Theft Bureau of the  
41 Department of Transportation's Division of Motor Vehicles or enter into any agreement  
42 regarding transfer of personnel or functions of the License & Theft Bureau until passage of an  
43 act of the General Assembly authorizing the transfer.  
44

## 45 **NCRR STOCK/ASSETS DISPOSITION**

46 **SECTION 34.29.(a)** Part of the Charter of the North Carolina Railroad (Section 54  
47 of Chapter 82 of the Laws of 1848-49, as added by Chapter 1046 of the 1951 Session Laws,  
48 and as rewritten by S.L. 1997-443, Section 32.30(d)) states:

49 "No stock owned by the State of North Carolina in the North Carolina Railroad Company  
50 shall be sold or transferred except with the prior consent of the General Assembly, except as  
51 part of a transaction or series of transactions relating to a plan of merger or consolidation of

1 that company with another company, and where the State will be the owner of all of the voting  
2 stock in the merged or consolidated corporation."

3 **SECTION 34.29.(b)** The Department of Transportation and the Office of State  
4 Budget and Management may entertain offers to purchase the stock owned by the State in the  
5 North Carolina Railroad and may recommend to the General Assembly a course of action with  
6 respect to such offers. Any recommendation shall be made as a report to the House and Senate  
7 Appropriations Committees, or, if the General Assembly is not in session, the Joint Legislative  
8 Commission on Governmental Operations, and shall include, at a minimum, the identity of the  
9 potential purchasers, the number of offers received, and the range of offered values. As  
10 provided by the Charter of the North Carolina Railroad Company, as set forth in subsection (a)  
11 of this section, no sale of stock shall be executed without prior approval through an act of the  
12 General Assembly.

13 **SECTION 34.29.(c)** Any State-owned railroad company as defined in Article 2 of  
14 Chapter 124 of the General Statutes shall cooperate in providing information and access to its  
15 records and facilities to third parties to conduct due diligence in evaluating the railroad as part  
16 of a process to evaluate a sale of the stock by the State. Information or records disclosed to  
17 third parties under this subsection and protected from public disclosure by the customary terms  
18 of a confidentiality and nondisclosure agreement shall not be considered a public record under  
19 Chapter 132 of the General Statutes because the Office of State Budget and Management  
20 receives or facilitates the transmission to third parties of the information or records.

## 21 **PART XXXV. SALARIES AND BENEFITS**

### 22 **GOVERNOR AND COUNCIL OF STATE**

23  
24 **SECTION 35.1.(a)** Effective for the 2013-2015 fiscal biennium, the annual salary  
25 of the Governor set by G.S. 147-11(a) shall remain unchanged at the amount of one hundred  
26 forty-one thousand two hundred sixty-five dollars (\$141,265).

27 **SECTION 35.1.(b)** Effective for the 2013-2015 fiscal biennium, the annual  
28 salaries for members of the Council of State, payable monthly, shall remain unchanged as  
29 follows:  
30

31 <u>Council of State</u>	32 <u>Annual Salary</u>
33 Lieutenant Governor	\$124,676
34 Attorney General	124,676
35 Secretary of State	124,676
36 State Treasurer	124,676
37 State Auditor	124,676
38 Superintendent of Public Instruction	124,676
39 Agriculture Commissioner	124,676
40 Insurance Commissioner	124,676
41 Labor Commissioner	124,676

### 42 **CERTAIN EXECUTIVE BRANCH OFFICIALS**

43 **SECTION 35.2.** Effective for the 2013-2015 fiscal biennium, the annual salaries,  
44 payable monthly, for the following executive branch officials shall remain unchanged as  
45 follows:

46 <u>Executive Branch Officials</u>	47 <u>Annual Salary</u>
48 Chairman, Alcoholic Beverage Control Commission	\$110,868
49 State Controller	155,159
50 Commissioner of Banks	124,676
51 Chair, Board of Review, Division of Employment Security	122,255
Members, Board of Review, Division of Employment Security	120,737

1	Chairman, Parole Commission	101,235
2	Members of the Parole Commission	93,464
3	Chairman, Utilities Commission	138,849
4	Members of the Utilities Commission	124,676
5	Executive Director, North Carolina	
6	Agricultural Finance Authority	107,915

**JUDICIAL BRANCH**

**SECTION 35.3.(a)** Effective for the 2013-2015 fiscal biennium, the annual salaries, payable monthly, for specified judicial branch officials shall remain unchanged as follows:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$142,623
Associate Justice, Supreme Court	138,896
Chief Judge, Court of Appeals	136,682
Judge, Court of Appeals	133,109
Judge, Senior Regular Resident Superior Court	129,492
Judge, Superior Court	125,875
Chief Judge, District Court	114,301
Judge, District Court	110,684
District Attorney	120,737
Administrative Officer of the Courts	128,259
Assistant Administrative Officer of the Courts	117,152
Public Defender	120,737
Director of Indigent Defense Services	124,498

**SECTION 35.3.(b)** Effective for the 2013-2015 fiscal biennium, the annual salaries of employees of the Judicial Department shall remain unchanged as follows:

- (1) The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall remain unchanged.
- (2) Notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.
- (3) The annual salaries of assistant and deputy clerks of court set under G.S. 7A-102(c1) shall remain unchanged.
- (4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or G.S. 7A-171.1(a1)(1) shall remain unchanged.

**LEGISLATIVE BRANCH**

**SECTION 35.4.** For the 2013-2015 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly. Effective for the 2013-2015 fiscal biennium, salaries in the legislative branch shall remain unchanged, as follows:

- (1) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.
- (2) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.
- (3) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged.

**COMMUNITY COLLEGES PERSONNEL**

**SECTION 35.5.(a)** The annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall remain unchanged for the 2013-2015 fiscal biennium.

**SECTION 35.5.(b)** For the 2013-2015 fiscal biennium, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall remain unchanged. The minimum salaries for nine-month, full-time curriculum community college faculty shall also remain unchanged as follows:

<u>Education Level</u>	<u>Minimum Salary</u>
Vocational Diploma/Certificate or Less	\$34,314
Associate Degree or Equivalent	34,819
Bachelor's Degree	37,009
Masters Degree or Education Specialist	38,952
Doctoral Degree	41,753

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

**UNIVERSITY OF NORTH CAROLINA SYSTEM**

**SECTION 35.6.(a)** The annual compensation of all University of North Carolina EPA faculty, EPA nonfaculty, SPA employees, and teachers employed by the North Carolina School of Science and Mathematics shall remain unchanged for the 2013-2015 fiscal biennium.

**SECTION 35.6.(b)** The annual compensation of all employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall remain unchanged for the 2013-2015 fiscal biennium.

**MOST STATE EMPLOYEES**

**SECTION 35.7.** For the 2013-2015 fiscal biennium, the salaries in effect June 30, 2013, for the following employees shall remain unchanged, effective July 1, 2013:

- (1) Permanent full-time State officials and persons whose salaries are set in accordance with the State Personnel Act.
- (2) Permanent full-time State officials and persons in positions exempt from the State Personnel Act.
- (3) Permanent part-time State employees.
- (4) Temporary and permanent hourly State employees.

**SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES/NO AUTOMATIC INCREASES/AUTHORIZED SALARY ADJUSTMENT FUND ACTIONS NOT PROHIBITED**

**SECTION 35.8.(a)** The annual compensation of all employees subject to or exempt from the State Personnel Act, including employees of local boards of education, community colleges, and The University of North Carolina, for the 2013-2015 fiscal biennium shall remain unchanged from that authorized on June 30, 2013, or the last date in pay status during the 2011-2013 fiscal biennium, if earlier, unless an increase is authorized by this section or under the Salary Adjustment Fund established by this act.

**SECTION 35.8.(b)** Salary increases may be awarded during the 2013-2015 fiscal biennium under this section only for the following special circumstances:

- (1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, salaries may be increased for reallocations or

1 promotions, in-range adjustments for job change, career progression  
2 adjustments for demonstrated competencies, or any other adjustment related  
3 to an increase in job duties or responsibilities, none of which are subject to  
4 the salary freeze otherwise provided by this Part. All other salary increases  
5 are prohibited.

6 (1a) For employees of the North Carolina Community College System,  
7 notwithstanding subdivision (1) of this subsection, salaries may be increased  
8 if the increase is funded from local funding sources.

9 (2) For The University of North Carolina, (i) faculty using funds from the  
10 Faculty Recruiting and Retention Fund, the Distinguished Professors  
11 Endowment Fund, or the University Cancer Research Fund in the case of  
12 faculty involved in cancer research supported by that fund and (ii) faculty,  
13 nonfaculty, and other employee adjustments, including retention  
14 adjustments, funded from non-State funding sources.

15 (3) For employees of the judicial branch, for local supplementation as  
16 authorized by G.S. 7A-300.1.

17 The cumulative salary adjustment allowed under this subsection for each fiscal year during  
18 the 2013-2015 fiscal biennium may exceed ten percent (10%) of annual salary only if the  
19 adjustment is approved in advance by the Office of State Budget and Management, The  
20 University of North Carolina Board of Governors, the Board of the North Carolina Community  
21 College System, the Legislative Services Commission, the local board of education, or other  
22 authorized body as appropriate.

23 **SECTION 35.8.(c)** The automatic salary step increases for assistant and deputy  
24 clerks of superior court and magistrates are suspended for the 2013-2015 fiscal biennium.

25 **SECTION 35.8.(d)** The salary increase provisions of G.S. 20-187.3 are suspended  
26 for the 2013-2015 fiscal biennium.

27 **SECTION 35.8.(e)** During the 2013-2015 fiscal biennium, notwithstanding  
28 G.S. 53C-2-3(c), employees of the Office of the Commissioner of Banks shall not be awarded  
29 (i) compensation increases unless allowed under subdivision (1) of subsection (b) of this  
30 section or (ii) compensation bonuses.

31 **SECTION 35.8.(f)** Employees of the Lottery Commission shall not receive  
32 compensation bonuses during the 2013-2015 fiscal biennium.

### 33 34 **MONITOR MOST SALARY INCREASES**

35 **SECTION 35.9.(a)** The Office of State Budget and Management and the Office of  
36 State Personnel shall monitor jointly the compliance of the following units of government with  
37 the provisions of Section 35.8 of this act and shall submit quarterly reports of their monitoring  
38 activities to the President Pro Tempore of the Senate, the Speaker of the House of  
39 Representatives, and the Fiscal Research Division: (i) State agencies, departments, and  
40 institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii)  
41 The University of North Carolina and its constituent institutions.

42 The quarterly reports required by this section shall include the following  
43 information:

44 (1) For agencies reporting through the BEACON HR/Payroll system, (i) a  
45 breakdown by action type (including, but not limited to, promotion,  
46 reallocation, career progression, salary adjustment, and any similar actions  
47 increasing employee pay) of the number and annual amount of those  
48 increases and (ii) a breakdown by action reason (including in-range higher  
49 level, acting pay, trainee adjustment, and other similar action reasons) of the  
50 number and annual amount of those action types coded as salary adjustment.



- 1 (2) For The University of North Carolina and its constituent institutions, a  
2 breakdown of the number and annual amount of those increases categorized  
3 by the University as promotions, changes in job duties or responsibilities,  
4 Distinguished Professorships, retention pay, career progression, and any  
5 other similar actions increasing employee pay.
- 6 (3) A summary of actions taken by the Office of State Budget and Management  
7 and the Office of State Personnel with respect to unauthorized salary  
8 increases.

9 **SECTION 35.9.(b)** The Legislative Services Officer shall report quarterly to the  
10 President Pro Tempore of the Senate and the Speaker of the House of Representatives on  
11 compliance with Section 35.8 this act.

### 12 **ESTABLISH SEVERANCE EXPENDITURE RESERVE**

13 **SECTION 35.10.(a)** There are established in the Office of State Budget and  
14 Management General Fund and Highway Fund reserve budget codes for the purpose of funding  
15 severance-related obligations to State employees subject to the State Personnel Act, and  
16 employees exempt from the State Personnel Act, who are separated from service due to a  
17 reduction-in-force action. Severance-related expenditures from these reserves shall include  
18 obligations to fund:

- 19 (1) A State employee's severance salary continuation with an age adjustment  
20 factor as authorized by G.S. 126-8.5, including employer-related  
21 contributions for social security, and  
22 (2) Noncontributory health premiums for up to 12 months as authorized by  
23 G.S. 135-48.40(b)(8) for employees of employing units as defined by  
24 G.S. 135-48.1(11).

25 **SECTION 35.10.(b)** The Director of the Budget shall allocate funds appropriated  
26 in Sections 2.1 and 3.1 of this act to the Severance Expenditure Reserve to public agencies to  
27 fund severance-related obligations incurred by the agencies as a result of reduction-in-force  
28 actions that cause State-supported public employees to be terminated from public employment.  
29 Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety  
30 before funds appropriated to a public agency for State-supported personal services expenditures  
31 may be used to fund any severance-related obligations.

32 Funds appropriated to the Severance Expenditure Reserve may be allocated to  
33 public agencies for positions that are funded by the General Fund or Highway Fund. Funds  
34 appropriated to the Severance Expenditure Reserve may also be allocated to public agencies for  
35 positions that are funded partially from the General Fund or Highway Fund and partially from  
36 sources other than the General Fund or Highway Fund but only to the extent of the  
37 proportionate part of the salaries paid from the General Fund or Highway Fund.

38 For the purposes of this subsection, the term "public employee" means an employee  
39 of a State agency, department, or institution; The University of North Carolina; the North  
40 Carolina Community College System; or a local school administrative unit.

### 41 **DHHS FLEXIBILITY FOR SALARY DETERMINATIONS FOR THE INITIAL 42 EMPLOYMENT OF CERTAIN LICENSED PROFESSIONAL EMPLOYEES**

43 **SECTION 35.10A.** The Department of Health and Human Services (Department)  
44 shall have flexibility to make salary determinations for the initial employment of facility  
45 directors and licensed physicians, dentists, nurses, and other allied health professionals within  
46 the State facilities under the jurisdiction of the Secretary of Health and Human Services  
47 pursuant to G.S. 122C-181. The Department shall exercise this flexibility within its existing  
48 resources and shall not make any salary determinations that exceed the maximum of the  
49 applicable salary range established by the Office of State Personnel (OSP) under the authority  
50  
51

1 of Chapter 126 of the General Statutes. Beginning September 1, 2013, and then quarterly  
2 thereafter, the Department and the OSP shall report jointly to the Joint Legislative Commission  
3 on Governmental Operations and to the Fiscal Research Division on the salary actions taken  
4 under this section.

## 6 SALARY ADJUSTMENT FUND

7 **SECTION 35.10B.(a)** The Salary Adjustment Fund is established to make funding  
8 available for salary increases in the executive, legislative, and judicial branches for specified  
9 purposes only as authorized in this section. Funds appropriated to the Salary Adjustment Fund  
10 by this act, or any other provision of law, shall only be used to fund agency requests for the  
11 following purposes in order to provide competitive salary rates: (i) to compensate employees  
12 for more difficult duties and (ii) for affected job classifications and groups in response to labor  
13 market rates:

- 14 (1) Reallocation of positions to higher level job classifications.
- 15 (2) In-range adjustments for job change.
- 16 (3) Career progression adjustments for demonstrated competencies.
- 17 (4) Salary range revisions.
- 18 (5) Geographic site differential adjustments.
- 19 (6) In-range adjustments for labor market.
- 20 (7) In-range adjustments for equity issues.
- 21 (8) Any other adjustments related to an increase in job duties or responsibilities  
22 or labor market changes.

23 These adjustments must be documented through data collection and analysis according to  
24 accepted human resource professional practices and standards. Further, funds may only be used  
25 for salary adjustments for the stated purposes that are in compliance with State Personnel  
26 Commission policies and other provisions of the Act. Funding shall be first provided to the  
27 oldest pending adjustments approved by the State Personnel Commission or the Office of State  
28 Personnel and shall not be used for any other purposes.

29 **SECTION 35.10B.(b)** Employees subject to the State Personnel Act in The  
30 University of North Carolina System are eligible for funding authorized in this section.  
31 Employees of local school boards and community colleges are not eligible for funding  
32 authorized in this section.

33 **SECTION 35.10B.(c)** The Director of the Budget may transfer to General Fund  
34 budget codes from the Salary Adjustment Fund amounts required to support salary adjustments  
35 authorized by this section with the oldest of the pending adjustments to be funded first. The  
36 Director of the Budget shall consult with the Joint Legislative Commission on Governmental  
37 Operations prior to transferring any salary adjustment funds pursuant to this section.

38 **SECTION 35.10B.(d)** For employees of the Department of Transportation or  
39 whose salaries are funded by the Highway Fund, the sum of up to three million dollars  
40 (\$3,000,000) of funds available to the Department of Transportation for 2013-2015 fiscal  
41 biennium may be used for salary increases consistent with this section. Salary increases  
42 awarded under this subsection are special circumstances adjustments under Section 35.8 of this  
43 act.

## 45 SPECIAL ANNUAL LEAVE BONUS

46 **SECTION 35.10C.** Any person (i) who was on July 1, 2013, a full-time permanent  
47 employee of the State, a community college institution, or a local board of education, or was  
48 under contract on July 1, 2013, to be employed for the 2013-2014 school year in such a  
49 position, and (ii) who is eligible to earn annual leave, shall have a one-time additional five days  
50 of annual leave credited on July 1, 2013. The additional leave shall be accounted for either  
51 separately or together with the leave provided by Section 28.3A of S.L. 2002-126, by Section

30.12B(a) of S.L. 2003-284, and by Section 29.14A of S.L. 2005-276 and shall remain available until used, notwithstanding any other limitation on the total number of days of annual leave that may be carried forward. Part-time permanent employees shall receive a pro rata amount of the five days.

## TEACHER SALARY SCHEDULES

**SECTION 35.11.(a)** The following monthly salary schedules shall apply for the 2013-2014 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 37 steps, with each step corresponding to one year of teaching experience. Public school employees paid according to this salary schedule and receiving NBPTS certification or obtaining a masters degree shall not be prohibited from receiving the appropriate increase in salary. Provided, however, teachers employed during the 2012-2013 school year who did not work the required number of months to acquire an additional year of experience shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

### 2013-2014 Monthly Salary Schedule

#### "A" Teachers

Years of Experience	"A" Teachers	NBPTS Certification
0-2	\$3,080	N/A
3-5	\$3,080	\$3,450
6	\$3,122	\$3,497
7	\$3,167	\$3,547
8	\$3,303	\$3,699
9	\$3,445	\$3,858
10	\$3,580	\$4,010
11	\$3,711	\$4,156
12	\$3,816	\$4,274
13	\$3,865	\$4,329
14	\$3,914	\$4,384
15	\$3,965	\$4,441
16	\$4,015	\$4,497
17	\$4,066	\$4,554
18	\$4,118	\$4,612
19	\$4,171	\$4,672
20	\$4,226	\$4,733
21	\$4,282	\$4,796
22	\$4,337	\$4,857
23	\$4,397	\$4,925
24	\$4,456	\$4,991
25	\$4,515	\$5,057
26	\$4,577	\$5,126
27	\$4,639	\$5,196
28	\$4,706	\$5,271
29	\$4,771	\$5,344
30	\$4,836	\$5,416
31	\$4,903	\$5,491
32	\$4,972	\$5,569
33	\$5,044	\$5,649
34	\$5,116	\$5,730
35	\$5,215	\$5,841

Years of Experience	"M" Teachers	NBPTS Certification
0-2	\$3,388	N/A
3-5	\$3,388	\$3,795
6	\$3,434	\$3,846
7	\$3,484	\$3,902
8	\$3,633	\$4,069
9	\$3,790	\$4,245
10	\$3,938	\$4,411
11	\$4,082	\$4,572
12	\$4,198	\$4,702
13	\$4,252	\$4,762
14	\$4,305	\$4,822
15	\$4,362	\$4,885
16	\$4,417	\$4,947
17	\$4,473	\$5,010
18	\$4,530	\$5,074
19	\$4,588	\$5,139
20	\$4,649	\$5,207
21	\$4,710	\$5,275
22	\$4,771	\$5,344
23	\$4,837	\$5,417
24	\$4,902	\$5,490
25	\$4,967	\$5,563
26	\$5,035	\$5,639
27	\$5,103	\$5,715
28	\$5,177	\$5,798
29	\$5,248	\$5,878
30	\$5,320	\$5,958
31	\$5,393	\$6,040
32	\$5,469	\$6,125
33	\$5,548	\$6,214
34	\$5,628	\$6,303
35	\$5,737	\$6,425
36+	\$5,850	\$6,552

**SECTION 35.11.(b)** Annual longevity payments for teachers shall be at the rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service. The longevity payment shall be paid in a lump sum once a year.

**SECTION 35.11.(c)** Certified public schoolteachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public schoolteachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in

1 addition to the compensation provided for certified personnel of the public schools who are  
 2 classified as "M" teachers.

3 **SECTION 35.11.(d)** The first step of the salary schedule for school psychologists  
 4 shall be equivalent to Step 10, corresponding to 10 years of experience, on the salary schedule  
 5 established in this section for certified personnel of the public schools who are classified as  
 6 "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate  
 7 step based on their years of experience. Certified psychologists shall receive longevity  
 8 payments based on years of State service in the same manner as teachers.

9 Certified psychologists with certification based on academic preparation at the  
 10 six-year degree level shall receive a salary supplement of one hundred twenty-six dollars  
 11 (\$126.00) per month in addition to the compensation provided for certified psychologists.  
 12 Certified psychologists with certification based on academic preparation at the doctoral degree  
 13 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month  
 14 in addition to the compensation provided for certified psychologists.

15 **SECTION 35.11.(e)** Speech pathologists who are certified as speech pathologists  
 16 at the masters degree level and audiologists who are certified as audiologists at the masters  
 17 degree level and who are employed in the public schools as speech and language specialists and  
 18 audiologists shall be paid on the school psychologist salary schedule.

19 Speech pathologists and audiologists with certification based on academic  
 20 preparation at the six-year degree level shall receive a salary supplement of one hundred  
 21 twenty-six dollars (\$126.00) per month in addition to the compensation provided for speech  
 22 pathologists and audiologists. Speech pathologists and audiologists with certification based on  
 23 academic preparation at the doctoral degree level shall receive a salary supplement of two  
 24 hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for  
 25 speech pathologists and audiologists.

26 **SECTION 35.11.(f)** Certified school nurses who are employed in the public  
 27 schools as nurses shall be paid on the "M" salary schedule.

28 **SECTION 35.11.(g)** As used in this section, the term "teacher" shall also include  
 29 instructional support personnel.

30 **SECTION 35.11.(h)** Public school employees and State agency employees paid on  
 31 the teacher salary schedule shall not move up on salary schedules or receive automatic step  
 32 increases, or other increments during the 2014-2015 Fiscal Year unless authorized by the  
 33 General Assembly.

34  
 35 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

36 **SECTION 35.12.(a)** The following base salary schedule for school-based  
 37 administrators shall apply only to principals and assistant principals. This base salary schedule  
 38 shall apply for the 2013-2014 fiscal year, commencing July 1, 2013. Provided, however,  
 39 school-based administrators (i) employed during the 2012-2013 school year who did not work  
 40 the required number of months to acquire an additional year of experience and (ii) employed  
 41 during the 2013-2014 school year in the same classification shall not receive a decrease in  
 42 salary as otherwise would be required by the salary schedule below.

43  
 44 2013-2014 Principal and Assistant Principal Salary Schedules  
 45 Classification

46 Years of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
48 0-9	\$3,828	-	-	-	-
49 10	\$3,977	-	-	-	-
50 11	\$4,123	-	-	-	-
51 12	\$4,240	-	-	-	-

1	13	\$4,295	\$4,295	-	-	-
2	14	\$4,348	\$4,348	-	-	-
3	15	\$4,406	\$4,406	\$4,461	-	-
4	16	\$4,461	\$4,461	\$4,518	-	-
5	17	\$4,518	\$4,518	\$4,575	\$4,634	-
6	18	\$4,575	\$4,575	\$4,634	\$4,695	\$4,757
7	19	\$4,634	\$4,634	\$4,695	\$4,757	\$4,819
8	20	\$4,695	\$4,695	\$4,757	\$4,819	\$4,885
9	21	\$4,757	\$4,757	\$4,819	\$4,885	\$4,951
10	22	\$4,819	\$4,819	\$4,885	\$4,951	\$5,017
11	23	\$4,885	\$4,885	\$4,951	\$5,017	\$5,085
12	24	\$4,951	\$4,951	\$5,017	\$5,085	\$5,154
13	25	\$5,017	\$5,017	\$5,085	\$5,154	\$5,229
14	26	\$5,085	\$5,085	\$5,154	\$5,229	\$5,300
15	27	\$5,154	\$5,154	\$5,229	\$5,300	\$5,373
16	28	\$5,229	\$5,229	\$5,300	\$5,373	\$5,447
17	29	\$5,300	\$5,300	\$5,373	\$5,447	\$5,524
18	30	\$5,373	\$5,373	\$5,447	\$5,524	\$5,603
19	31	\$5,447	\$5,447	\$5,524	\$5,603	\$5,684
20	32	\$5,524	\$5,524	\$5,603	\$5,684	\$5,794
21	33	\$5,603	\$5,603	\$5,684	\$5,794	\$5,909
22	34	\$5,684	\$5,684	\$5,794	\$5,909	\$6,027
23	35	\$5,794	\$5,794	\$5,909	\$6,027	\$6,148
24	36	\$5,909	\$5,909	\$6,027	\$6,148	\$6,271
25	37	-	\$6,027	\$6,148	\$6,271	\$6,396
26	38	-	-	\$6,271	\$6,396	\$6,524
27	39	-	-	\$6,396	\$6,524	\$6,654
28	40	-	-	-	\$6,654	\$6,787
29	41	-	-	-	\$6,787	\$6,923
30	42	-	-	-	-	\$7,061

2013-2014 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+)
36	0-19	\$4,885	-	-
37	20	\$4,951	-	-
38	21	\$5,017	\$5,085	-
39	22	\$5,085	\$5,154	\$5,300
40	23	\$5,154	\$5,229	\$5,373
41	24	\$5,229	\$5,300	\$5,447
42	25	\$5,300	\$5,373	\$5,524
43	26	\$5,373	\$5,447	\$5,603
44	27	\$5,447	\$5,524	\$5,684
45	28	\$5,524	\$5,603	\$5,794
46	29	\$5,603	\$5,684	\$5,909
47	30	\$5,684	\$5,794	\$6,027
48	31	\$5,794	\$5,909	\$6,148
49	32	\$5,909	\$6,027	\$6,271
50	33	\$6,027	\$6,148	\$6,396
51	34	\$6,148	\$6,271	\$6,524

1	35	\$6,271	\$6,396	\$6,654	\$6,787
2	36	\$6,396	\$6,524	\$6,787	\$6,923
3	37	\$6,524	\$6,654	\$6,923	\$7,061
4	38	\$6,654	\$6,787	\$7,061	\$7,202
5	39	\$6,787	\$6,923	\$7,202	\$7,346
6	40	\$6,923	\$7,061	\$7,346	\$7,493
7	41	\$7,061	\$7,202	\$7,493	\$7,643
8	42	\$7,202	\$7,346	\$7,643	\$7,796
9	43	\$7,346	\$7,493	\$7,796	\$7,952
10	44	-	\$7,643	\$7,952	\$8,111
11	45	-	\$7,796	\$8,111	\$8,273
12	46+	-	-	\$8,273	\$8,438

**SECTION 35.12.(b)** The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

	Classification	Number of Teachers Supervised
17		
18	Assistant Principal	
19	Principal I	Fewer than 11 Teachers
20	Principal II	11-21 Teachers
21	Principal III	22-32 Teachers
22	Principal IV	33-43 Teachers
23	Principal V	44-54 Teachers
24	Principal VI	55-65 Teachers
25	Principal VII	66-100 Teachers
26	Principal VIII	More than 100 Teachers
27		
28		

The number of teachers supervised includes teachers and assistant principals paid from State funds only; it does not include teachers or assistant principals paid from non-State funds or the principal or teacher assistants.

The beginning classification for principals in alternative schools and in cooperative innovative high school programs shall be the Principal III level. Principals in alternative schools who supervise 33 or more teachers shall be classified according to the number of teachers supervised.

**SECTION 35.12.(c)** A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certificated employee of the public schools and an additional step for every three years of experience as a principal. Provided, however, a principal who acquires an additional step for the 2013-2014 or 2014-2015 fiscal years shall not receive a corresponding increase in salary during the 2013-2015 fiscal biennium. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

**SECTION 35.12.(d)** Principals and assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per month.

**SECTION 35.12.(e)** Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

**SECTION 35.12.(f)** If a principal is reassigned to a higher job classification because the principal is transferred to a school within a local school administrative unit with a

larger number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the higher job classification.

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

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

**SECTION 35.12.(g)** Participants in an approved full-time masters in-school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the masters program. The stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time masters in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

**SECTION 35.12.(h)** During the 2013-2015 fiscal biennium, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

**SECTION 35.12.(i)** Public school employees and State agency employees paid on the school based administrator salary schedule shall not move up on salary schedules or receive automatic step increases, or other increments during the 2014-2015 Fiscal Year unless authorized by the General Assembly.

**CENTRAL OFFICE SALARIES**

**SECTION 35.13.(a)** The monthly salary ranges that follow, which apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers, shall remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.

School Administrator I	\$3,349	\$6,281
School Administrator II	\$3,550	\$6,662
School Administrator III	\$3,769	\$7,068
School Administrator IV	\$3,920	\$7,349
School Administrator V	\$4,078	\$7,647
School Administrator VI	\$4,326	\$8,109
School Administrator VII	\$4,500	\$8,436

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

**SECTION 35.13.(b)** The monthly salary ranges that follow, which apply to public school superintendents, shall remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.

Superintendent I	\$4,777	\$8,949
Superintendent II	\$5,071	\$9,490



1	Superintendent III	\$5,380	\$10,067
2	Superintendent IV	\$5,710	\$10,679
3	Superintendent V	\$6,060	\$11,330

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

8 **SECTION 35.13.(c)** Longevity pay for superintendents, assistant superintendents,  
9 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as  
10 provided for State employees under the State Personnel Act.

11 **SECTION 35.13.(d)** Superintendents, assistant superintendents, associate  
12 superintendents, directors/coordinators, supervisors, and finance officers with certification  
13 based on academic preparation at the six-year degree level shall receive a salary supplement of  
14 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided  
15 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,  
16 directors/coordinators, supervisors, and finance officers with certification based on academic  
17 preparation at the doctoral degree level shall receive a salary supplement of two hundred  
18 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this  
19 section.

20 **SECTION 35.13.(e)** The State Board of Education shall not permit local school  
21 administrative units to transfer State funds from other funding categories for salaries for public  
22 school central office administrators.

23 **SECTION 35.13.(f)** The salaries of all permanent, full-time personnel paid from  
24 the Central Office Allotment shall remain unchanged for the 2013-2015 fiscal biennium.

## 25 **NONCERTIFIED PERSONNEL SALARIES**

26 **SECTION 35.14.** The annual salary for permanent, full-time and part-time  
27 noncertified public school employees whose salaries are supported from the State's General  
28 Fund shall be remain unchanged for the 2013-2015 fiscal biennium.

## 29 **SALARY-RELATED CONTRIBUTIONS**

30 **SECTION 35.15.(a)** Effective for the 2013-2015 fiscal biennium, required  
31 employer salary-related contributions for employees whose salaries are paid from department,  
32 office, institution, or agency receipts shall be paid from the same source as the source of the  
33 employee's salary. If an employee's salary is paid in part from the General Fund or Highway  
34 Fund and in part from department, office, institution, or agency receipts, required employer  
35 salary-related contributions may be paid from the General Fund or Highway Fund only to the  
36 extent of the proportionate part paid from the General Fund or Highway Fund in support of the  
37 salary of the employee, and the remainder of the employer's requirements shall be paid from the  
38 source that supplies the remainder of the employee's salary. The requirements of this section as  
39 to source of payment are also applicable to payments on behalf of the employee for hospital  
40 medical benefits, longevity pay, unemployment compensation, accumulated leave, workers'  
41 compensation, severance pay, separation allowances, and applicable disability income benefits.

42 Notwithstanding any other provision of law, an employing unit, as defined in  
43 G.S. 135-48.1, that hires or has hired as an employee a retiree that is in receipt of monthly  
44 retirement benefits from any retirement system supported in whole or in part by contributions  
45 of the State shall enroll the retiree in the active group and pay the cost for the hospital medical  
46 benefits if that retiree is employed in a position that would require the employer to pay hospital  
47 medical benefits if the individual had not been retired.

48 **SECTION 35.15.(b)** Effective July 1, 2013, the State's employer contribution rates  
49 budgeted for retirement and related benefits as a percentage of covered salaries for the  
50  
51

1 2013-2015 fiscal biennium are (i) fourteen and sixty-nine hundredths percent (14.69%) –  
2 Teachers and State Employees; (ii) nineteen and sixty-nine hundredths percent (19.69%) – Law  
3 Enforcement Officers; (iii) fourteen and twenty-nine hundredths percent (14.29%) – Law  
4 Enforcement Officers with the Department of Public Safety or the State Bureau of  
5 Investigation; (iv) twelve and sixty-eight hundredths percent (12.68%) – University Employees'  
6 Optional Retirement System; (v) twelve and sixty-eight hundredths percent (12.68%) –  
7 Community College Optional Retirement Program; (vi) thirty-three and forty-one hundredths  
8 percent (33.41%) – Consolidated Judicial Retirement System; and (vii) five and forty  
9 hundredths percent (5.40%) – Legislative Retirement System. Each of the foregoing  
10 contribution rates includes five and forty hundredths percent (5.40%) for hospital and medical  
11 benefits except for the law enforcement officers with the Department of Public Safety or the  
12 State Bureau of Investigation. The rate for Teachers and State Employees, State Law  
13 Enforcement Officers, Law Enforcement Officers with the Department of Public Safety or the  
14 State Bureau of Investigation, Community College Optional Retirement Program, and the  
15 University Employees' Optional Retirement Program includes forty-four hundredths percent  
16 (0.44%) for the Disability Income Plan. The rates for Teachers and State Employees, State Law  
17 Enforcement Officers, and Law Enforcement Officers with the Department of Public Safety or  
18 the State Bureau of Investigation include sixteen hundredths percent (0.16%) for the Death  
19 Benefits Plan. The rate for State Law Enforcement Officers and Law Enforcement Officers  
20 with the Department of Public Safety or the State Bureau of Investigation includes five percent  
21 (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees, State  
22 Law Enforcement Officers, and Law Enforcement Officers with the Department of Public  
23 Safety or the State Bureau of Investigation includes one hundredths percent (0.01%) for the  
24 Qualified Excess Benefit Arrangement.

25 **SECTION 35.15.(c)** Effective July 1, 2013, the maximum annual employer  
26 contributions, payable monthly, by the State for each covered employee or retiree for the  
27 2013-2014 fiscal year to the State Health Plan for Teachers and State Employees are (i)  
28 Medicare eligible employees and retirees – four thousand one hundred eight dollars (\$4,108)  
29 and (ii) non-Medicare eligible employees and retirees – five thousand two hundred eighty-six  
30 dollars (\$5,286).

31 **SECTION 35.15.(d)** Effective July 1, 2014, the maximum annual employer  
32 contributions, payable monthly, by the State for each covered employee or retiree for the  
33 2014-2015 fiscal year to the State Health Plan for Teachers and State Employees are (i)  
34 Medicare eligible employees and retirees – four thousand two hundred fifty-six dollars (\$4,256)  
35 and (ii) non-Medicare eligible employees and retirees – five thousand four hundred seventy-six  
36 dollars (\$5,476).

37  
38 **SEPARATE INSURANCE BENEFITS PLAN ASSETS/PAYMENT OF HEALTH**  
39 **INSURANCE PREMIUMS FOR LAW ENFORCEMENT OFFICERS**

40 **SECTION 35.17.(a)** G.S. 143-166.60 is amended by adding a new subsection to  
41 read:

42 "(d1) In addition to the benefits provided under subsection (d) of this section, the assets of  
43 the Plan may be used to pay the employer health insurance contributions and contribution rates  
44 on behalf of law enforcement officers, as defined in G.S. 135-1(11c), employed by the State  
45 and former law enforcement officers receiving a retirement allowance from the Teachers' and  
46 State Employees' Retirement System."

47 **SECTION 35.17.(b)** During the 2013-2015 fiscal biennium, the Department of  
48 Public Safety shall report monthly to the State Health Plan for Teachers and State Employees  
49 the total amount of employer premiums due on behalf of sworn law enforcement officers  
50 employed by the Department. The Plan shall reduce the total premiums the Department of  
51 Public Safety owes by this amount, and the Department of State Treasurer shall transfer the

1 same amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60 to  
2 the Plan.

3 **SECTION 35.17.(c)** During the 2013-2015 fiscal biennium, the Department of  
4 Justice shall report monthly to the State Health Plan for Teachers and State Employees the total  
5 amount of employer premiums due on behalf of sworn law enforcement officers employed in  
6 the State Bureau of Investigation (SBI). The Plan shall reduce the total premiums the  
7 Department of Justice owes by this amount, and the Department of State Treasurer shall  
8 transfer the same amount from the Separate Insurance Benefit Plan established under  
9 G.S. 143-166.60 to the Plan.

10 **SECTION 35.17.(d)** For each fiscal year of the 2013-2015 fiscal biennium, the  
11 Department of State Treasurer shall calculate the total compensation for which the Department  
12 of Public Safety has paid retirement contributions on behalf of sworn law enforcement officers.  
13 The Department of State Treasurer shall multiply this total compensation by five and forty  
14 hundredths percent (5.40%) for months during the 2013-2014 fiscal year and five and fifty-nine  
15 hundredths percent (5.59%) for months during the 2014-2015 fiscal year and shall transfer the  
16 resulting amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60  
17 to the Retiree Health Benefit Fund established under G.S. 135-7(f).

18 **SECTION 35.17.(e)** For each fiscal year of the 2013-2015 fiscal biennium, the  
19 Department of State Treasurer shall calculate the total compensation for which the Department  
20 of Justice has paid retirement contributions on behalf of sworn law enforcement officers  
21 employed in the State Bureau of Investigation (SBI). The Department of State Treasurer may  
22 use an alternative calculation in which it multiplies the total contributions on behalf of all  
23 sworn law enforcement officers in the Department of Justice by a reasonable estimate of the  
24 fraction of those officers employed in the SBI. The Department of State Treasurer shall  
25 multiply this total compensation by five and forty hundredths percent (5.40%) for months  
26 during the 2013-2014 fiscal year and five and fifty-nine hundredths percent (5.59%) for months  
27 during the 2014-2015 fiscal year and shall transfer the resulting amount from the Separate  
28 Insurance Benefit Plan established under G.S. 143-166.60 to the Retiree Health Benefit Fund  
29 established under G.S. 135-7(f).

## 30 31 **STATE HEALTH PLAN BOARD TO CONTROL GROWTH OF EMPLOYER** 32 **PREMIUM**

33 **SECTION 35.18.** The Board of Trustees of the State Health Plan for Teachers and  
34 State Employees shall adopt new plan changes, beyond those already approved as of June 1,  
35 2013, that are expected to reduce the average annual rate of increase in employer premiums  
36 needed over the next four years by at least one percent (1%). The plan changes may include one  
37 or more of the following: changes to out-of-pocket requirements, changes to employee or  
38 retiree premiums, new plan options, changes in the services and products covered, changes to  
39 the provider network structure, changes to provider rates or payment methodology, incentives  
40 to Plan members to adopt or maintain healthy behaviors, incentives to Plan members to control  
41 utilization, any type of integrated health management program, fraud detection, utilization  
42 management, or changes in plan administration.

## 43 44 **PART XXXVI. CAPITAL APPROPRIATIONS**

### 45 46 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

47 **SECTION 36.1.** The appropriations made by the 2013 General Assembly for  
48 capital improvements are for constructing, repairing, or renovating State buildings, utilities, and  
49 other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings  
50 and land for State government purposes.  
51

**CAPITAL APPROPRIATIONS/GENERAL FUND**

**SECTION 36.2.(a)** There is appropriated from the General Fund for the 2013-2015 fiscal biennium the following amounts for capital improvements:

<b>Capital Improvements – General Fund</b>	<b>2013-2014</b>	<b>2014-2015</b>
Department of Administration		
Sandhills State Veterans Facility – Committal		
Enclosure	\$ 125,000	-
Department of Environment and Natural Resources		
Water Resources Development Projects	13,522,000	-
Department of Public Safety		
National Guard Projects	5,000,000	3,250,000
Samarkand Training Facility	5,250,000	5,173,000
The University of North Carolina System		
Appalachian State University – Health Sciences		
Building Advance Planning	2,000,000	2,000,000
University of North Carolina Asheville – Land Purchases	2,000,000	-
<b>TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND</b>	<b>\$ 27,897,000</b>	<b>\$ 10,423,000</b>

**SECTION 36.2.(b)** Funds appropriated in subsection (a) of this section for the Sandhills State Veterans Facility – Committal Enclosure shall be used to match non-State funds. The total project cost authorized is three hundred thousand dollars (\$300,000).

**SECTION 36.2.(c)** Funds appropriated in subsection (a) of this section for the Samarkand Training Facility shall be used to convert the former Samarkand Youth Development Center property and facilities into an overnight Department of Public Safety training facility that shall include a firing range.

**WATER RESOURCES DEVELOPMENT PROJECTS**

**SECTION 36.3.(a)** The Department of Environment and Natural Resources shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated thirty-nine million five hundred forty-eight thousand dollars (\$39,548,000) in federal funds.

<b>Name of Project</b>	<b>2013-2014</b>
(1) B. Everett Jordan Lake Water Supply Storage A	\$ 200,000
(2) Wilmington Harbor Deepening (75/25)	2,266,000
(3) Morehead City Harbor Maintenance	-
(4) Wilmington Harbor Maintenance (Disposal Area 8 & 10)	2,000,000
(5) 2012 Long-Term Dredging Memorandum of Agreement with USACE	2,000,000
(6) Wilmington Harbor Improvements Feasibility (50/50)	503,000
(7) Planning Assistance to Communities (50/50)	25,000
(8) Manteo Old House Channel Cap Sec. 204 (65/35)	2,219,000
(9) Natural Resources Conservation Service EQIP Project (75/25)	1,500,000
(10) Wrightsville Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,077,000
(11) Ocean Isle Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,481,000
(12) Carolina Beach Coastal Storm Damage	

1	Reduction Project (65/35)(40% project)	727,000
2	(13) Kure Beach Coastal Storm Damage	
3	Reduction Project (65/35)(40% project)	808,000
4	(14) Surf City/NTB Coastal Storm Damage	
5	Reduction Study-PED (75/25)	37,000
6	(15) Concord Streams, NC Sec 206 (65/35)	1,023,000
7	(16) Aquatic Plant Control, Statewide and Lake Gaston (50/50)	200,000
8		
9	<b>TOTALS</b>	<b>\$ 16,066,000</b>

10  
 11 **SECTION 36.3.(b)** It is the intent of the General Assembly that funds carried  
 12 forward from previous fiscal years be used to supplement the thirteen million five hundred  
 13 twenty-two thousand dollars (\$13,522,000) appropriated for water resources development  
 14 projects in Section 36.2(a) of this act. Therefore, the following funds carried forward from  
 15 previous fiscal years shall be used for the following projects:

17	<b>Name of Project</b>	<b>Amount Carried Forward</b>
18		
19	(1) Wilmington Harbor Maintenance (Disposal Area 8 & 10)	\$ 1,200,000
20	(2) Wilmington Harbor Improvements Feasibility (50/50)	57,000
21	(3) Manteo Old House Channel Cap Sec. 204 (65/35)	1,250,000
22	(4) Surf City/NTB Coastal Storm Damage	
23	Reduction Study-PED (75/25)	37,000
24		
25	<b>TOTALS</b>	<b>\$ 2,544,000</b>

26  
 27 **SECTION 36.3.(c)** Where the actual costs are different from the estimated costs  
 28 under subsection (a) of this section, the Department may adjust the allocations among projects  
 29 as needed. If any projects funded under subsection (a) of this section are delayed and the  
 30 budgeted State funds cannot be used during the 2013-2014 fiscal year or if the projects funded  
 31 under subsection (a) of this section are accomplished at a lower cost, the Department may use  
 32 the resulting fund availability to fund any of the following:

- 33 (1) U.S. Army Corps of Engineers project feasibility studies.
- 34 (2) U.S. Army Corps of Engineers projects whose schedules have advanced and  
 35 require State-matching funds in the 2013-2014 fiscal year.
- 36 (3) State-local water resources development projects.

37 Funds subject to this subsection that are not expended or encumbered for the purposes set forth  
 38 in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of  
 39 the 2014-2015 fiscal year.

40 **SECTION 36.3.(d)** The Department shall make semiannual reports on the use of  
 41 these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal  
 42 Research Division, and the Office of State Budget and Management. Each report shall include  
 43 all of the following:

- 44 (1) All projects listed in this section.
- 45 (2) The estimated cost of each project.
- 46 (3) The date that work on each project began or is expected to begin.
- 47 (4) The date that work on each project was completed or is expected to be  
 48 completed.
- 49 (5) The actual cost of each project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

**SECTION 36.3.(e)** Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2013-2015 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

**SECTION 36.3.(f)** Up to two hundred fifty thousand dollars (\$250,000) of the funds appropriated to the Department of Environment and Natural Resources for the Parks and Recreation Trust Fund for the 2013-2014 fiscal year may be transferred to the Division of Water Resources of the Department of Environment and Natural Resources to be used for the Lake Waccamaw Hydrilla Eradication Project. The funds transferred under this section shall be transferred to the Division of Water Resources on an as-needed basis.

**NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

**SECTION 36.4.(a)** The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

<b>Name of Project</b>	<b>Amount of Non-General Fund Funding Authorized for FY 2013-2014</b>
Department of Agriculture and Consumer Services	
Western North Carolina Agricultural Center – Midway Pavilion	\$ 125,000
Western North Carolina Agricultural Center – Fill Retention Ponds	250,000
Piedmont Research Station – Calf Barn Construction	150,000
Research Stations – Forest Road Construction	150,000
Raleigh Farmers Market – Parking Improvement/Expansion	200,000
Department of Environment and Natural Resources	
Zoo Ocelot	642,000
Zoo Storage Facility	490,000
Aquariums – Exhibit Improvements & Interior Renovations at Roanoke Island	5,000,000
Department of Public Safety	
Tabor Correctional Visitor Registration Center	121,754
Correction Enterprise Storage Buildings	75,000
NC National Guard	
Albemarle Readiness Center	410,000
Fort Fisher Training Site	1,138,000
Fort Bragg Regional Training Inst.	250,000
USPFO Administration Building	350,000
Camp Butner West Perimeter Road	495,000
J4 Annex Motor Pool New Latrine	30,000
High Point Readiness Center Maintenance Shop	70,000
Camp Butner Classroom Building Phase 1 Design	50,000
Fort Bragg MATES Lower Parking Lot Storm Water Management	499,000

1	Fort Bragg MATES Lower Parking Lot Concrete Pavement`	740,000
2	Kinston Field Maintenance Shop #18 Motor Pool Parking Lot Repair	225,000
3	Electronic Simulation Training Building	750,000
4	Fire Bucket Storage Building	500,000
5	Camp Butner Big Top	475,000
6		
7	Department of Transportation	
8	Lexington Equipment Shop	2,288,000
9	Division 2 Equipment Shop	7,044,300
10	Clay County Equipment Shop	1,210,000
11	Halifax County Salt Storage Shed	186,000
12	Lake Junaluska Salt Storage Shed	266,000
13	Nantahala Salt Storage Shed	35,000
14	Currituck Ferry Welcome Center	1,200,000
15	McDowell County Maintenance/Bridge Maintenance Assembly Office	1,500,000
16	Huntersville Satellite Maintenance Facility	96,300
17	Elizabeth City District/Resident Engineers Office	1,000,000
18	Southport Dormitory	862,000
19	Asheboro Maintenance Warehouse and Sign Subshop	489,000
20	Hatteras Toll Booth	76,000
21	Graham County Maintenance Assembly	704,000
22	Division 8 Office	141,000
23		
24	Wildlife Resources Commission	
25	Land Purchases	3,750,000
26	Table Rock Hatchery Building Replacement	500,000
27	Construction of New Fishing Access Areas	240,000
28	Construction of New Boating Access Areas	800,000
29	Construction of New Shooting Ranges	1,500,000
30	New Cold Water Hatchery – Advance Planning	100,000
31	Holly Shelter Game Lands – Maintenance Building Replacement	250,000
32	Sandhills Depot – Building Replacement	600,000
33	Renovations to Existing BAAs	800,000
34	ADA Initiative of Existing BAAs	280,000
35	Infrastructure R&R	1,500,000
36	Sandhills Depot Shop and Storage Building	435,000
37	Holly Shelter Shop and Secure Storage Building	250,000
38	Tiffany Depot Storage Shed and Shop	165,000

**TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL****PROJECTS AUTHORIZED****\$41,453,354**

**SECTION 36.4.(b)** From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of thirty thousand dollars (\$30,000) for the 2013-2014 fiscal year and the sum of thirty thousand dollars (\$30,000) for the 2014-2015 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

**REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

1           **SECTION 36.5.(a)** Of the funds in the Reserve for Repairs and Renovations for  
2 the 2013-2014 and the 2014-2015 fiscal year, the following allocations shall be made to the  
3 following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

4           (1) One-third shall be allocated to the Board of Governors of The University of  
5 North Carolina.

6           (2) Two-thirds shall be allocated to the Office of State Budget and Management.

7           The Office of State Budget and Management and the Board of Governors shall  
8 consult with or report to the Joint Legislative Commission on Governmental Operations, as  
9 appropriate, in accordance with G.S. 143C-4-3(d).

10           **SECTION 36.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to  
11 the Board of Governors of The University of North Carolina in subsection (a) of this section, a  
12 portion shall be used each fiscal year by the Board of Governors for the installation of fire  
13 sprinklers in university residence halls. This portion shall be in addition to funds otherwise  
14 appropriated in this act for the same purpose. Such funds shall be allocated among the  
15 university's constituent institutions by the President of The University of North Carolina, who  
16 shall consider the following factors when allocating those funds:

17           (1) The safety and well-being of the residents of campus housing programs.

18           (2) The current level of housing rents charged to students and how that  
19 compares to an institution's public peers and other UNC institutions.

20           (3) The level of previous authorizations to constituent institutions for the  
21 construction or renovation of residence halls funded from the General Fund  
22 or from bonds or certificates of participation supported by the General Fund  
23 since 1996.

24           (4) The financial status of each constituent institution's housing system,  
25 including debt capacity, debt coverage ratios, credit rankings, required  
26 reserves, the planned use of cash balances for other housing system  
27 improvements, and the constituent institution's ability to pay for the  
28 installation of fire sprinklers in all residence halls.

29           (5) The total cost of each proposed project, including the cost of installing fire  
30 sprinklers and the cost of other construction, such as asbestos removal and  
31 additional water supply needs.

32           The Board of Governors shall submit progress reports to the Joint Legislative  
33 Commission on Governmental Operations. Reports shall include the status of completed,  
34 current, and planned projects. Reports also shall include information on the financial status of  
35 each constituent institution's housing system, the constituent institution's ability to pay for fire  
36 protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be  
37 submitted on January 1 and July 1 until all residence halls have fire sprinklers.

38           **SECTION 36.5.(c)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to  
39 the Board of Governors of The University of North Carolina in subsection (a) of this section, a  
40 portion shall be used each fiscal year by the Board of Governors for campus public safety  
41 improvements allowable under G.S. 143C-4-3(b).

42           **SECTION 36.5.(d)** G.S. 143C-4-3(b), as rewritten by Section 6.12(l) of this act,  
43 reads as rewritten:

44           "(b) Use of Funds. – The funds in the Repairs and Renovations Reserve shall be used  
45 only for the repair and renovation of (i) State facilities and related infrastructure that are  
46 supported from the General Fund-Fund or (ii) State Information Technology Services facilities  
47 and related infrastructure. Funds from the Repairs and Renovations Reserve shall be used only  
48 for the following types of projects:

49           (1) Roof repairs and replacements;

50           (2) Structural repairs;

51           (3) Repairs and renovations to meet federal and State standards;



- 1 (4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning
- 2 systems;
- 3 (5) Improvements to meet the requirements of the Americans with Disabilities
- 4 Act, 42 U.S.C. § 12101, et seq., as amended;
- 5 (6) Improvements to meet fire safety needs;
- 6 (7) Improvements to existing facilities for energy efficiency;
- 7 (8) Improvements to remove asbestos, lead paint, and other contaminants,
- 8 including the removal and replacement of underground storage tanks;
- 9 (9) Improvements and renovations to improve use of existing space;
- 10 (10) Historical restoration;
- 11 (11) Improvements to roads, walks, drives, utilities infrastructure; and
- 12 (12) Drainage and landscape improvements.

13 Funds from the Repairs and Renovations Reserve shall not be used for new construction or  
14 the expansion of the building area (sq. ft.) of an existing facility unless required in order to  
15 comply with federal or State codes or standards."  
16

## 17 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

18 **SECTION 36.6.** The appropriations made by the 2013 General Assembly for  
19 capital improvements shall be disbursed for the purposes provided by this act. Expenditure of  
20 funds shall not be made by any State department, institution, or agency until an allotment has  
21 been approved by the Governor as Director of the Budget. The allotment shall be approved  
22 only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.  
23 Prior to the award of construction contracts for projects to be financed in whole or in part with  
24 self-liquidating appropriations, the Director of the Budget shall approve the elements of the  
25 method of financing of those projects, including the source of funds, interest rate, and  
26 liquidation period. Provided, however, that if the Director of the Budget approves the method  
27 of financing a project, the Director shall report that action to the Joint Legislative Commission  
28 on Governmental Operations at its next meeting.

29 Where direct capital improvement appropriations include the purpose of furnishing  
30 fixed and movable equipment for any project, those funds for equipment shall not be subject to  
31 transfer into construction accounts except as authorized by the Director of the Budget. The  
32 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and  
33 approved by the Director of the Budget prior to commitment of funds.

34 Capital improvement projects authorized by the 2013 General Assembly shall be  
35 completed, including fixed and movable equipment and furnishings, within the limits of the  
36 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided  
37 in this act. Capital improvement projects authorized by the 2013 General Assembly for the  
38 design phase only shall be designed within the scope of the project as defined by the approved  
39 cost estimate filed with the Director of the Budget, including costs associated with site  
40 preparation, demolition, and movable and fixed equipment.  
41

## 42 **REPORTING ON CAPITAL PROJECTS**

43 **SECTION 36.7.(a)** Definitions. – The following definitions apply in this section:

- 44 (1) Capital project. – Any capital improvement, as that term is defined in  
45 G.S. 143C-1-1, that is not complete by the effective date of this section and  
46 that is funded in whole or in part with State funds, including receipts,  
47 non-General Fund sources, or statutorily or constitutionally authorized  
48 indebtedness of any kind. This term includes only projects with a total cost  
49 of one hundred thousand dollars (\$100,000) or more.

1 (2) Construction phase. – The status of a particular capital project as described  
2 using the terms customarily employed in the design and construction  
3 industries.

4 (3) New capital project. – A capital project that is authorized in this act or  
5 subsequent to the effective date of this act.

6 **SECTION 36.7.(b)** Reporting. – The following reports are required:

7 (1) By October 1, 2013, and every six months thereafter, each State agency shall  
8 report on the status of agency capital projects to the Joint Legislative  
9 Commission on Governmental Operations.

10 (2) By October 1, 2013, and quarterly thereafter, each State agency shall report  
11 on the status of agency capital projects to the Fiscal Research Division and  
12 to the Office of State Budget and Management.

13 **SECTION 36.7.(c)** The reports required by subsection (b) of this section shall  
14 include at least the following information about every agency capital project:

15 (1) The current construction phase of the project.

16 (2) The anticipated time line from the current construction phase to project  
17 completion.

18 (3) Information about expenditures that have been made in connection with the  
19 project, regardless of source of the funds expended.

20 (4) Information about the adequacy of funding to complete the project,  
21 including estimates of how final expenditures will relate to initial estimates  
22 of expenditures, and whether or not scope reductions will be necessary in  
23 order to complete the project within its budget.

24 (5) For new capital projects only, an estimate of the operating costs for the  
25 project for the first five fiscal years of its operation.

26 **SECTION 36.7.(d)** In addition to the other reports required by this section on  
27 October 1, 2013, and every six months thereafter, the Office of State Construction shall report  
28 on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative  
29 Commission on Governmental Operations. The report shall include (i) summary information  
30 about the average length of time that passes between FCAP assessments for an average State  
31 building; (ii) detailed information about when the last FCAP assessment was for each State  
32 building complex; and (iii) detailed information about the condition and repairs and renovations  
33 needs of each State building complex.

34 **SECTION 36.7.(e)** In addition to the other reports required by this section on  
35 October 1, 2013, and quarterly thereafter, the State Construction Office shall report to the  
36 General Assembly on the status of plan review, approval, and permitting for each State capital  
37 improvement project and community college capital improvement project over which the  
38 Office exercises plan review, approval, and permitting authority. Each report shall include (i)  
39 summary information about the workload of the Office during the previous quarter, including  
40 information about the average length of time spent by the State Construction Office on each  
41 major function it performs that is related to capital project approval and (ii) detailed  
42 information about the amount of time spent engaged in those functions for each project that the  
43 State Construction Office worked on during the previous quarter.

#### 44 45 **AUTHORIZE UNC CARRYFORWARD FUNDS TO BE USED FOR REPAIRS AND** 46 **RENOVATIONS**

47 **SECTION 36.9.** Notwithstanding any other provision of law, for purposes of  
48 G.S. 143C-8-12, the term "non-General Fund money" includes funds carried forward from one  
49 fiscal year to another pursuant to G.S. 116-30.3. However, these funds shall only be used for  
50 projects listed in G.S. 143C-4-3(b). This section shall expire on June 30, 2014.

51

**LIMIT UNC REPAIRS AND MAINTENANCE EXEMPTION**

**SECTION 36.10.** G.S. 116-13.1(c) reads as rewritten:

"(c) Approval of Certain Repair and Maintenance Projects. – Notwithstanding G.S. 143C-8-7, the chancellor of a constituent institution may approve the expenditure of available operating funds in an amount not to exceed one million dollars (\$1,000,000) per project for repairs to institution facilities, renovations to institution facilities, maintenance of those facilities, and related equipment purchases for projects that are of a type listed in G.S. 143C-4-3(b) and that are for State facilities and related infrastructure that are supported from the General Fund. Funds contractually obligated to an approved project shall not revert at the end of the fiscal year and will remain available to fund the completion of the project. Projects approved pursuant to this subsection shall in all other respects accord with applicable laws governing capital improvement projects. The chancellor of a constituent institution shall report the approval of an expenditure under this subsection to the Office of State Budget and Management and to the Fiscal Research Division of the Legislative Services Commission within 60 days of the approval."

**NATIONAL GUARD PROJECTS**

**SECTION 36.11.(a)** The Department of Public Safety shall allocate funds for National Guard capital projects during the 2013-2015 fiscal biennium in accordance with the schedule that follows. These funds will provide a State match for an estimated twenty-one million dollars (\$21,000,000) in federal funds. The projects authorized, the allocation of State funds for each project, and the total project cost authorized for each project are as follows:

	<b>Name of Project</b>	<b>State Fund Allocation</b>	<b>Total Project Cost</b>
24	(1) Wilmington Building Expansion/Rehab	\$ 375,000	\$ 1,125,000
25	(2) Wilmington Site Expansion/Rehab	250,000	1,250,000
26	(3) Nashville Building Expansion/Rehab	375,000	1,125,000
27	(4) Nashville Site Expansion/Rehab	250,000	1,250,000
28	(5) Clinton Building Expansion/Rehab	375,000	1,125,000
29	(6) Clinton Site Expansion/Rehab	250,000	1,250,000
30	(7) Salisbury Building Expansion/Rehab	375,000	1,125,000
31	(8) Salisbury Site Expansion/Rehab	250,000	1,250,000
32	(9) Parkton Building Expansion/Rehab	375,000	1,125,000
33	(10) Parkton Site Expansion/Rehab	250,000	1,250,000
34	(11) Benson Building Expansion/Rehab	375,000	1,125,000
35	(12) Benson Site Expansion/Rehab	250,000	1,250,000
36	(13) Charlotte Building Expansion/Rehab	375,000	1,125,000
37	(14) Asheboro Site Expansion/Rehab	250,000	1,250,000
38	(15) Winston-Salem Building Expansion/Rehab	375,000	1,125,000
39	(16) Winston-Salem Site Expansion/Rehab	250,000	1,250,000
40	(17) Concord Building Expansion/Rehab	375,000	1,125,000
41	(18) Concord Site Expansion/Rehab	250,000	1,250,000
42	(19) Burlington Site Expansion/Rehab	375,000	1,125,000
43	(20) Albemarle Site Expansion/Rehab	375,000	1,125,000
44	(21) Belmont Building Rehab	375,000	1,125,000
45	(22) Beulaville Building Expansion/Rehab	375,000	1,125,000
46	(23) Boone Building Expansion/Rehab	375,000	1,125,000
47	(24) Dunn Building Expansion/Rehab	375,000	1,125,000
48	(25) Durham Building Expansion/Rehab	375,000	1,125,000
49	<b>TOTALS</b>	<b>\$ 8,250,000</b>	<b>29,250,000</b>

**SECTION 36.11.(b)** Subject to the limitations imposed by Section 36.2(a) of this act, the Adjutant General of the National Guard may determine which projects listed in

1 subsection (a) of this section shall receive an allocation of State funds in each fiscal year of the  
2 biennium.

3 **SECTION 36.11.(c)** Where the actual costs are different from the estimated costs  
4 under subsection (a) of this section, the Adjutant General of the National Guard may adjust the  
5 allocations among projects as needed. However, State funds shall not be allocated to a project  
6 in excess of the maximum amount of State funds authorized to be allocated to the project under  
7 subsection (a) of this section. If any projects funded under subsection (a) of this section are  
8 delayed and the budgeted State funds cannot be used during the 2013-2015 fiscal biennium, or  
9 if the projects funded under subsection (a) of this section are accomplished at a lower cost, the  
10 Department may use the resulting fund availability to fund any of the following:

- 11 (1) Future project feasibility studies.
- 12 (2) Survey, testing, and permitting.
- 13 (3) Planning and execution for reversion of facilities no longer in use.

14 **SECTION 36.11.(d)** No later than June 1, 2015, and every two years thereafter, the  
15 Department shall report on the use of these funds to the Joint Legislative Commission on  
16 Governmental Operations, the Fiscal Research Division, and the Office of State Budget and  
17 Management. Each report shall include all of the following:

- 18 (1) The status of all projects listed in this section.
- 19 (2) The estimated total cost of each project.
- 20 (3) The date that work on each project began or is expected to begin.
- 21 (4) The date that work on each project was completed or is expected to be  
22 completed.
- 23 (5) The actual cost of each project, including federal matching funds.
- 24 (6) Facilities planned for closure or reversion.
- 25 (7) A list of projects advanced in schedule, those projects delayed in schedule,  
26 and an estimate of the amount of funds expected to revert to the General  
27 Fund.

28 **SECTION 36.11.(e)** Chapter 127A of the General Statutes is amended by adding a  
29 new Article to read:

30 "Article 17.

31 "Armory and Facility Development Projects and Plan.

32 **"§ 127A-210. Armory and facility development project plan.**

33 (a) Plan Prepared. – No later than July 1 of each year, the Department of Public Safety  
34 shall prepare a statewide plan for armories for a period of seven years into the future. The plan  
35 shall be known as the Armory and Facilities Development Plan. If the plan differs from the  
36 Armory and Facilities Development Plan adopted for the preceding calendar year, the  
37 Department shall indicate the changes and the reasons for such changes. The Department shall  
38 submit the plan to the Director of the Budget for review.

39 (b) Projects Listed. – The plan shall list the following armory and facilities projects  
40 based on their status as of May 1 of the year in which the plan is prepared:

- 41 (1) Projects approved by the Congress of the United States but for which federal  
42 funds have not been appropriated.
- 43 (2) Projects for which the Congress of the United States has appropriated funds.

44 (c) Project Priorities and Funding Recommendations. – The Department shall assign a  
45 priority to each project within each of the two categories listed under subsection (b) of this  
46 section, either by giving the project a number with "1" assigned to the highest priority, or by  
47 recommending no funding. The Department shall state its reasons for recommending the  
48 funding, deferral, or elimination of a project. The Department shall determine the priority of a  
49 project based on the following criteria: federal requirements, a project's proximity to  
50 transportation infrastructure and other critical State and federal assets, and a project's ability to  
51 further the mission of the National Guard.

1       (d) Distribution of the Plan. – The Director of the Budget shall provide copies of the  
2 plan to the General Assembly along with the recommended biennial budget and the  
3 recommended revised budget for the second year of the biennium.

4       (e) Budget Recommendations. – The Director of the Budget shall determine which  
5 projects, if any, will be included in the recommended biennial budget and in the recommended  
6 revised budget for the second year of the biennium. The budget document transmitted to the  
7 General Assembly shall identify the projects or types of projects recommended for funding.

8       (f) Definitions. – For purposes of this section, the terms "armory," "armory site," and  
9 "facilities" shall have the same meaning as in G.S. 127A-161."

10       **SECTION 36.11.(f)** G.S. 127A-169 reads as rewritten:

11       **"§ 127A-169. Unexpended portion of State appropriation.**

12       The unexpended portion of any appropriation from the General Fund of the State for the  
13 purposes set out in this ~~Article~~, Article, or in Article 17 of this Chapter, remaining at the end of  
14 any biennium, shall not revert to the General Fund of the State, but shall constitute part of a  
15 permanent fund to be expended from time to time in the manner and for the purposes set out in  
16 this Article."  
17

## 18       **CLARIFY GENERAL ASSEMBLY'S AUTHORITY TO MAKE REPAIRS**

19       **SECTION 36.13.** G.S. 120-32 reads as rewritten:

20       **"§ 120-32. Commission duties.**

21       The Legislative Services Commission is authorized to:

22       ...

23       (11) To specify the operating and capital uses within the General Assembly  
24 budget of funds appropriated to the General Assembly which remain  
25 available for expenditure after the end of the biennial fiscal period, and to  
26 revert funds under G.S. 143C-1-2.

27       ...."

## 28       **CLOSURE OF HORACE WILLIAMS AIRPORT**

29       **SECTION 36.14.** The Board of Governors of The University of North Carolina  
30 shall effectuate the closure of the Horace Williams Airport by August 1, 2013.  
31  
32

## 33       **REPAIR, MAINTENANCE, AND SELF-CONSTRUCTION TO STATE PROPERTY**

34       **SECTION 36.15.** Notwithstanding any other provision of the law, an employee of  
35 a State agency or institution may perform work involving the installation, construction,  
36 maintenance, or repair of any buildings, wiring, piping, devices, appliances, or equipment  
37 located in or constituting improvements located on State-owned land without the requirement  
38 of licensure under Chapter 87 of the General Statutes if (i) the work performed is valued at less  
39 than one hundred thousand dollars (\$100,000), (ii) all work is performed as force-account work  
40 otherwise authorized by law up to the value authorized, and (iii) the work is performed by an  
41 employee who is employed by the State agency or institution. The Office of State Construction  
42 may regulate work performed pursuant to this section to ensure compliance with building and  
43 safety codes. Nothing in this section shall be construed to allow an employee of a State agency  
44 or institution to engage in any activities described in this section privately or outside the  
45 employee's scope of employment without meeting all licensure requirements otherwise required  
46 by law.  
47

## 48       **PART XXXVII. FINANCE PROVISIONS**

### 49       **RESERVED**

50       **SECTION 37.0.** This section is reserved.  
51

1  
2 **PART XXXVIII. MISCELLANEOUS PROVISIONS**

3  
4 **STATE BUDGET ACT APPLIES**

5 **SECTION 38.1.** The provisions of the State Budget Act, Chapter 143C of the  
6 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in  
7 this act by reference.

8  
9 **MOST TEXT APPLIES ONLY TO THE 2013-2015 FISCAL BIENNIUM**

10 **SECTION 38.2.** Except for statutory changes or other provisions that clearly  
11 indicate an intention to have effects beyond the 2013-2015 fiscal biennium, the textual  
12 provisions of this act apply only to funds appropriated for, and activities occurring during, the  
13 2013-2015 fiscal biennium.

14  
15 **EFFECT OF HEADINGS**

16 **SECTION 38.3.** The headings to the parts and sections of this act are a  
17 convenience to the reader and are for reference only. The headings do not expand, limit, or  
18 define the text of this act except for effective dates referring to a part.

19  
20 **COMMITTEE REPORT**

21 **SECTION 38.4.(a)** The N.C. House of Representatives Appropriations Committee  
22 Report on the Continuation, Expansion, and Capital Budgets dated June 11, 2013, which was  
23 distributed in the House of Representatives and used to explain this act (i) is incorporated by  
24 reference in this act, (ii) shall indicate action by the General Assembly on this act, and (iii)  
25 shall be used to construe this act. As provided by G.S. 143C-5-5, if the report conflicts with the  
26 act, this act prevails. Amendments adopted on the floor of the House of Representatives  
27 subsequent to the publication of the report also prevail over the committee report.

28 **SECTION 38.4.(b)** G.S. 143C-5-5 reads as rewritten:

29 "**§ 143C-5-5. Committee report used to construe intent of incorporated by reference in**  
30 **budget acts.**

31 A committee report incorporated by reference in the Current Operations Appropriations Act  
32 or the Capital Improvements Appropriations Act and distributed on the floor of ~~the House of~~  
33 ~~Representatives and of the Senate either house of the General Assembly~~ as part of the  
34 explanation of the act ~~is to be construed with~~ shall be considered as part of the appropriate act  
35 in interpreting its intent. If a report conflicts with the act, the act prevails. The Director of the  
36 Fiscal Research Division of the Legislative Services Commission shall send a copy of the  
37 reports to the Director. The General Assembly shall publish an official copy of the report on its  
38 Web site and it shall also be printed as an Appendix of the Session Laws."

39 **SECTION 38.4.(c)** The budget enacted by the General Assembly is for the  
40 maintenance of the various departments, institutions, and other spending agencies of the State  
41 for the 2013-2015 biennial budget as provided in G.S. 143C-3-5. This budget includes the  
42 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

43 The Director of the Budget submitted a recommended continuation budget to the  
44 General Assembly on March 15 and 18, 2013, in the document "State of North Carolina  
45 Recommended Continuation Budget and Fund Purpose Statements, 2013-2015" and in the  
46 Budget Support Document for the various departments, institutions, and other spending  
47 agencies of the State. The adjustments to these documents made by the General Assembly are  
48 set out in the Committee Report.

49 **SECTION 38.4.(d)** The budget enacted by the General Assembly shall also be  
50 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other  
51 appropriate legislation.

1 In the event that there is a conflict between the line-item budget certified by the  
2 Director of the Budget and the budget enacted by the General Assembly, the budget enacted by  
3 the General Assembly shall prevail.  
4

5 **REPORT BY FISCAL RESEARCH DIVISION ON CHANGES TO THE**  
6 **BUDGET/PUBLICATION**

7 **SECTION 38.4A.(a)** The Fiscal Research Division of the Legislative Services  
8 Commission shall issue a report on budget actions taken by the 2013 Regular Session of the  
9 General Assembly in 2013. The report shall be in the form of a revision of the Committee  
10 Report adopted for Senate Bill 402 pursuant to G.S. 143C-5-5 and shall include all  
11 modifications made to the 2013-2015 biennial budget prior to sine die adjournment of the 2013  
12 Regular Session.

13 **SECTION 38.4A.(b)** The report issued pursuant to this section, and the Committee  
14 Report issued pursuant to G.S. 143C-5-5, shall be construed together with this act in  
15 determining the intent of the General Assembly.

16 **SECTION 38.4A.(c)** The Director of the Fiscal Research Division of the  
17 Legislative Services Commission shall send a copy of the report issued pursuant to this section  
18 to the Director of the Budget. The report shall be published on the General Assembly's Internet  
19 Web site for public access.  
20

21 **SEVERABILITY CLAUSE**

22 **SECTION 38.5.** If any section or provision of this act is declared unconstitutional  
23 or invalid by the courts, it does not affect the validity of this act as a whole or any part other  
24 than the part so declared to be unconstitutional or invalid.  
25

26 **EFFECTIVE DATE**

27 **SECTION 38.6.** Except as otherwise provided herein, this act becomes effective  
28 July 1, 2013.